

## Beacon Weekly Investment Insights

Equity markets finished last week strongly positive with both the S&P 500 and Nasdaq finishing in positive territory for 3 out of the last four weeks, as earnings have broadly come in stronger than expected and recession odds have decreased on the heels of trade deal announcements. The S&P 500 finished the week up 5.27%, with the Dow Jones up 3.41% and the Nasdaq up 7.15%. The 10-year treasury yield continued its ascent, moving up to 4.44% from 4.37% at the start of the week. Many of the more tariff-exposed stocks and higher risk areas of the market that had been lagging, performed quite well last week with the announcement of an agreement between the U.S. and China to ease trade tensions leading to a more aggressive reduction in tariffs than expected. With that said, the uncertainty continues in terms of future trade deal announcements, and with rhetoric starting to heat up again as Treasury Secretary Scott Bessent said over the weekend that tariff rates will go back to reciprocal levels for countries that don't make trade deals during the 90-day pause.

Moody's announced Friday that it would be downgrading U.S. debt from its top-tier Aaa status, and in so doing, become the last major ratings agency to downgrade the U.S. S&P Global and Fitch downgraded U.S. debt in 2011 and 2023, respectively. Moody's cited increasing government debt and a higher interest burden, as well as on-going budget deficits amid negotiations for a tax package that would extend tax cut provisions in the 2017 Tax Cuts and Jobs Act. The downgrade was not entirely unexpected given the prior downgrades from S&P Global and Fitch, and given that Moody's changed its outlook on the U.S. rating to negative over a year ago, which typically precedes a ratings action. As such, the market reaction to the downgrade looks to be relatively muted thus far.

It is important to remember that we continue to focus on investing in a diversified portfolio that has exposure to several different asset classes both domestically and overseas, as well as high-quality fixed income and real assets exposure. It's also important to remember that our stock selection philosophy continues to revolve around investing in high quality companies with strong profitability and free cash flow, alongside strong balance sheets that position the companies well to weather volatility and continue to grow at an above average rate over the long-term.

With over 90% of companies in the S&P 500 having reported earnings, earnings growth has largely come in better than expected for the first quarter. Thus far, 78% of companies have beaten earnings expectations. Aggregate earnings growth for the S&P 500 stands at 13.6%, well ahead of the high single digit growth expectations heading into the quarter. As we look ahead this week the focus on the earnings front will be on retailers, as investors listen closely to commentary from the likes of Target for more insight into the consumer and tariff-related impacts. This is particularly the case subsequent to Walmart's earnings report last week in which the company warned of price hikes as a result of tariffs.

It will be a relatively quiet week from an economic data standpoint, outside of the several Fed members that are slated to speak throughout the week. The U.S. leading economic indicators index is set to be released on Monday. The S&P Flash U.S. Services and Manufacturing readings and Existing Home Sales data will be released on Thursday, alongside weekly jobless claims. Some additional housing data is also on the docket, with New Home Sales data set to be released on Friday. In addition, the House is attempting to get the afore-mentioned tax bill passed by Memorial Day, with markets set to be closed this coming Monday for the holiday.

<b>Market Scorecard:</b>	<b>05/16/2025</b>	<b>YTD Price Change</b>
Dow Jones Industrial Average	42,654.74	0.26%
S&P 500 Index	5,958.38	1.30%
NASDAQ Composite	19,211.10	-0.52%
Russell 1000 Growth Index	4,040.06	-0.05%
Russell 1000 Value Index	1,878.12	2.97%
Russell 2000 Small Cap Index	2,113.25	-5.24%
MSCI EAFE Index	2,549.92	12.74%
US 10 Year Treasury Yield	4.48%	-9 basis points
WTI Crude Oil	\$62.49	-12.87
Gold \$/Oz.	\$3,187.20	20.68%



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