



# CAPITAL GROUP

## THE WEEK AHEAD

February 27th - March 3rd, 2023

Weekly insights from Strategic Partner Jeff Kilburg -

**Significant retailers again deliver earnings report, this time from Costco & Target. Investors will also focus on several economic indicators: Durable goods orders (Monday), consumer confidence (Tuesday) and the ISM manufacturing survey (Wednesday).**

Stocks took their biggest weekly tumble in 2023 after Presidents Day as the shift in sentiment for even higher interest rates might be needed to tame inflation. This sourness produced the worst week for the S&P 500 in the new year and the third straight down week for the U.S. equity benchmark. The Dow Jones stretched into its fourth week of consecutive losses now putting the blue chips in the red for 2023. Inflation, based on the Federal Reserve's favorite inflation metric (PCE), proved sticky which in turn pushed the 10-year note UP to nearly 4% and vaulted the 1 year note over 5%. On the week, the Dow Jones Industrial Average dropped 2.99%, to 32,816; the S&P 500 slid 2.67%, to 3970; and the Nasdaq was off 3.33%, to 11,394.

**PCE (Personal Consumption Expenditure):** Chairman Powell's favorite inflation gauge of service-sector prices accelerated in January. The overall personal consumption expenditures, or PCE, price index rose 0.6% on the month and 5.4% from a year ago... expectations were for only a 0.4% monthly rise.

**Warren Buffett:** Warren Buffett's Berkshire Hathaway, who is sitting on a hefty \$130B in cold cash, revealed that 75% of its equity portfolio was concentrated in just five names. Apple \$119B - Bank Of America \$34B - Chevron \$30B - Coca-Cola \$25B - American Express \$22B. The 92-year-old investor also increased his position in Occidental to over 21% last year. In August, Berkshire received regulatory approval to purchase up to 50%, spurring speculation that it may buy all of Houston based Occidental.

**Earnings Matter:** Sounding like a broken record here, but earnings are still a very important theme for the markets. They are still very important to watch, especially after watching how a beaten-up stock market reacted to the awesome NVDA earnings last week.

## Calendar

### Monday

- 8:30 a.m. Durable orders
- 10:00 a.m. Pending home sales
- 10:30 a.m. Dallas Fed index & speech by Fed Gov Philip Jefferson

### Tuesday

- 9:00 a.m. FHFA Home Price index | S&P/Case-Shiller home prices
- 9:45 a.m. Chicago PMI
- 10:00 a.m. Consumer confidence & Richmond Fed index

### Wednesday

- 9:45 a.m. Markit PMI Manufacturing
- 10:00 a.m. Construction spending & ISM Manufacturing

### Thursday

- 8:30 a.m. Jobless claims | Unit labor costs and productivity
- 4:00 p.m. Speech by Fed Governor Christopher Waller

### Friday

- 9:45 a.m. Markit Services PMI
- 10:00 a.m. ISM Services PMI
- 3:00 p.m. Discussion from Fed Governor Michelle Bowman

Emotions are running higher in markets to close the month and kick-off March. The inflation data last week exceeded expectations which in turn dampened optimism that the Federal Reserve's rate hikes will end sooner rather than later. As we all know sentiment can shift suddenly, my cautious optimism remains intact. I believe the yield of the 10 year note will struggle spending time above 4% which should allow stocks to bounce from this lower part of the established 3900-4200 trading range. Deploying cash at the lower end of a range and raising cash at the higher end of the range should prove wise again in 2023. Stay nimble.

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