

Beacon Weekly Investment Insights

Equity markets finished last week in positive territory for the fourth week in a row. The S&P 500 returned 1.5% for the week, the tech-heavy Nasdaq ended the week up 2.1%, and the Dow Jones Industrial Average was up 1.2%, with the blue-chip index closing above the milestone 40,000 level. Small-cap stocks outpaced the S&P 500, with the Russell 2000 index closing the week up 1.7%. The continued advance in equity markets comes on the heels of better than expected corporate earnings, signs of some moderation in the economy although still in the context of a solid backdrop, and inflation data that was not as bad as was feared, furthering the “soft-landing” narrative and expectation for the Fed to cut rates later on this year. At present, futures markets are pricing in two 0.25% rate cuts for this year (September and December), after recent expectations for 1 or no rate cuts following higher than expected inflation readings in the first quarter. Yields were also supportive, with the 10-year treasury yield moving down to 4.42%, from 4.50% to start the week. Gold also continues its advance amidst demand from central banks, closing the week at \$2,417.70/ounce, and is now up 16.68% for the year.

Both the PPI (producer price index) which is a measure of the wholesale inflation, and CPI (consumer price index) reports were released last week. Although the PPI came in above expectations, with the Core reading increasing 0.4% for the month of April vs. expectations for a 0.2% increase, the more closely watched CPI reading came in largely in-line with expectations, with many market participants bracing for a potential upside surprise. At the headline level, CPI increased by 0.3% in April which was below expectations for a 0.4% increase, and increased 3.4% year-over-year, in-line with expectations. Core CPI, which excludes food and energy, increased by 0.3% in April and 3.6% year-over-year, both in line with expectations.

Retail sales figures were also released last week, which came in well below expectations with a flat reading relative to estimates for a 0.4% increase, and down significantly from the prior reading of 0.6%. As noted above, this retail sales report showing signs of a slowdown in consumer spending, alongside recent jobs and consumer sentiment data for April that were weaker than expected, have pointed to some softening in the economy. Further to this point, the leading economic index which includes several subcomponents that are leading indicators meant to provide a gauge as to where the economy is headed, was released last Friday. The report also pointed to softening in the economy, with a reading of -0.6% in April, relative to expectations for a -0.3% decrease, after last month's -0.3% decrease. There was also plenty of Fed speak last week, including Chair Powell who reiterated last Tuesday that he still sees inflation moving down in the coming months and it is unlikely that the next move would be an interest rate hike, but that the Fed needs to gain more confidence in this forecast.

Increased risk-taking in equity markets was also prevalent last week, with renewed momentum earlier on in the week for some meme stocks like GameStop, which spiked as high as \$64/share from \$17/share to start the week, before giving back most of those gains by the end of the week and ultimately closing up 27%. In addition, Bitcoin closed up 9.1% for the week. Walmart also reported earnings last week, and provided somewhat of an offset to concerns about the consumer, with a solid earnings report and comparable sales coming ahead of expectations, pushing shares up close to 7%. The company did however, add to commentary from other retailers around value-seeking behavior from shoppers.

With 93% of companies in the S&P 500 having reported earnings, aggregate earnings growth for the first quarter has come in well ahead of expectations at 5.7% vs. expectations for 3.4% growth heading into the quarter. An above average 78% of companies beat earnings expectations, while a below average 60% of companies exceeded revenue expectations, pointing to companies doing a good job protecting margins.

The Fed speak will continue this week, alongside the release of the minutes from the Fed's May FOMC meeting. Existing and new home sales are set to be released on Wednesday and Thursday, respectively. The S&P Flash U.S. Manufacturing and Services PMI data will be released on Thursday, with Durable-goods orders and consumer sentiment data on the docket for Friday. The primary focus for markets however, will be Nvidia's earnings release on Wednesday, which certainly has the potential to move markets meaningfully.

Market Scorecard:	5/17/2024	YTD Price Change
Dow Jones Industrial Average	40,003.59	6.14%
S&P 500 Index	5,303.27	11.18%
NASDAQ Composite	16,685.97	11.16%
Russell 1000 Growth Index	3,449.11	13.02%
Russell 1000 Value Index	1,760.20	8.03%
Russell 2000 Small Cap Index	2,095.72	3.39%
MSCI EAFE Index	2,381.35	6.49%
US 10 Year Treasury Yield	4.42%	54 basis points
WTI Crude Oil	\$80.06	11.74%
Gold \$/Oz.	\$2,417.40	16.68%

 **Beacon Trust** 163 Madison Avenue, Suite 600 | Morristown, NJ 07960 | 973.377.8090 | BeaconTrust.com

Important Information: Beacon Investment Advisory Services, Inc. ("BIAS") is an SEC registered investment adviser, under the name Beacon Trust, and is wholly owned by Beacon Trust Company ("BTC"), which is a subsidiary of Provident Bank. Provident Bank is a subsidiary of Provident Financial Services, Inc., a holding company whose common stock is traded on the New York Stock Exchange. Beacon Trust may only transact business in those states where they are notice filed or qualify for a corresponding exemption from notice filing requirements. Additional information is contained in the respective Form ADV disclosure documents, the most recent versions of which are available on the SEC's Investment Adviser Public Disclosure website at <http://www.adviserinfo.sec.gov>.

SECURITIES AND INVESTMENT PRODUCTS: Not FDIC Insured | May Lose Value | No Bank Guarantee

This publication is limited to the dissemination of general information pertaining to the wealth management products and services offered by Beacon to U.S. residents of those states where not prohibited by applicable law. No portion is to be construed as a solicitation to effect transactions in securities or the provision of personalized investment, tax, or legal advice. Investing involves risks which may lead to losses, including loss of principal. Different types of investments involve varying degrees of risk and there can be no assurance that any specific investment will be profitable. Any reference to a market index is included for illustrative purposes only, as it is not possible to directly invest in an index. Indices are unmanaged vehicles that serve as market indicators and do not account for the deduction of management fees or transaction costs generally associated with investable products, which otherwise have the effect of reducing the performance of an actual investment portfolio. Calculation methodologies are available from BIAS upon request.

Past performance is not a predictor of future results. It should not be assumed that any information discussed herein will prove to be profitable or that decisions in the future will be profitable or provide specific performance results. Any discussion of tax matters contained within this communication should not be used for the purpose of avoiding U.S. tax related penalties or promoting, marketing, or recommending to another party any transaction or matter addressed herein. Beacon Trust does not provide legal advice. 00217063