



CAPITAL GROUP

THE WEEK AHEAD

February 13th - 17th, 2023

Weekly insights from Strategic Partner Jeff Kilburg -

Focus is back on inflationary readings after the latest Fed Chair speech is in the rearview mirror and most S&P 500 companies having posted their quarterly results. Consumer Price Index (CPI) and Producer Price Index (PPI) are closely followed since investors know the Fed's next moves are congruent with how inflation moves.

Stocks were pressured lower to open the week, then hopped back on the roller coaster after markets negatively perceived Chairman Powell's "kinda" hawkish comments specific to how long inflation reduction will actually take. Earnings season continues to create emotion, both good and bad. Walt Disney beat and also announced 7k layoffs. Disney investors rejoiced that Nelson Peltz's proxy battle is finally over. AI and ChatGPT were the most searched and over-used words on financial news networks. Microsoft introduced an AI-enhanced Bing; Alphabet's new AI search made an error and the stock thudded 8%. For the record, I will always use Google versus Bing. The sell-off in Google was a wild overreaction by traders and the move erased more than \$100mm of their market cap. On the week, the Dow Jones Industrial Average ticked a little lower by 0.17% to 33,869; the S&P 500 slid 1.11% to 4090; and the Nasdaq Composite (did not like the move higher in Treasury yields) shed 2.41% to 11,718.

Super Bowl: Football is a key component holding network TV together as it is an annual ritual to gather with family and friends on Super Bowl Sunday. And it is a key reason why events like the Super Bowl still matter, and why the cost of a 30-second commercial continues to climb. This year some coveted 30-second time slots during the big game fetched more than \$7 million. #DaBears

Rates: U.S. Treasury yields posted their biggest weekly gains in more than a month after data showed U.S. consumer sentiment improving and Philadelphia Fed President Harker said he sees growing odds of a soft landing for the economy. The 2-year yield posted its biggest weekly rise since November.

Energy Sector Still: The XLE (Sector SPDR Energy ETF) was up nearly 5% on the week as all three major indices cooled off. Crude-oil prices settled higher Friday for a gain of more than 8% for the week, after Russia (Putin) announced a retaliatory move against western price caps with a plan to reduce oil output by 500k barrels per day in March.

Calendar

Monday

Tuesday

- 6 a.m.: NFIB Small Business Index
- 8:30 a.m.: Consumer price index
- 1 p.m.: Philadelphia Fed President Patrick Harker speaking

Wednesday

- 8:30 a.m.: Empire State Index & Retail sales
- 9:15 a.m.: Industrial production
- 10 a.m.: Business inventories & NAHB Housing Market Index

Thursday

- 8:30 a.m.: Housing starts and building permits | Jobless claims
- 8:30 a.m.: Philadelphia Fed index
- 8:30 a.m.: Producer price index

Friday

- 8:30 a.m.: Import and export prices
- 10 a.m. ET: Leading indicators

A "timeout" in Tech as The Nasdaq posted its first weekly fall for all of 2023 last week, down 2.41%. This was due to rates moving in the wake of hawkish commentary from Fed officials. I expect rates to remain tethered to 3.5% in the 10 year as we continue to grapple with data readings in both CPI and PPI. More than half of the firms listed on the S&P 500 have reported earnings, with 69% beating profit estimates for the quarter, according to Refinitiv data. Opportunity knocks as earnings season wraps up and sector dispersion ramps up. Stay nimble.

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