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THE WEEK AHEAD

May 8st- 12th, 2023

Weekly insights from Strategic Partner Jeff Kilburg -

With only 30 S&P 500 companies reporting earnings, investor focus will revert to critical inflationary data released via CPI on Wednesday. Cooling inflation data will certainly solidify the market's expectation of a "pause" in rate hikes at next month's Fed meeting.

The U.S. central bank delivered its tenth straight interest rate increase last week, as widely expected, but indicated that it may pause its aggressive tightening campaign at its next meeting in June. After the week started out in a tumultuous fashion yet again with JPMorgan Chase being asked to save First Republic Bank from extinction (by the FDIC), additional regional bank distress surfaced in PacWest, Western Alliance, and First Horizon. Oil also pushed lower to a recent monthly low. However, Apple and a strong jobs report saved the day as stocks rallied hard to close the volatile week. On the week, the Dow industrials slid 1.23%, to 33,678; the S&P 500 stumbled by just 0.79%, to 4136; and the Nasdaq Composite was positive by 0.07%, to 12,235. (Thank you Tim Cook)

Fed: The FOMC wrapped up its two-day meeting last Wednesday by boosting its benchmark fed funds rate a quarter point to a top 5.25%, the tenth consecutive rate hike. Chairman Powell confidently stated that a "soft landing" is on the way as the U.S. economy will see continued decreases in infaltion while experiencing a gentle economic landing. (Think Thornton Mellon (Rodney Dangerfield) sticking the Triple Lindy in the Oscar winning Back To School (1986))

Earnings: S&P 500 companies are recording their best performance relative to analyst expectations since Q4 2021. 85% of the companies have reported and 79% of those firms have reported actual EPS above estimates (7% in aggregate), which is above the 5-year average of 77% and above the 10-year average of 73%. Positive earnings surprises are being led by both Health Care and Information Technology sectors.

Warren Buffett: The Berkshire Hathaway company remains focused as roughly 75% of its exposure is lasered in on Apple, Bank of America, American Express, Coca-Cola, and Chevron. (BRK.B is an Essential 40 model portfolio holding that I manage) When Warren was asked about the debt ceiling, he noted that he could not imagine the U.S. government allowing "the debt ceiling to cause the world to go into turmoil.

Calendar

Monday

- 10 a.m. Wholesale inventories (March)
- 2 p.m. Fed Senior Loan Officer Opinion Survey

Tuesday

- 6 a.m. NFIB Small Business Index (April)

Wednesday

- 8:30 a.m. CPI (April)

Thursday

- 8:30 a.m. PPI (April)
- 8:30 a.m. Initial jobless claims (week ended May 6)

Friday

- 8:30 a.m. Import/export price indexes (April)
- 10 a.m. University of Michigan consumer sentiment index (May preliminary)

Markets have stayed coiled as they weekly traverse the range established between 3800-4200. One year ago now, the S&P 500 was at 4123 (5/6/22), we closed last Friday at 4133. As investors look for inflation data to continue to cool in the face of souring sentiment due to the regional bank chaos (caused by greedy regional bankers btw), the market seemingly wants to explore higher as the technicals suggest. Stay nimble

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