Beacon Trust
INNOVATING WEALTH STRATEGY

April 3, 2023

Beacon Weekly Investment Insights

As we get further away from the collapse of Silicon Valley Bank and Signature Bank, investor confidence has firmed and we are not on the verge of a 2008-like financial crisis. Equity markets provided strong positive returns on the week, with the three major averages, Dow Jones Industrials, S&P 500, and NASDAQ Composite all rising more than 3% for the week. For the first quarter overall, the Dow Industrials rose 0.4%, the S&P 500 rose 7.1% and the NASDAQ rose 16.8%. Funds have flowed into the larger mega-cap companies most likely for the safety of strong balance sheets and cash flows.

Sentiment regarding the Federal Reserve and their interest rate policies also has taken a turn, with positioning starting to turn to Federal Funds Rate cuts in 2023, as opposed to more aggressive hikes. The next meeting of the Open Market Committee is not until May 2nd and 3rd, so a great deal of economic data and corporate earnings will need to be digested before their rate decision is announced. As of this writing, there is still a higher probability of another hike by 25 basis points at that meeting, although as noted, plenty of data will be absorbed between now and then.

Inflation has been at the forefront of the conversation, and last Friday the Personal Consumption Expenditures Index was released and pointed to a moderating inflation picture. This measure is the preferred inflation report of the Federal Reserve. The headline index rose 0.3% in February, down from a 0.6% increase in January, while the core index (excluding food and energy prices) also rose 0.3% in February versus January's rise of 0.5%. This slowing monthly rise gives us the welcome sign that inflation may be again moderating after having upside surprises over the past few months. The annual increases in inflation for headline of 5.0% and core inflation of 4.6%, remain elevated above the Fed's target of 2%.

Also last week, we saw two widely followed measures of consumer confidence released with conflicting results. The Conference Board's confidence measure rose 0.8% from the prior month, while the University of Michigan's sentiment gauge fell 7.5% from the prior month. Both measures, however, did point to a decline in feelings about the present situation. We point to these sentiment measures because spending by consumers accounts for over two-thirds of economic growth and has shown slight declines month over month.

Finally, over the weekend, an announcement of cuts in oil production amounting to more than 1 million barrels per day, initiated by Saudi Arabia, Kuwait, the United Arab Emirates, and Algeria. When including previously announced cuts to production by Russia, supply could decline by an estimated 1.5 million barrels per day. Indications for the price per barrel of oil (WTI) this morning was up about 7% to slightly over $80.00. The obvious impact on higher commodity process such as oil is negative for moderating headline global inflation.

This week, economic releases will be plentiful and leveraged slightly to bigger ticket spending. Monday we will see a reading on construction spending and the ISM Manufacturing Index. Tuesday follows with factory orders and durable goods orders, along with the Bureau of Labor Statistics (BLS) Job Openings and Labor Turnover Survey (JOLTS). Wednesday, we have ISM Services Index, Trade Balance data, and the ADP Employment change. Initial Jobless claims as usual on Thursday and the BLS Unemployment Report for March is due. Friday, in observance of Good Friday, the US equity markets will be closed and fixed income trading will close at noon. Have a great week!

Market Scorecard:	3/31/2023	YTD Price Change
Dow Jones Industrial Average	33,274.15	0.38%
S&P 500 Index	4,109.31	7.03%
NASDAQ Composite	12,221.91	16.77%
Russell 1000 Growth Index	2,461.71	14.06%
Russell 1000 Value Index	1,503.29	0.41%
Russell 2000 Small Cap Index	1,802.48	2.34%
MSCI EAFE Index	2,092.60	7.65%
US 10 Year Treasury Yield	3.47%	-41 basis points
WTI Crude Oil	$75.67	-5.72%
Gold $/Oz.	$1,969.28	7.96%