



CAPITAL GROUP

THE WEEK AHEAD

February 21st - 24th, 2023

Weekly insights from Strategic Partner Jeff Kilburg -

Stock Futures markets were unchanged on Monday as the U.S. was closed for the Presidents Day holiday. Fed minutes (midweek) again matter as investors get clarity on the U.S. consumer. A deluge of retail earnings (such as Home Depot and Walmart) should provide insight as companies navigate inventories and persistent supply chain issues post Covid

Stocks opened last week with investors anticipating a lower January inflation number. They were accurate as prices indeed edged down, from 6.5% annualized to 6.4%. However, this was slightly hotter than some economists' forecasts, stocks soured on the Fed now maybe needing to do more inflation taming. The ultimate game of "cat & mouse" persists as volatility in equities rose. Consumer spending rose a hot 3% in January which also helped Fed Hawks chant for potentially longer and higher regarding interest rates. On the week, the Dow Jones Industrial Average was off by a smidge of 0.13%, to 33,826; the S&P 500 shaved 0.28%, to 4079; and the Nasdaq Composite defiantly to rates rising, rose 0.59%, to 11,787.

Earnings Season: With only a few big names left to report, the earnings scorecard for Q4 2022 (with 82% of S&P 500 companies reporting actual results), 68% of S&P 500 companies have reported a positive EPS surprise and 65% of S&P 500 companies have reported a positive revenue surprise. #NotBad Regarding valuation, the forward 12-month P/E ratio for the S&P 500 is 18.0. This P/E ratio is below the 5-year average (18.5) but above the 10-year average (17.2).

Oil: Oil prices rose over 1% on Monday's holiday session, futures were buoyed by optimism over Chinese demand, continued production curbs by major producers and Russia's plans to rein in supply. Texas Tea (WTI) for March, which expires on Tuesday, last rose 85 cents, or 1.1%, at \$77.19.

Ukraine: President Biden made a surprise visit to Kyiv in a show of support for Ukraine. President pledges half a billion dollars of additional aid ahead of anniversary of war's start. This was the first by any sitting U.S. president since George W. Bush in 2008.

Calendar

Monday

The NYSE is closed for Presidents' Day.

Tuesday

- 9:45 a.m. ET: S&P Global Composite PMI (Feb)
- 10 a.m. Existing home sales (Jan)

Wednesday

- 2 p.m. ET: Fed minutes
- 5:30 p.m. ET: New York Fed President John Williams speaks

Thursday

- 8:30 a.m. ET: Chicago Fed National Activity Index & Jobless claims
- 8:30 a.m. ET: Q4 GDP (2nd reading)
- 11 a.m. ET: Kansas City Fed

Friday

- 8:30 a.m. ET: Personal consumption expenditures
- 10 a.m.: Consumer sentiment & New home sales

Fresh data on consumer prices and GDP will be published later this week, as will minutes of the last Federal Reserve meeting. In January, investors were optimistic that the Fed might soon pause and or pivot on its campaign of interest-rate hikes.

That hope is starting to fade as evidence mounts that inflation will stay too high. Stay nimble.

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