

Beacon Weekly Investment Insights

Everyone's eye last week was on the Federal Reserve, even though it was well telegraphed and widely anticipated that the Open Market Committee would raise the target Fed Funds rate by 25 basis points (0.25%) to a range of 4.50% - 4.75%. Initial reactions in financial markets after Wednesday's announcement, were quite negative, for fear of an extended rate cycle crept into investor psychology. However, moments later, during the press conference which follows the Fed press release, Chairman Jay Powell stated that the "disinflationary process has begun", which signaled a potential short run end to the current hiking cycle. Investor psychology changed quickly and equity markets, especially "growth equities", rebounded sharply.

Other data reports released during the week, were also indicative of milder inflation. The Case Shiller National Home Price Index, which lags by a few months, showed its fifth straight monthly decline in November, by falling 0.6%, versus October. Year over year, home prices declined 7.7% and overall sales declined 17.8%. Additionally, the Labor Department stated that wage gains during the fourth quarter rose 1%, down from 1.2% in the third quarter. Moderating wage pressure also contributes to the moderating inflation theme.

Friday, the Labor Department released the January employment report, which showed the US economy added 517,000 non-farm jobs in January, far exceeding expectations. The unemployment rate is now 3.4%, the lowest since 1969. The gains in jobs were led by service-oriented industries such as healthcare, travel & leisure, and retail.

The strong labor market continues to create angst amongst policy makers and investors. On one hand, strong employment usually signals a strong consumer willing to spend and drive economic growth. On the other hand, a strong labor market usually creates wage inflation, which the Fed would rather see moderate. Time will tell, but for now, sentiment seems to favor the former.

Earnings were also in full force during the week with tech giants Apple, Alphabet (parent of Google), and Amazon all reporting. Neither company offered a particularly rosy forecast, but more consistent with a sluggish economy. Other reports from sectors such as energy (Exxon), materials (Southern Copper), industrials (General Motors) looked slightly better. Overall, we are about halfway through an earnings season we would describe as lackluster.

This week will be heavier on earnings than economic data, although two important data points on the consumer will be released: Tuesday's total consumer debt and Friday's University of Michigan's sentiment index for February. Potential market moving speeches this week start with Federal Reserve Chairman Jay Powell being interviewed at the Economic Club of Washington D.C. on Tuesday along with President Biden's State of the Union Address on Tuesday evening.

Market Scorecard:	2/3/2023	YTD Price Change
Dow Jones Industrial Average	33,926.01	2.35%
S&P 500 Index	4,136.48	7.73%
NASDAQ Composite	12,006.95	14.72%
Russell 1000 Growth Index	2,400.68	11.24%
Russell 1000 Value Index	1,579.03	5.47%
Russell 2000 Small Cap Index	1,985.53	12.73%
MSCI EAFE Index	2,119.00	9.01%
US 10 Year Treasury Yield	3.53%	-36 basis points
WTI Crude Oil	\$73.39	(8.56)%
Gold \$/Oz.	\$1,864.97	2.25%



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