



# CAPITAL GROUP

## THE WEEK AHEAD

January 30th-February 3rd, 2023

Weekly insights from Strategic Partner Jeff Kilburg -

**Bulls and Bears prepare for battle as the Federal Reserve meets during the busiest week of Q4 earnings season (20% of the S&P 500 is set to report). The Fed's interest rate announcement and press conference should attempt to keep their hawkish stance intact while the Bond market suggests Chairman Powell will pause sooner than he is messaging.**

After a bifurcated kick-off to earning season as roughly as 150 companies have delivered reports (30% of the S&P 500), investors have endured a roller coaster of emotions as horrific earnings reported by Intel collided with widely optimistic consumer data in the upbeat forward guidance of American Express. Of those companies that have reported thus far, 68% have exceeded expectations and 4% have matched them. Stocks rallied as tech has come back to life. Even though Tesla missed, investors favored the articulated demand as it was much stronger than expected; shared surged kissing \$180 per share; Tesla is up over 60% in the last month. In economic data, Q4 GDP beat at 2.9% in the face of recession chatter. Stocks again picked up momentum. On the week, the Dow industrial pushed higher 1.8%, to 33,977; the S&P 500 popped 2.46% to 4070; and the Nasdaq composite surged 4.32%, to 11621.

**Tech Talk:** The most important day of earning is Thursday, when F.A.A.N.G darlings such as Apple, Alphabet, and Amazon report after the bell. Facebook (META) is due to report on Wednesday. The Nasdaq 100 was the worst of the three major U.S. indices in 2022, it now is the last of the three indices to vault above its 200-day moving average (technical fun fact I thought I would share).

**Jobs Report:** Friday's employment report is expected to show that the economy created 185k jobs in January, slowing from 223k the previous month, while the unemployment rate is projected to tick up to 3.6%. Average hourly earnings are expected to slow slightly from the previous month.

**Rabbit Hopping:** China's stock market opens back up after a week-long Lunar New Year holidays. Holiday travel inside China surged 74% from last year after authorities scrapped COVID-19 restrictions, state media reported on Saturday. MSCI China (^MSCN) is +57% over the last 3 months, having exposure to Invesco's Golden Dragon China EFT (PGJ) has been even better at 75% over the same timeframe. PGJ is a KKM risk-based model portfolio holding.

## Calendar

### Monday

### Tuesday

- FOMC Meeting Begins
- 8:30 AM Employment cost index (Q4)
- 9:00 AM S&P/Case-Shiller home prices & FHFA home prices
- 9:45 AM Chicago PMI
- 10:00 AM Consumer Confidence

### Wednesday

- 8:15 AM ADP employment (January)
- 9:45 AM S&P Global Manufacturing PMI (January final)
- 10:00 AM ISM manufacturing, Construction spending, JOLTS
- 2:00 PM FOMC Statements
- 2:30 PM Fed Chair Jerome Powell press conference

### Thursday

- 8:30 AM Initial jobless claims & Productivity and costs
- 10:00 AM Factory Orders

### Friday

- 8:30 AM Employment
- 9:45 AM S&P Global service PMI
- 10:00 AM ISM services

The Fed is front and center this week as markets seem to be at an inflection point. Either the bears get forced into hibernation or this is just a head-fake and another bear market rally. Stay nimble and objective but, the bulls have seen market breadth improved considerably on both the New York Stock Exchange Index (NYSE) as well as the Nasdaq.



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