



CAPITAL GROUP

THE WEEK AHEAD

December 12th-16th, 2022

Weekly insights from Strategic Partner Jeff Kilburg -

All eyes are on Fed Chairman Powell as investors seek to find clarity on both inflation and the Fed's 2023 interest rate path. Prior to the conclusion of the Fed's two-day meeting on Wednesday, markets will digest the latest consumer inflationary report via CPI.

U.S. major indices pulled back last week despite the lowering yields across the entire U.S. Treasury curve. The tug-of-war between the "soft landing" camp and the "recession" fearful camp persists. With an expected pullback after the 200-day moving average in the S&P 500 was tested, volatility remains elevated. I believe the silver lining is that the 10-year note has stayed tethered to 3.5%, dramatically off its high yield print back in October of roughly 4.25%. This slightly lower yield environment will have a positive but lagging effect on U.S. equities. On the week, the Dow Jones Industrial Average slid 2.77%, to 33,476; the S&P 500 dropped 3.37%, to 3934; and the Nasdaq Composite fell 3.99%, to 11,004.

Crude Oil: Oil prices settled lower in volatile trading on Friday to close the week, with both benchmarks recording their biggest weekly declines in months. Texas Tea, #WTI, settled lower at \$71.02, a new low for 2022. Brent crude settled 5 cents lower at \$76.10 per barrel.

Data Deluge: Besides the consumer inflation data, the economic calendar is stuffed like a stocking this week. Retail sales, Industrial production, and the Philadelphia Fed manufacturing survey as well as the Empire State manufacturing survey are released Thursday. S&P Global manufacturing and services PMI out on Friday.

The S&P 500 looks to regain momentum as this will be the last week of the year that offices (remote or not) will be full. With the VIX slightly higher after last week, markets expect volatility with potentially more volume as we head into year-end. My 2022 theme of value stocks over growth stocks should carry through the Holiday Season. Lots of 2023 predictions beginning to inundate investors, be considerate of the sources.

Calendar

Monday

- 2:00 PM Fed Budget

Tuesday

- Federal Reserve starts two-day meeting
- 6:00 AM NFIB Small Business Survey
- 8:30 AM Consumer Price Index

Wednesday

- 8:30 AM Import Prices
- 2:00 PM Fed statement and projections
- 2:30 PM Fed Chair Jerome Powell Briefing

Thursday

- 8:30 AM Initial Jobless Claims
- 8:30 AM Philadelphia Fed Manufacturing
- 9:15 AM Industrial Production
- 10:00 AM Business Inventories

Friday

- 8:30 AM Business Leaders Survey
- 9:45 AM S&P Global Manufacturing & Services PMI(s)

Fed Action: Federal Open Market Committee (FOMC) members are poised to lift rates by 50 basis points, a slowdown from the 0.75% increases delivered over the past four consecutive meetings. Policy decision drops at 2:00 p.m. ET on Wednesday. Powell is scheduled to hold a press conference beginning at 2:30 p.m. (ET). Buckle your chinstrap!



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