

## Beacon Weekly Investment Insights

Last week was light on economic releases, but certainly not short on news flow. Early in the week, we had some significant rotational movement out of sectors and industries based upon political rhetoric from both sides of the aisle. This is an example of some of the equity market volatility we have been speaking of as the November US elections approach. From a sector standpoint, information technology experienced the worst performance on the week, declining by 5.1%, while communication services declined by 2.9%. On a year-to-date basis, however, these two sectors continue to dominate S&P performance with returns of 26.5% and 22.7% respectively.

From an overall index standpoint, last week, the Nasdaq Composite led the declines with a -3.6% return, the S&P 500 declined by 1.9%, and the Dow Industrials gained 0.7%. Positive performance for the week also came from the small cap indices Russell 2000, up 1.7% and the S&P 600, up 2.2%. This also is a theme we have been expressing for some time as we look for a broadening of performance drivers as we continue to see a moderating inflationary environment, along with moderating short term interest rates. On the week, the US Treasury yield curve was relatively steady with a move up in 2-year and 10-year bonds by 6 basis points to yield 4.45% and 4.18% respectively.

The most anticipated economic release of the week was advanced retail sales, a gauge viewed to reflect the strength of the consumer. While June's figures revealed flat spending month over month, it was better than the 0.3% decline expected. May's figures were also revised higher to reflect a 0.3% increase. Overall, sales revenues were focused on categories where price discounts were evidenced, thus forecasting a continuation of moderating inflation. Among other economic data points, initial jobless claims rose slightly on week over week basis, and the Conference Board's index of Leading Economic Indicators also declined by 0.2% for June.

Second quarter corporate earnings season has kicked off and we remain in the early stages. Only 14% of the S&P 500 constituents have reported and thus far earnings are up close to 9.0% on revenue growth of 4.3%. Financials have been the largest group to report, with combined growth of 10.6%. Over the next two weeks, we will have a flurry of reports coming in highlighted this coming week by major technology and pharma companies.

We experienced a wide-spread global technology disruption on Friday morning when a flawed software update by cybersecurity firm, CrowdStrike, caused Microsoft systems to crash. Disruption to transportation industries like airlines and rails, financial services firms, hospitals and other healthcare industries, emergency response centers, and retailers. The source of the outage was quickly identified, and a certain relief came about as it was company specific and not "hacker activity".

Finally, over the weekend, President Biden announced he was dropping out of the Presidential race and endorsed Vice President Harris to replace him at the top of the Democratic ticket. This will undoubtedly set off a flurry speculation around policy platforms not only between the two parties, but between President Biden and Vice President Harris. Additionally, there will be speculation about who will join Vice President Harris on the ticket. There is also a possibility for an open convention in August to select the Democratic ticket. Obviously more to come on this topic.

For this week ahead, we have a full calendar of economic data points along with a flurry of earnings reports. Tuesday, we will see the largest segment of the real estate market with existing home sales data followed Wednesday by mortgage application data and new home sales. S&P Global Manufacturing and Services PMI is also released on Wednesday. The first estimate of second quarter US GDP will be released on Thursday along with associated price indices. Friday, the Federal Reserve's favored inflation measure the Personal Consumption Expenditures index will be released followed later in the day by the University of Michigan's consumer sentiment

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index. Alphabet, the parent company of Google, will release earnings on Tuesday afternoon along with Tesla, followed by IBM on Wednesday. Large pharma companies Bristol Meyers, Sanofi, and Astra Zeneca along with consumer giants, Coca Cola, Philip Morris International, and Colgate Palmolive will release throughout the remainder of the week.

<b>Market Scorecard:</b>	<b>7/19/2024</b>	<b>YTD Price Change</b>
Dow Jones Industrial Average	40,287.53	6.89%
S&P 500 Index	5,505.00	15.41%
NASDAQ Composite	17,726.94	18.09%
Russell 1000 Growth Index	3,641.25	19.32%
Russell 1000 Value Index	1,768.63	8.54%
Russell 2000 Small Cap Index	2,184.35	7.76%
MSCI EAFE Index	2,360.51	5.56%
US 10 Year Treasury Yield	4.24%	36 basis points
WTI Crude Oil	\$80.13	11.84%
Gold \$/Oz.	\$2,400.84	16.38%



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