



CAPITAL GROUP

THE WEEK AHEAD

December 19th-23rd, 2022

Weekly insights from Strategic Partner Jeff Kilburg -

The Holiday Season is upon us, but investors will be watching for a few key earnings and economic reports before markets shut down for a long Christmas weekend (Monday 12/26 markets are closed). Personal consumption expenditure data for November out on Friday includes the PCE deflator, the Fed's preferred inflation measure.

Stocks typically move higher in December, and the second half of the month is historically the best period. So far this December, the S&P 500 has fallen about 6%. Markets have once again been shaken by the Fed's rhetoric on their path of inflation and rates. On Tuesday, the consumer price index came in at 7.1%, superbly below expectations, encouraging investors that inflation indeed is abating. On Wednesday, the Federal Reserve raised rates again (just 0.5% this time) but forecasted a higher-than-expected peak in 2023, at 5.1%. For some odd reason, the market lent faith and belief in the Fed's hawkish forecast and sold off after digesting the hawkish messaging. For the record, the Fed historically has been awful on any and all forecasts, remember the "transitory" call just last year? For the week, the Dow Jones Industrial Average fell 1.66% to 32,920; the S&P 500 slid 2.08% to 3852, and the Nasdaq Composite dropped 2.72% to 10,705.

China: Chinese stocks are reappearing on investors' radars after the mainland finally announced a relaxation of Covid-19 restrictions that raised hopes of an economic recovery. The starting and stopping of the world's second-largest economy has been detrimental to sentiment as well as stock prices. PGJ is an ETF that I recently discussed on CNBC which offers investors exposure to names like Nio, Alibaba, and JD.com. PGJ is -23.17% ytd.

Bankers' Blues: Shares of U.S. banks have been performing poorly in December due to concerns about an expected recession and weakening profit margins. The S&P 500 banks index has declined approximately 11% this month, with shares of Bank of America falling 16%, Wells Fargo dropping 14%, and JPMorgan Chase sliding 6%. These declines have been driven by investor concerns that the Federal Reserve's efforts to reduce inflation through monetary policy tightening will also hurt economic growth.

Calendar

Monday

- 10:00 AM NAHB Survey

Tuesday

- 8:30 AM Housing Starts
- 8:30 AM Building Permits

Wednesday

- 8:30 AM Q3 Current Account
- 10:00 AM Existing Homes
- 10:00 AM ConsumerConfidence

Thursday

- 8:30 AM Initial Jobless Claims
- 8:30 AM Real GDP Q3(final)
- 10:00 AM Leading Index

Friday

- 8:30 AM November Durable Goods
- 8:30 AM November Personal Income/Spending
- 8:30 AM Personal Consumption/Deflator
- 10:00 AM New Home Sales
- 10:00 AM December Consumer Sentiment

The Fed's dramatic pace of rate increases this year has been a tough medicine for many stock-market investors who hoped it wouldn't be needed too much longer, with some recent easing on the inflation front. The S&P 500 is seeking to turn around sentiment this week after equity markets had a harsh reaction to the Fed's recent meeting. The S&P 500 seemingly is range bound with the 200-day moving average at 4027 acting as a short-term ceiling. Stay nimble and remember, Santa is on his way!

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