

## Beacon Weekly Investment Insights

Focus last week was obviously the US elections, which surprisingly was decided for the most part on Tuesday evening. While many around the world expected at least a few days of ballot counting and challenges, by late evening it was clear that Donald Trump had amassed enough electoral college votes to win the Presidency, and the US Senate majority would be won by the Republican Party. As we write this piece, the US House of Representatives still has 18 races left to be determined. It is likely that the Republican Party will gain at least the 218 seats needed for a majority, having clinched 214 already.

Equity indices reacted positively, especially Wednesday, as the relief of an uncontested election became clear. The Dow Jones Industrials and the S&P 500 each gained 4.6% for the week while the Nasdaq Composite added 5.7%. Small and mid-cap stocks also showed significant gains with the Russell 2000 small cap index up 8.5% and the S&P mid-cap index up 6.3%. Bond prices found some stability last week after a relatively sharp move higher. The 10-year benchmark US Treasury closed the week down 8 basis points to 4.31%.

The Federal Reserve Open Market Committee also met last week and unanimously decided to cut the Federal Funds target rate by 25 basis points to 4.50-4.75% on Thursday. This widely anticipated move comes as the Fed officials feel more confident that inflation will continue to moderate towards its 2.0% target. They also believe the rate environment is still restrictive enough to dampen economic activity. Chairman Powell was asked numerous times during the press conference about his intention to serve his full term which expires in May 2026, to which his response was consistently yes.

We continue to recommend investors exercise prudence and patience in this environment as opposed to knee-jerk reactions to adjust portfolio weights or allocations based on the election outcome. We favor diversified portfolios and will continue to monitor the underlying currents of the broader economy to dictate any directional adjustments to add value on a longer term basis.

Speaking of the underlying economic currents, the data continues to be supportive of economic growth. The ISM Services index released last week edged up to 56.0 in October from 54.9 in September. Reminder that an index above 50 signals expansion. The rise was driven by a much stronger employment within the survey which overshadowed a slight decline in new orders. This is the fourth consecutive monthly increase in the survey and the highest reading since July of 2022. Additionally, the University of Michigan consumer sentiment index also rose 3.5% with the strength stemming from consumers longer term expectations relative to current conditions.

Corporate earnings season is also coming to a close. To date, 90% of the S&P 500 constituents have reported third quarter earnings. Overall earnings have increased 7.1% On a year over year basis, earnings have grown 7.1% with revenue growth of 5.0%. Eight of 11 sectors have reported double digit earnings increases led by communication services and consumer discretionary. Of the three sectors reporting declines, energy is the weakest with declines of 24%.

This week we will have more important economic data to sift through. The Consumer Price Index is released on Wednesday followed by the Producer Price Index on Thursday. Friday, an important gauge of the overall consumer environment, Advance Retail Sales is released along with manufacturing data on industrial production, capacity utilization, and business inventories. On the earnings front, Walt Disney and Home Depot release at the back end of the week.

<b>Market Scorecard:</b>	<b>11/8/2024</b>	<b>YTD Price Change</b>
Dow Jones Industrial Average	43,988.99	16.71%
S&P 500 Index	5,995.54	25.70%
NASDAQ Composite	19,286.78	28.48%
Russell 1000 Growth Index	4,011.78	31.46%
Russell 1000 Value Index	1,920.97	17.89%
Russell 2000 Small Cap Index	2,399.64	18.38%
MSCI EAFE Index	2,336.76	4.50%
US 10 Year Treasury Yield	4.31%	43 basis points
WTI Crude Oil	\$70.04	-1.77%
Gold \$/Oz.	\$2,671.20	30.14%



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