

Friday Forethought

For week ending October 21, 2022

Earnings Are Lifting, but Uncertainty Continues to Linger – and it Shows

Recent recession fears combined with an overly aggressive Fed/central banks, have been pushing the markets to new annual lows, but there may be positive signals that the economy is shaping up. U.S. stocks rallied Monday and Tuesday in volatile trading as strong earnings reports boosted stocks and served to ease some investors' fears. Oversold tech stocks in particular, were a beneficiary of this rally. However, Wednesday, the two day rally was snapped and carried through to yesterday, as investors weighed positive earnings reports with a Fed that remains aggressive at curbing inflation. Also contributing to the downward pressure are reductions in joblessness and homebuilder sentiment - which is being attributed to rising mortgage rates and reflective home buyer demand.

President Joe Biden announced a plan to access 15 million barrels of crude oil from the nation's emergency supply to help dampen the higher gas prices created by OPEC's reduced output. He also repeated his plea to U.S. energy companies, refiners and fuel retailers to stop using their record-breaking profits to buy back company stock and to rather invest in production. He hopes to bridge the gap caused by supply reductions.

Our Take



Taking a high level view of cautious optimism, 3rd and 4th quarter 2022 earnings could confirm that fundamental soundness remains anchored amongst a resilient labor market and Covid re-openings. We see a likelihood of equity valuations remaining tied to the central bank's stance and corresponding rates; which fortunately, is turning incrementally less negative. We see an opportunity for equities to be primed for an upside into year-end on 2nd half 2022 earnings, lower equity positioning and very negative sentiments (coming in from multiple directions) and given more reasonable valuations. Still, it is not time to go all in on your bets, but rather weight your long term objectives with respective opportunities and risk. If you have any questions, please do not hesitate to call us

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Leading Trends

The S&P 500 Energy and S&P 500 Consumer Staples Sector are the leading sectors year-to-date: up 53.62% and down 12.10% respectively

Lagging Trends

S&P 500 Real Estate Sector and S&P 500 Communication Services Sector are the lagging sectors year-to-date: down 33.52% and down 37.18% respectively.

Weekly Markets

↓	S&P 500	3,665.78	-0.11%
↓	NASDAQ	10,614.84	-0.32%
↑	DJIA ¹	30,333.59	+0.98%

¹Dow Jones Industrial Average

↑	10-YR US Treasury	4.236%	+29.12 bps
↓	GOLD	1,631.40	-2.48%
↓	OIL	85.71	-3.94%

Market close 10-13-2022 to market close 10-20-2022

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