



# CAPITAL GROUP

## THE WEEK AHEAD

June 20th-23rd, 2023

### Weekly insights from Strategic Partner Jeff Kilburg -

**Happy Father's Day! With just nine trading days left in Q2, investors will begin to drift their focus towards July's earnings season. This new bull market has elevated the S&P 500 and Nasdaq to their best levels since August 2022.**

Investors enjoyed a breakout after nearly 250 days of being range bound. And for those that keep score, my 4450 S&P 500 target was achieved. Investors' cheerful mood led up to the very telegraphed Federal Reserve's interest-rate "pause" decision. The Fed's decision was expected but, they tried hard to talk tough with their hawkish forecast. The stock rally continued and broadened, then some short-term profit-taking was enjoyed by traders globally on Friday. On the week, the Dow Jones Industrial Average popped 1.25%, to 34,299; the S&P 500 jumped 2.58%, to 4409; and the Nasdaq Composite roared higher by 3.25%, to 13,689.

**Inflation Drops:** U.S. inflation slowed last month, supporting the case for the Fed to press "pause" on their historic and feverish rate hiking campaign. Both the consumer price index and the core CPI (which excludes food and energy) decelerated on an annual basis, highlighting inflation's descent since peaking last June. At 4%, year-over-year inflation is now at its lowest level since March 2021. Yet, still above Uncle Jerome's target of 2%.

**Dispersion:** Like 2022, the three major U.S. indices have diverged from their typical correlation. That unusual characteristic is amplified in 2023 as the tech-heavy Nasdaq has been the best performer, surging 31.7% year-to-date. That compares to an increase of 15.7% for the benchmark S&P 500 and a 4% gain for the blue-chip Dow Jones Industrial Average.

Two weeks left before the quarter is over should create some excitement...for the bulls that is. The VIX sits down at 13.5, suggesting that we might see more buyers than sellers as money managers scramble to deploy cash going into the end of the month. I do think it may be time to rebalance, reposition and consider utilizing an option overlay to mitigate downside risk. I believe that we need to take notice when so many bears are now flopping into the bull camp. I have not changed my 2023 target, it remains at 4600. Stay nimble.

## Calendar

### Monday

- Closed to observe Juneteenth

### Tuesday

- 8:30 a.m.: Housing starts and permits (May)
- 11:45 a.m.: New York Fed's Williams speaks

### Wednesday

- 10 a.m.: Fed chair Jerome Powell delivers the Semiannual Monetary Policy Report to House Financial Services Committee
- 10 a.m.: Senate Banking Committee nomination hearing for Fed vice chair-nominees Jefferson, Cook and Kugler

### Thursday

- 4:00 a.m.: Fed Waller speaks in Dublin
- 8:30 a.m.: Initial jobless claims (week ended June 17)
- 10 a.m.: Chairman Powell delivers Semiannual Monetary Policy Report to Senate Banking Committee
- 10 a.m.: Existing home sales (May)

### Friday

- 9:45 a.m.: S&P Global PMI composite (June)

**Got Chips:** The Essential 40 holding is enjoying a resurgence and up over 40% ytd. Intel Corp will spend \$25B on a new factory in Israel, Prime Minister Benjamin Netanyahu stated over the weekend, calling it the largest-ever international investment in the country. The "AI" undercurrent has been important but, the commitment for the U.S. semiconductor giant to diversify its production sources is being widely celebrated by investors.

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Capital CS Group

15375 Barranca Pkwy, Ste G-110 Irvine, CA 92618

844-390-2797

[info@capitalcsgroup.com](mailto:info@capitalcsgroup.com)

[capitalcsgroup.com](http://capitalcsgroup.com)