

Beacon Weekly Investment Insights

With the government shutdown continuing with no end in sight, the most anticipated news of the week was the FOMC meeting Wednesday. There were no big surprises as Fed Chair Powell announced the much anticipated 25 basis point reduction in the fed funds rate to a range of 3.75-4%. There were two dissenters, new member Marin opting for a more aggressive cut of half a point and Schmid voting for no cut. It was also announced that they will stop shrinking the balance sheet (Quantitative tightening) in December. Proceeds of maturing agency debt will be reinvested in treasury bills.

The FOMC acknowledged that the lack of traditional economic data due to the government shutdown was challenging but “available indicators” suggested economic activity has been expanding at a moderate pace and that “inflation has increased since earlier in the year remaining somewhat elevated”. On the employment front, it was noted that “job gains have slowed, and the unemployment rate has edged up but remained low through August (the last available government data) and that “downside risks to employment rose in recent months”.

Somewhat of a surprise were Powell’s comments that “future policy is not on a predetermined course and that a December cut is not a foregone conclusion.” Prior to his comments the markets had a high probability of one. This resulted in the 10-year treasury yield rising above 4%. Interestingly, despite the two cuts starting in September, yields have not moved significantly and remain stable.

Though the markets performed well pre/post the announcement with the Dow and S&P 500 rising 0.75 and 0.71 respectively with Nasdaq continuing its leadership rising 2.24%; breath was decidedly negative. Only two sectors, Technology and Comm Services, were positive.

Despite the shutdown there were a few data points during the week; mortgage applications increased 7.1% vs. the prior month down 0.3%, consumer confidence was the best since August @ 94.6 up slightly,

Corporate earnings have been a market driver over the past few weeks and that hasn’t changed. A large portion of companies have reported better than expected revenue and earnings. This past week was no exception. Mega cap tech dominated by large tech with the likes of Apple, Amazon, Alphabet amongst others. To date Q3 earnings metrics remained strong with a growth rate for the S&P 500 jumping to 14% with 80% reporting exceeding expectations. Names we are watching in the coming week are Vertex Pharma, AMD, Amgen, Qualcomm, Duke Energy, Fortinet, Idexx amongst others.

In other news, President Trump and China’s Premier XI agreed to extend US-China trade truce for one year. China is postponing recent export controls on rare earth minerals and in return the US is halving fentanyl-related tariffs on China to 10%. Some would characterize the trade truce as fragile, temporary and partial but for the markets the results remove a headwind in the near term.

The Treasury will outline its borrowing plans this week which typically go without much attention, but the announcement could impact bonds as the mix of securities could affect yields. Any emphasis on the reliance on treasury bills and not lengthier maturities would result in a lower yield on the 10 year. Given the administration’s desire to lower yields to free up the housing market and service the debt could be optimal.

As the government shutdown approaches the longest in history and data remains sparse, we will get the Institute for Supply Management releases both Manufacturing and Services for October. On Friday, ADP releases October employment.

The path of least resistance is still seen as higher on Fed easing, a solid macro backdrop, double digit earnings growth, AI spend, and elevated retail enthusiasm not to mention seasonality and corporate capital allocation. However, labor market softening and increased job cut announcements bare monitoring as the Fed contemplates their next move.

Market Scorecard:	10/31/2025	YTD Price Change
Dow Jones Industrial Average	\$47,562.87	11.80%
S&P 500 Index	\$6,840.20	16.30%
NASDAQ Composite	\$23,724.96	23.06%
Russell 1000 Growth Index	\$4,887.91	20.92%
Russell 1000 Value Index	\$2,011.79	10.30%
Russell 2000 Small Cap Index	\$2,479.38	11.18%
MSCI EAFE Index	\$2,811.81	24.30%
US 10 Year Treasury Yield	4.08%	-94 basis points
WTI Crude Oil	\$62.06	-13.48%
Gold \$/Oz.	\$3,982.20	54.37%

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