

Beacon Weekly Investment Insights

The most important news last week for the financial markets was likely geopolitical and not economic in nature. The U.S. and Israel attacked Iran after recent peace talks were deemed unsuccessful. Iran's Supreme Leader, Ayatollah Ali Khamenei, and several other top officials were killed in the attack. In retaliation, Iran launched missiles and/or drones at not only Israel, but also Bahrain, Iraq, Jordan, Kuwait, Qatar, Oman, Saudi Arabia, and the United Arab Emirates. In addition, Iran's Revolutionary Guard Corps (IRGC) stated "no ship is allowed to pass the Strait of Hormuz," a critical global shipping lane for oil and gas exports. Crude oil prices increased more than 7% on Monday morning, relative to Friday's closing price.

President Trump and Israeli Prime Minister Benjamin Netanyahu encouraged Iranians to rise up and take control of their country. However, it is not apparent that there is a clear path for them to do so, and negotiations are ongoing with the current provisional government council amidst continued military operations. Stocks in the U.S. fell roughly 1% on Monday morning. Further volatility depends to some extent on how quickly, if at all, a regime change occurs in Iran. Risk events reinforce the need for clients to have a diversified portfolio, buttressed by several different return drivers. We also encourage clients to have sufficient liquidity, which in most cases refers to having 1-2 years of living expenses in safe, shorter duration fixed income investments. Although stocks appear poised to fall on Monday, short-term investment grade bonds and gold are pointing to positive returns. The yield on the 10 Year U.S. Treasury Note fell below 4.0% last week for the first time since November, although it has reapproached that round number on Monday morning due to inflation concerns related to the military actions in the Middle East.

Moving on to company specific news, NVIDIA reported strong earnings and a positive outlook. Nevertheless, the stock fell 7.5% last week, during a period when the S&P 500 decreased a modest 0.4%. Investors continue to rotate away from select technology names and into more value-oriented sectors, such as Healthcare, Materials, and Industrials. The potentially negative impact of artificial intelligence on the profitability of many technology related stocks was further exacerbated by a widely discussed research report published last week by Citrini Research. As shown at the table near the bottom of this writing, the Russell 1000 Value Index is up almost 7% year-to-date (YTD) and the small-cap Russell 2000 Index is up more than 6% YTD, in contrast to the nearly 5% decline for the Russell 1000 Growth Index.

In a somewhat surprising twist, Netflix bowed out of the contest to purchase Warner Brothers Discovery. Paramount Skydance, led by David Ellison, the son of Oracle Chairman Larry Ellison, has emerged as the winner of the takeover battle, subject to government approval. Greg Abel, Berkshire Hathaway's new CEO, released his first letter to the iconic firm's shareholders on Saturday. Mr. Abel assured Berkshire Hathaway shareholders that the firm would be run in a similar manner as it has been managed over the past 60 years by investment legend, Warren Buffett. Block, formerly known as Square, announced it was laying off approximately 40% of its staff, due in part to AI dramatically increasing the productivity of some existing workers. Analysts are keenly watching if other technology firms will follow suit. Elon Musk's SpaceX took further steps towards an IPO later this year at a valuation reportedly close to \$1.4 trillion.

The Producer Price Index (PPI), a measure of wholesale inflation, increased 0.5% month-over-month and 2.9% year-over-year. These numbers were higher than market expectations and partially explained last week's drop in the S&P 500. The PPI feeds into the Fed's preferred inflation gauge, the Personal Consumption Expenditures (PCE) index, raising the specter of continued elevated inflation readings, even before the surge in oil prices this week.

Looking ahead to the economic calendar this week, several Fed Governors will be on the speaker circuit. Three governors will be speaking on Tuesday, two on Thursday, and two more on Friday. Their remarks will take on increasing importance given the heightened levels of geopolitical risk. The forward-looking Institute for Supply Chain

Management (ISM) surveys will be released this week, with the ISM Manufacturing report out on Monday and the ISM Services report on Wednesday. The monthly U.S. jobs report will be released on Friday, providing a fresh reading of the closely watched unemployment rate. Lastly, as we look ahead to March and the spring season, we hope the last of the major snowstorms is behind us in the Northeast.

Market Scorecard:	2/27/2026	YTD Price Change
Dow Jones Industrial Average	\$48,977.92	1.90%
S&P 500 Index	\$6,878.88	0.49%
NASDAQ Composite	\$22,668.21	-2.47%
Russell 1000 Growth Index	\$4,530.99	-4.90%
Russell 1000 Value Index	\$2,215.81	6.96%
Russell 2000 Small Cap Index	\$2,632.36	6.06%
MSCI EAFE Index	\$3,164.13	9.93%
US 10 Year Treasury Yield	3.962%	-20 basis points
WTI Crude Oil	\$67.29	17.21%
Gold \$/Oz.	\$5,296.40	22.26%

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