

Beacon Weekly Investment Insights

With weekend headlines certainly becoming more prevalent nowadays, market participants are often left needing to assess the implications of these events as the trading week officially commences. Monday's open was no exception to this – given President Trump's recent announcement that our delegates (Steve Witkoff and Jared Kushner) would not be participating in a renewed round of in-person negotiations with Iran. This was promptly met with an updated proposal, which indicated a willingness to reopen the Strait of Hormuz if the U.S. agreed to lift its blockade of Iranian ports and simultaneously halt other military operations in the region. The caveat: they would like to postpone discussing their nuclear ambitions. As expected, this revision failed to resonate with the President, who considers dismantling the country's nuclear operations a prerequisite for a formal agreement; he later doubled down on this position by stating he plans to continue enforcing the blockade until a concession of this nature is made.

How long this political brinkmanship can last was ultimately called into question as the trading week concluded and the situation may be coming to a head – as the deadline associated with the 60-day War Powers Resolution technically expired on Friday. To provide some additional context, this law states that U.S. troops cannot be deployed for more than 60 days without Congressional authority. The technicalities associated with this doctrine were then heavily debated, with senior White House officials viewing the ceasefire as an effective invalidation of this timeline. The latest update on the overall situation with Iran is that U.S. forces plan to guide stranded ships out of the maritime passageway in a military operation dubbed "Project Freedom".

Switching gears, the macroeconomic picture consisted of an amalgamation of market moving data releases, a jam-packed earnings calendar, and a highly anticipated Federal Reserve meeting (by virtue of Chairman Powell's final press conference at the helm). Starting with the various reports that were disseminated throughout the week – a read on the consumer was the first to make a splash, with the publication of the Conference Board's Consumer Confidence Index for April. The reading nudged higher in April to 92.8 (up from 92.2 the month prior), marking a four-month high. Despite improving confidence, one of the report's main takeaways noted that consumers are becoming more cautious with big-ticket purchases, as the conflict in the Middle East weighs on sentiment and intensifies inflationary pressures. A cornerstone of economic activity, Gross Domestic Product (GDP), was also released for the first quarter (estimate). It depicted solid economic growth (2% annualized rate) influenced by an increase in government spending and strong business investment; however, it fell just short of market expectations (2.3-2.4%). The spotlight then shifted to the Federal Reserve's preferred inflation measure, Personal Consumption Expenditures (or PCE). The report revealed sticky inflation with the headline figure clocking in at 3.5% annually (0.7% increase month-over-month), whereas the Core reading accelerated to 3.2% annually (which excludes food and energy prices). The primary catalyst was a sharp surge in energy prices stemming from supply chain disruptions overseas. Last but not least, the Institute for Supply Management (ISM) Manufacturing Index reading for April signaled expansion for the fourth month in a row. New orders remained on solid footing, but as highlighted in the survey – input-costs are accelerating, which may eventually put downward pressure on companies' bottom lines.

Happenings over at the Federal Reserve were a focal point for investors this week too. Kevin Warsh (President Trump's nominee to the lead Federal Reserve) passed a key hurdle this week when the Senate Banking Committee voted to advance his nomination. The vote fell along party lines for reference (13 Republicans voted yes, 11 Democrats opposed) and this effectively tees up his final confirmation before the Republican-led Senate. In other Fed news, Chairman Powell issued his last address as head of the Federal Reserve (term ends May 15th) and in a rather unprecedented announcement, expressed he will be staying on as governor until the investigation that was launched into his conduct several months ago is completely resolved. Putting the personnel change on the back burner and recentring attention on the Fed's decision to hold rates steady – it was a rather contentious vote that

resulted in a 8-4 decision (first time four FOMC members dissented since 1992) with three members preferring to exclude any insinuation of additional cuts from the published verbiage (Beth Hammack, Neel Kashkari, & Lorie Logan) – while one member, Stephen Miran, advocated for a rate cut (consistent with his prior voting record).

As noted above, the pace of Q1 earnings picked up substantially this week with investors eager to hear more about how companies are faring in light of geopolitical uncertainties and rising prices. With roughly 65% of S&P 500 companies having reported thus far – overall, corporate earnings are exceeding expectations, putting them on track for a sixth consecutive quarter of double-digit growth. Healthy revenues and robust margins are fueling the strong results, specifically in the technology sector – with an artificial intelligence mega-theme acting as a driving force. In particular, five of the “Magnificent Seven” (Apple, Microsoft, Google, Meta, and Amazon) reported this week and although the reactions were bifurcated, all of these firms managed to exceed expectations. Keeping with tradition, Berkshire Hathaway’s annual shareholder meeting and subsequent earnings release garnered significant investor interest over the weekend, even without Warren Buffett (“the Oracle of Omaha”), commanding his usual spot on the podium. Buffett’s successor, Greg Abel, took the reins this go around, highlighting the company’s record cash position (just shy of \$400 billion) and strong operational results. Notably, he went on to assure shareholders that Berkshire’s core structure will remain intact, reinforcing the firm’s commitment to continuity during this new era of leadership.

Speaking of technology and a stable earnings backdrop, equities responded favorably to close out the week, notching their fifth consecutive week of gains. The Nasdaq Composite led the way, rising 1.1% for the week, supported by a 0.9% increase in the S&P 500 and a 0.5% gain in the Dow Jones Industrial Average. A swift V-shaped rally that began in early April has returned the market to all-time high territory, with its extraordinary strength catching many off guard. Delving into equity market dynamics in further detail: growth is outperforming value once again, small-cap stocks show no signs of slowing down, and international markets consistently attract inflows. From an interest rate perspective, rates continued their upward trajectory, with the 2-year and 10-year Treasury yields climbing 10 and 8 basis points, respectively. Fears of a resurgence in inflation, increased debt issuance, and stronger-than-expected economic data have collectively contributed to the uptrend in rates throughout the course of the year. Lastly, over in the commodities complex – crude oil had an impressive rebound on account of the logistic gridlock in the Strait of Hormuz. Additionally, a major oil shake-up exacerbated production concerns when the United Arab Emirates (UAE), who just so happens to be the organization’s third largest producer and one of the longest standing members, decided to leave OPEC (Organization of the Petroleum Exporting Countries) to prioritize its national interest and boost future capacity.

The upcoming week will feature a flurry of insights into the health of the labor market beginning with Tuesday’s Job Openings and Labor Turnover Survey (JOLTS), followed by the highly anticipated ADP and non-farm payroll prints. Initial jobless claims data will drop in between the two monthly job reports as well. Key consumer (preliminary consumer sentiment data for May), real estate (new home sales for February and March), and manufacturing reports (ISM Services) will also be scrutinized. Finally, upcoming commentary from Fed officials will offer valuable clues about the future direction of monetary policy.

Market Scorecard:	5/1/2026	YTD Price Change
Dow Jones Industrial Average	\$49,499.27	2.99%
S&P 500 Index	\$7,230.12	5.62%
NASDAQ Composite	\$25,114.44	8.06%
Russell 1000 Growth Index	\$4,834.15	1.46%
Russell 1000 Value Index	\$2,270.28	9.59%
Russell 2000 Small Cap Index	\$2,812.82	13.33%
MSCI EAFE Index	\$3,048.80	5.40%
US 10 Year Treasury Yield	4.38%	21 basis points
WTI Crude Oil	\$101.94	77.53%
Gold \$/Oz.	\$4,644.50	6.99%

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