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THE WEEK AHEAD

May 22nd- 26th, 2023

Weekly insights from Strategic Partner Jeff Kilburg -

Investors remain sensitive to a debt ceiling “noise” as the deadline creeps closer. Expect the drama from our dysfunctional Washington D.C. leadership (both sides of the aisle) to increase. Rest assured; the United States of America will always pay its bills.

U.S. equity markets were on a seesaw last week as earnings season ends soon. The Retail Sector was mixed as Home Depot beat on earnings but, HD saw investor sentiment sour as consumers reduced home renovations, and the company projected weaker-than-expected forward guidance. Target and TJX beat but also offered weak guidance. Walmart beat and in contrast, optimistically raised their forward guidance. Reporting this coming week: Costco, Best Buy, and Lowe's. The debt ceiling drama heavily impacted Treasury yields resulting in a spike across the entire Treasury curve, the 10-year note yield kissed 3.75%. However, stocks rose on optimism over a deal, then slightly faltered as talks broke down between the two parties. For the week, the Dow Jones Industrial Average rose 0.38%, to 33,426; the S&P 500 jumped 1.65%, to 4,191; and the Nasdaq Composite surged another 3.04%, to 12,657, up more than 20% ytd.

Debt Drama: President Biden issued a warning Sunday that congressional Republicans could use a national default to damage him politically and acknowledged time had run out to use potential unilateral actions to raise the federal borrowing limit, a sharp shift in tone days before the deadline to reach an agreement. Expect both sides to throw a few more political punches. However, Biden and House Republican Speaker Kevin McCarthy will meet to discuss the debt limit on Monday after a "productive" phone call.

Press Pause: Minneapolis Fed President Neel Kashkari said he could support holding interest rates steady at the central bank's next meeting to give officials more time to assess the effects of past rate increases and the inflation outlook.

Taxi Please: Tesla plans to mass produce a robotaxi in 2024. Cathy Wood recently published a valuation model that prices Tesla at \$2,000 per share by 2027, which implies more than a 1,000% upside from its current price. In her opinion, that lofty valuation model hinges on robotaxis, a topic that Tesla CEO Elon Musk recently discussed in an interview with CNBC.

Calendar

Monday

- 8:30 a.m.: Fed's Bullard speaks
- 11:05 a.m.: Fed's Bostic and Barkin speak
- Earnings: Nordstrom

Tuesday

- 8 a.m.: Building permits
- 9:00 a.m.: Dallas Fed's Logan speaks
- 9:45 a.m.: PMI Composite (May)
- 10 a.m.: New home sales (April)
- Earnings: Lowe's, AutoZone, Intuit, Agilent Technologies, VF Corp., BJ's Wholesale, Dick's Sporting Goods, Williams-Sonoma, Toll Brothers, Palo Alto Networks

Wednesday

- 8:30 a.m.: Building permits & Housing starts
- Earnings: Target, TJX Cos., Synopsys, Cisco Systems, Take-Two Interactive

Thursday

- 8:30 a.m.: GDP (Q1)
- 8:30 a.m.: Initial jobless claims (week ended May 20)
- 10 a.m.: Pending home sales (April)

Friday

4200 indeed traded in the S&P 500. No victory laps yet though, the next few weeks are critical to better understanding market direction. Expect more volatility in the short term as the Bulls seemingly have the Bears on the ropes and a breakout to the upside is viable. Be nimble

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