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THE WEEK AHEAD

May 1st- 5th, 2023

Weekly insights from Strategic Partner Jeff Kilburg -

The much-anticipated Fed decision is Wednesday with an 85% chance of a 25-basis points rate hike (source: CME FedWatch Tool). Earnings season also hits full stride (with Apple leading the 160 S&P 500 companies poised to report) and the April Jobs data will be revealed to markets on Friday.

Stocks experienced volatility inside of a better-than-expected earnings week as anxiety hit investors when another First Republic Bank rescue surfaced. However, equity markets snapped back quickly after several impressive Tech darling smashed earnings such as Microsoft (MSFT) & The Facebook (META). U.S. growth did slow to 1.1% in Q1, and Europe to 0.1%. On the week, the Dow industrials rose 0.86%, to 34,098; the S&P 500 moved higher by 0.87%, to 4169; and the Nasdaq Composite popped up 1.28%, to 12,226.

Fed Day: The FOMC will likely deliver its third consecutive quarter of a percentage point rate increase while they manage their \$8.6 trillion balance sheet in its historic campaign to put out the inflation fire that they caused. The Fed has raised rates nine times since March 2022 after Fed Chairman Powell & his brain trust stated that inflation was just “transitory” back in the Fall of 2021. It would be the tenth straight rate hike in a row, bringing the benchmark to between 5% and 5.25%, its highest level since 2007.

Earnings: Of the nearly 270 S&P 500 members that have reported calendar first-quarter earnings, 79.5% have beaten estimates (the average beat of 6.9%), per FactSet data. These S&P 500 companies are recording their best performance relative to analyst expectations since Q4 2021. The number of companies reporting positive EPS surprises and the magnitude of these earnings surprises are above their 10-year averages.

Valuation: The forward 12-month P/E ratio is 18.1, which is below the 5-year average of 18.5x.

After the twists and turns of this emotion-filled roller coaster that investors have been forced to endure in the first four months of 2023, the market indeed seems poised to break out technically to the upside. With the S&P 500 sits about 3% above its 50-day moving average, the 4200 imperative test seemingly is imminent. Bears may be yawning (again) but, there is a gap up to 4450 that looks to be filled if bulls are successful in their breakout.

Monday **Calendar**

- 9:45 a.m. S&P Global manufacturing PMI (April)
- 10 a.m. Construction spending (March) | ISM manufacturing index (April)
- Earnings: Norwegian Cruise Line, On Semiconductor, MGM Resorts

Tuesday

- 10 a.m. JOLTS | Factory orders | Durable goods orders
- Earnings: Pfizer, Marriott International, Uber Technologies, Marathon Petroleum, Ford Motor, Starbucks, Clorox, Advanced Micro Devices, Yum China, Lumen Technologies, AmerisourceBergen DuPont, Zimmer Biomet, Cummins

Wednesday

- 8:15 a.m. ADP private payrolls report (April)
- 9:45 a.m. S&P Global services PMI (April)
- 10 a.m. ISM services index (April)
- 2 p.m. Fed decision
- 2:30 p.m. Fed Chair Jerome Powell news conference
- Earnings: CVS Health, Yum Brands, Estee Lauder, Kraft Heinz, Wingstop, Qualcomm, Etsy, Zillow, MetLife, Emerson Electric, Generac, Phillips 66, Costco, Allstate, Marathon Oil

Thursday

- 8:30 a.m. Weekly jobless claims | Trade balance
- Earnings: AB InBev, Regeneron, ConocoPhillips, Paramount Global, Peloton Interactive, Shake Shack, Intercontinental Exchange, Kellogg, Apple, Dropbox, Coinbase, Block, American International Group, DoorDash, Cardinal Health, Royal Caribbean, Vulcan Materials, Stanley Black & Decker, Moderna

Friday

- 8:30 a.m. Nonfarm payrolls (April)
- Earnings: Cigna, Warner Bros. Discovery, Cboe Global Markets, Johnson Controls

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