Beacon Trust
INNOVATING WEALTH STRATEGY

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Beacon Weekly Investment Insights

Weekend headlines set a busy tone for the start of the trading week specifically in regard to a proposal by President Trump to cap credit card interest rates at 10%, along with an unprecedented announcement by Federal Reserve chairman Jerome Powell on Sunday evening through which he communicated that the Department of Justice has opened an investigation into his conduct - stemming from his June 2025 testimony regarding the costs associated with revamping the Federal Reserve's headquarters. The probe caused quite an uproar with a number of leaders/market pundits condemning it as a coercive attempt to influence the future path of interest rates and as a result many went on to voice their unwavering support for the Federal Reserve's political independence. In a widely quoted clip from Powell's press conference, Chairman Powell went on to state: "The threat of criminal charges is a consequence of the Federal Reserve setting interest rates based on our best assessment of what will serve the public, rather than following the preferences of the President". Switching gears and returning to the recent proposal to cap credit card interest at 10%, other than the duration of the suggested reprieve (one-year) and President Trump's soft deadline of January 20th, few details have emerged on exactly how this would be enacted/enforced. This hypothetical scenario presents a double-edged sword: it offers much needed relief to those who may be carrying revolving debt by lower financing charges; however, lenders would likely counteract this measure by tightening access to credit, harming consumers and businesses alike.

In other news, geopolitical events surrounding the social unrest transpiring in Iran and the potential annexation of Greenland continue to command significant investor attention. The Iranian situation is ever evolving with tensions in the region remaining elevated but intervention concerns were alleviated for the time being after President Trump communicated that the United States would not intervene as long as demonstrations remain peaceful. Oil bore the brunt of the market impact related to this, as the asset class experienced heightened volatility throughout the course of the trading week, culminating in a slight gain of 0.3%. Ambitions to take over Greenland for national security purposes was another topic of conversation by virtue of a meeting between senior White House officials and delegates from Greenland and Denmark. Weekend action in connection with this brought forth a proclamation by the President that he plans to impose 10% levies on eight European nations who currently oppose his desire to acquire Greenland (starting February 1st and increasing to 25% come early June). On a separate note, for those that have been following the Warner Brothers saga, a new development emerged this week – with reports flowing in that Netflix plans to amend their offer to an all-cash deal (from cash and stock previously). This could effectively fast track the approval process and allow shareholders to vote on the matter as early as late February or early March. Lastly, Google made waves earlier in the week by joining the exclusive $4 trillion market capitalization club, on the heels of a report that Apple will incorporate Google's artificial intelligence solutions into their broader platform.

Turning to the macroeconomic calendar, market participants received useful insights from various angles last week. The Consumer Price Index (CPI) reading was the first to make a splash and the report depicted an inflationary environment that remains sticky, as evidenced by a headline reading that fell in line with projections and a core reading that came in slightly below estimates (the headline reading clocked in at 2.7% year-over-year, whereas the core reading was slightly less at 2.6% year-over-year). Two of the largest components of the CPI (shelter and food prices) kept the monthly reading in check and moving forward, the market will need these price pressures to ease to return inflation to the Fed's 2% target. In contrast to the CPI report that largely met expectations, the Producer Price Index (PPI) came in hotter than anticipated, as presented by the headline PPI's 3% annualized gain vs. formal expectations of 2.7% (it is worth pointing out that the data in the PPI report corresponded to November, one-month behind the aforementioned CPI print, due to delays created by the government shutdown). One of the report's major findings revealed a noticeable divergence between the final demand for goods and services, due to the prices of goods rising month-over-month, while the services side was flat. This observation supports the notion that tariffs are causing input prices to rise faster than many businesses can adjust, which may wind up putting downward pressure on company margins. On the labor market front, the initial jobless claims imparted a downside surprise with 198k claims reported versus a consensus forecast of approximately 215k. This aligns with the popular characterization of today's labor market as a "low fire, low hire" based environment. To conclude a busy week of economic data, we also had retail sales for November (delayed report) which exceeded the mark (0.6% increase vs. 0.4% predicted), along with a few real estate reports, namely new and existing home sales. Housing findings underscored consistent market dynamics, with sales stable or improving nominally, even in the face of low supply and affordability concerns.

Notably, Q4 earnings kicked off in earnest this week with many of the large money center banks reporting, such as: Bank of America, JP Morgan Chase, Goldman Sachs, and Morgan Stanley. Overall results were solid across the board and a few common themes emerged within this cohort, a few of those being: robust equity/fixed income trading revenue, strong net interest income (primarily attributable to the steepening of the yield curve), and stable investment banking fees (both Morgan Stanley and Goldman Sachs delivered commendable results on this front). Despite several of these tailwinds, the market reaction was relatively mixed for the group - potentially owing to the high bar that many of these companies had to clear coming into their respective reports. Another prominent report that was featured this week was published by semiconductor juggernaut Taiwan Semiconductor. Their report reinforced the unrelenting demand for high performance chips by many of the major hyperscalers, as the company posted a 35% increase in fourth quarter profit. As an interesting tidbit and a nod to the company's consistency, the chipmaker has now posted year-over-year profit growth for eight consecutive quarters.

Weighed against a backdrop of mixed market data and other economic developments, the major equity indices experienced a marginal pullback and closed out the week in the red (Dow Jones Industrial Average -0.3%, S&P 500 -0.4%, and Nasdaq Composite -0.7%). Small-cap stocks were an exception though, bucking the weekly trend by surging over 2% to round out the week. This builds upon the strong momentum witnessed in the small cap arena thus far in 2026 – as the Russell 2000 is outperforming its large-cap counterpart by a considerable margin (the spread is greater than 6% for reference). From an equity style standpoint, value was in favor compared to growth and this dynamic was clearly reflected in the weekly sector performance - with consumer staples, real estate, and energy topping the leaderboard, while consumer discretionary and communication services found themselves near the bottom of the barrel. Turning to the fixed income side of the ledger, 2-year and 10-year Treasury yields rose 5 and 6 basis points respectively, with the upward shift in intermediate to long-term maturities driven in part by rising geopolitical tensions. Bond investors continue to contend with a strong, albeit complex economic landscape – amongst them record levels of corporate debt issuance, evolving central bank expectations, a widening fiscal deficit, and stubborn levels of inflation. Precious metals lead the commodities complex, extending their impressive run from last year – with gold, silver, and copper continuing to trade well. The market for these metals is being propelled by their role as a safe-haven asset, in conjunction with numerous industrial applications.

Looking ahead, the market's attention will turn to the Fed's preferred inflation gauge, Personal Consumption Expenditures (PCE), in addition to a read on the health of the consumer – with the release of the Consumer Sentiment Report for January. Initial jobless claims, pending home sales, and a preliminary monthly gauge of the manufacturing sector (via the flash Purchasing Managers' Index (PMI) reading) are also on the docket. Of note, the World Economic Forum officially commences this week in Davos, Switzerland - with many well-known individuals planning to attend, from technology CEOs to global heads of state.

Market Scorecard:	1/16/2025	YTD Price Change
Dow Jones Industrial Average	$49,359.33	2.70%
S&P 500 Index	$6,940.01	1.38%
NASDAQ Composite	$23,515.39	1.18%
Russell 1000 Growth Index	$4,736.78	-0.58%
Russell 1000 Value Index	$2,155.27	4.04%
sRussell 2000 Small Cap Index	$2,677.74	7.89%
MSCI EAFE Index	$2,992.06	3.43%
US 10 Year Treasury Yield	4.23%	-6 basis points
WTI Crude Oil	$59.44	3.52%
Gold $/Oz.	$4,595.40	5.86%

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