



CAPITAL GROUP

THE WEEK AHEAD

January 9th-13th, 2023

Weekly insights from Strategic Partner Jeff Kilburg -

Inflation and earnings remain front stage again in the New Year. U.S. inflationary data in Thursday's Consumer Price Index (CPI) and the kick-off of earnings season (with the banks on Friday) will capture investors' attention during this light week of economic data.

The S&P 500 declined 19% in 2022 but started 2023 on a brighter note, rising 1.4% this past week after a lighter-than-expected wage-growth reading in Friday's jobs report suggested inflation is actually abating. Prior to the sigh of relief that propelled major indices over 2% to close out the week, equity markets incurred selling pressure as the Fed minutes from December showed no signs that the central bank is considering easing. Stocks did rally to finish the week, with the Dow industrials moved 1.46% higher, to 33,630; the S&P 500 rose 1.45%, to 3895; even the battered and bruised Nasdaq Composite popped up by 0.98%, to 10,569.

Fab Five: No, I am not talking old-school Michigan basketball, sorry Jalen. The stock market is set to post solid gains for the first five trading days of 2023, and according to the classic Wall Street indicator, the early strength could be a good sign for the bulls. The first five days rule suggests that if stocks perform well in the initial five sessions in a given year, the market is often up at the year-end, according to Stock Trader's Almanac, dating back to 1950. The S&P 500 has been positive 83% of the time at year-end with an average gain of 14%, according to Stock Trader's Almanac when stocks finish the first five days higher.

Jobs Jobs Jobs: The December employment report showed job growth moderating, wages slowing, and more people working or seeking positions in December than the month before. Encouraging news for Fed Chairman Powell came in the data for average hourly earnings, which have been growing rapidly and are pushing up inflation. Equites rejoiced...

Biotech: Biotech investors left for the holidays bruised, frustrated and ready to turn the calendar page to 2023. If there is one consolation for specialists from 2022, it is that biotech stocks began to act rationally in Q4. Typically, stocks that had good news went up dramatically and those that had bad news were punished severely. With more alpha and less beta, stock picking was rewarded once again. (SPDR® S&P Biotech ETF (XBI) was down 25.87% in 2022.)

Calendar

Monday

- 11:00 a.m. New York Fed Survey of Consumer Expectations
- 12:30 p.m. Atlanta Fed President Raphael Bostic
- 3:00 p.m. Consumer credit

Tuesday

- 6:00 a.m. NFIB survey
- 9:00 a.m. Fed Chairman Jerome Powell in Stockholm on central bank independence
- 10:00 a.m. Wholesale trade

Wednesday

Thursday

- 7:30 a.m. Philadelphia Fed President Patrick Harker
- 8:30 a.m. Weekly jobless claims & CPI
- 11:30 a.m. St. Louis Fed President James Bullard
- 12:40 p.m. Richmond Fed President Tom Barkin
- 2:00 p.m. Federal budget

Friday

- Chicago Purchasing Manager's 8:30 a.m. Import prices
- 9:00 a.m. Boston Fed President Susan Collins
- 10:00 a.m. Consumer sentiment & Minneapolis Fed President Neel Kashkari
- 10:20 a.m. Philadelphia Fed's Harker

The S&P 500 from a technical perspective, looks poised to regain momentum as the SPX's 50 day sits at 3904 & the seemingly impermeable 200 day moving average has recently been lowered to only about 100 handles higher from where we are, up at 3996. With the VIX snuggled up at 21, the short-term call for equities is for this technical test to transpire. However, earnings Season has the ability to call "Omaha, Omaha" and of course, call an audible on my optimism. Stay nimble & HNY from all of us at KKM!

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