

Beacon Weekly Investment Insights

We would be remiss to jump into our market insights without acknowledging the difficult events that transpired in Afghanistan during the week. We are keeping the families of the deceased members of the US Military and other casualties at the Kabul airport, in our thoughts and prayers along with the people who wish to leave Afghanistan as we watch this dangerous evacuation unfold. We also keep the people who reside in the path of Hurricane Ida, which eerily made landfall in Louisiana exactly 16 years to the day that Hurricane Katrina hit the region. We hope for their safety!

Now to the markets. Clearly the event of the week was the much anticipated “virtual” Jackson Hole Conference. Federal Reserve Chairman Jay Powell made the case that the economy had achieved the Fed’s goal for inflation and had made substantial progress on the employment front which will pave the way for the tapering of their bond buying program. While the timing remains uncertain, the markets anticipate an October or November start to an orderly reduction in Fed purchases. The speech was delivered on Friday morning, and the equity and fixed income markets had positive reactions. The main reason: Chairman Powell did not equate the tapering of bond purchases with an immediate increase in interest rates. In fact, his direct quote stated “the timing and pace of the coming reduction in asset purchases will not be intended to carry a direct signal regarding the timing of interest rate liftoff...”

Economic data this week continued to reinforce our outlook that the economy remains on track for expansion, albeit slower than the first half of the year. We had a slight uptick in 2Q GDP by .1% driven by a revision in consumer spending. Housing continues to remain strong and a driver of the US economy. New home prices rose 18.4% in July from a year ago, but are importantly up 18.5% from December of 2019, which is a pre-pandemic benchmark.

On the healthcare front, the week started off with the news that the FDA had cleared the Pfizer/BioNTech COVID-19 vaccine to receive full approval for use as opposed to the emergency use authorization it had previously carried. Moderna filed their own paperwork for the FDA to consider their vaccine for full approval with a decision to come in the next few weeks. The US Government is also considering advising vaccinated people to get booster vaccines about 8 months after their second dose of either Pfizer or Moderna. This is all great news for consumer sentiment as the economy reopens. Consumer sentiment, which drives spending, has been waning over the past few weeks/months because of the Delta variant of COVID. Also, we have seen with full approval, both private sector companies and public sector entities feel more embolden to mandate employees to be fully vaccinated. This should lower transmission rates of the virus as we head into the colder weather season.

With all the news flow, both the S&P 500 and the NASDAQ Composite closed at record highs. The S&P gained 1.5% while the NASDAQ Composite gained 2.8%. Of note, the economically sensitive Russell 2000 Index of small-cap stocks rose 5.1% for the week. Clearly the look thru here is consistent with our view of economic growth, moderating inflation, and an accommodative Federal Reserve. As a result of Hurricane Ida, we did see a spike in energy commodities like crude oil, natural gas, and refined product with the potential damage to infrastructure in and around the Gulf Coast. We expect the impact here to be short-lived with process moderating as supply comes back online in the next few days.

Looking ahead to this week, we will see a good amount of economic data to follow on what was stated at the Fed’s Jackson Hole summit last week. We will start on Monday with pending home sales for the month of July followed by consumer confidence readings on Tuesday. The Institute for Supply Management (ISM) will report both the manufacturing survey along with the services survey on Wednesday and Friday respectively. Finally, the key measure of the week will be the non-farm payroll report and unemployment rate for August which is set for 8:30 a.m. release. Most measures of economic activity are expected to be slightly slower than previous readings, but still point in an expansionary direction for the US economy.

Enjoy your week!

Market Scorecard:	8/27/2021	YTD Price Change
Dow Jones Industrial Average	35,455.80	15.84%
S&P 500 Index	4,509.37	20.06%
NASDAQ Composite	15,129.50	17.39%
Russell 1000 Growth Index	2,903.56	19.60%
Russell 1000 Value Index	1,608.03	19.15%
Russell 2000 Small Cap Index	2,277.18	15.31%
MSCI EAFE Index	2,339.25	8.93%
US 10 Year Treasury Yield	1.31%	38 basis points
WTI Crude Oil	\$68.72	43.14%
Gold \$/Oz.	\$1,817.57	(4.26%)

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