



CAPITAL GROUP

THE WEEK AHEAD

December 27th-30th, 2022

Weekly insights from Strategic Partner Jeff Kilburg -

There are four trading days left in 2022. The earnings and economic calendars will be light and traders globally will be watching from a far as data drips in this week via wholesale and retail inventories, weekly jobless claims, and the latest S&P CoreLogic Case-Shiller home price index.

U.S. stocks were mixed during recent Holiday markets. Initially, equities fell as the week began, then buyers emerged in the wake of rising consumer confidence, then pulled back on low jobless claims. Investors welcomed Friday's better-than-expected signs of cooling inflation via PCE data. Meanwhile, a massive winter storm struck and trading volumes were even lighter than usual for this time of year. On the week, the Dow Jones Industrial Average nudged higher 0.86% to 33,203; the S&P 500 moved lower by 0.20%, to 3844; and the Nasdaq Composite skid lower 1.94%, to 10,497.

Santa Rally Investors are hoping a so-called Santa Claus rally can soften the pain of a tough year for U.S. equities and possibly set the stage for a positive outlook in 2023. The S&P 500 index is down nearly 6% for the month of December and is still flirting with being down nearly 20% YTD, marking its worst annual performance since 2008.

Inflation (PCE): The Fed's preferred measurement of inflation showed price increases continued to moderate in November, providing yet another welcome indication that the period of painfully high prices has peaked. The Personal Consumption Expenditures price index, or PCE, rose 5.5% in November from a year earlier, the Commerce Department reported Friday. Core PCE, which excludes the volatile food and energy categories, was up 4.7% annually and 0.2% on a monthly basis, matching expectations of economists polled by Refinitiv.

As 2022 comes to a close, take some time to reflect on the good, the bad, and even the ugly that transpired in markets. I believe having proper exposure to themes that continue to reveal strength should provide for opportunity in 2023. More importantly, take time to connect with loved ones or old friends before the crystal ball drops in Time Square, New York.

Calendar

Monday

- US Markets Closed for Holiday

Tuesday

- S&P Case- Shiller National Home Price Index
- Freddie Mac National House Price Index (HPI) (Oct)
- Wholesale Inventories- Advance Estimate (Nov)
- Retail Inventories- Advance Estimate (Nov)
- Dallas Fed Manufacturing Index (Dec)
- US Goods Trade Balance (Nov)

Wednesday

- Pending Home Sales (Nov)
- Dallas Fed Service Index (Dec)
- Richmond Fed Manufacturing Index (Dec)

Thursday

- Slow Day

Friday

- Chicago Purchasing Manager's Index (PMI)

Reboot China: China will stop requiring inbound travelers to go into quarantine on Jan. 8, the National Health Commission said on Monday in a major step towards easing curbs on its borders, which have been largely shut since 2020. The iShares MSCI China ETF (MCHI) has dropped 26% in 2022, on pace for its worst year on record. The Invesco Golden Dragon China ETF (PGJ) is a current KKM model portfolio holding that I believe will continue to attract investors as China comes back on-line. PGJ is +20% in the last month but, the ETF is still down roughly 25% ytd for 2022.

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Capital CS Group

15375 Barranca Pkwy, Ste G-110 Irvine, CA 92618

844-390-2797

info@capitalcsgroup.com

capitalcsgroup.com