



US equities struggle after a fresh start to 2023

Signs of the US recession are becoming more evident as retail and industrial data disappoint. The US retail sales contracted for the second consecutive month by 1.0% and 1.1% m/m in November and December, respectively. As consumer spending is usually affected near the beginning of economic slowdowns, this recent data may be potentially signaling an upcoming recession in the US. Furthermore, industrial production contracted for the third month in a row to reach -0.7% m/m in December. These developments have led to a significant shift in analyst forecasts and general investor sentiment. For instance, JPMorgan has downgraded the US economic outlook and now expects a mild recession in 2023 under the baseline scenario instead of a slow growth.

Surge in consumer credit creates worries on potential defaults. During 2022, strong spending was supported by pent up savings from the pandemic period. As these savings have exhausted, consumers have now turned to borrowing to finance their spending. Importantly, high consumer debt can be especially problematic during recessionary periods with high interest rates, as default likelihood tends to be the highest under such a scenario. The materiality of this issue is supported further by the fact that the US banks have increased their provisions for credit defaults in 4Q22.

Is this all part of Fed's plan? The reason why markets are reacting relatively smoothly to such disappointing data releases is that the moderate economic slowdown is already widely anticipated. Therefore, a mild deterioration in supply and demand conditions in coming months will not serve as radical catalyst for capital markets. For further sharp declines, inflation in the US will need to prove stickier and push the Fed to increase duration and/or magnitude of rate hikes. Alternatively, significant worsening of consumer demand, labor market, or production conditions can also serve as negative market catalysts.

This week's earnings from some of the largest US companies as well as the US GDP and inflation (PCE) data will provide further insight into the abovementioned view on likelihood and possible depth of the US recession (for more information on important upcoming releases, please refer to the week ahead calendar on page 4).

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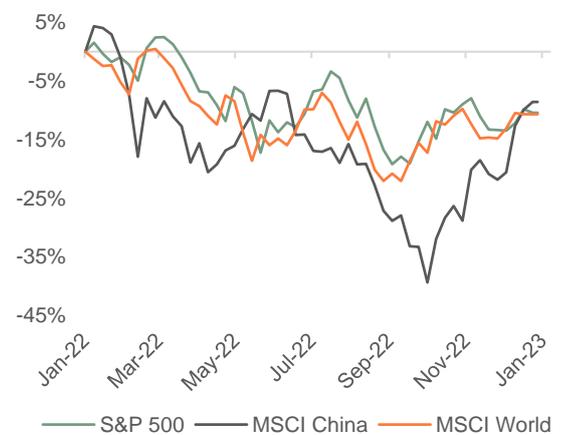
Performance of major equity indices

Index	W/W, %	M/M, %	YTD, %
S&P 500	-0.7	4.0	3.5
NASDAQ	0.6	5.6	6.4
Dow Jones	-2.7	1.6	0.7
Russell 2000	-1.0	6.8	6.0
FTSE 100 (£)	-0.7	4.2	3.1
FTSE 250 (£)	-1.3	6.2	4.5
STOXX 600 (€)	-0.1	6.6	6.4
Nikkei 225 (¥)	1.7	-0.1	1.8
MSCI China	1.5	17.0	11.3
MSCI EAFE	0.7	7.3	7.3
MSCI EM	1.0	10.4	9.2
MSCI World	-0.3	2.5	2.7

Source: Bloomberg

Note: All data is denominated in USD unless specified otherwise.

Global benchmark equity indices % price change from year ago (23-Jan-2022 = 100)



Source: Bloomberg

USD index (DXY) 1-year performance



Weekly sector performance highlights

Communications was the best performing sector last week, with the associated ETF up 1.4%.

However, gains were rather asymmetric across the sector. Some of the largest sector players were mostly responsible for the rally, including Alphabet (GOOG, +7.0%), Walt Disney (DIS, +4.1%), Netflix (NFLX, +2.9%), Charter Communications (CHTR, +2.0%), and Meta Platforms (META, +1.7%). On the other hand, Activision Blizzard (ATVI, -3.7%), T-Mobile (TMUS, -3.1%), Fox (FOXA, -2.4%), and AT&T (T, -1.6%) were some of the weakest performers among Communication companies.

Industrials was the worst performing sector, with the respective ETF down 3.4%. The decline was relatively symmetric across the sector, with all 15 largest companies losing ground last week. The weekly performance of these stocks was the following: 3M (MMM, -6.8%), Honeywell (HON -6.7%), Deere & Company (DE, -6.6%), Raytheon Technologies (RTX -4.4%), Boeing (BA, -3.4%), Caterpillar (CAT, -3.4%), General Electric (GE, -3.1%), General Dynamics (GD, -3.1%), Illinois Tool Works (ITW, -3.0%), Northrop Grumman (NOC, -2.3%), UPS (UPS, -2.2%), Union Pacific (UNP, -2.1%), Lockheed Martin (LMT, -1.5%), Waste Management (WM, -1.4%), CSX (CSX, -1.3%).

S&P 500 sector review: last week performance

Sector	ETF Ticker	Weekly ETF Change %	Close Price, \$	Market Cap, \$bn	P/E	YTD, %
S&P 500	SPY	-0.7 	395.9	369.2	20.7	3.5
of which:						
Communication	XLC	 1.4	53.1	9.0	18.4	10.6
Technology	XLK	 0.7	131.3	39.5	26.3	5.5
Energy	XLE	 0.6	90.5	42.3	7.5	3.4
Cons. Discret.	XLY	-0.5 	139.0	13.7	21.2	7.6
Real Estate	XLRE	-0.9 	39.2	5.3	23.8	6.2
Health Care	XLV	-1.1 	133.9	41.2	24.6	-1.4
Materials	XLB	-1.2 	82.8	6.0	9.9	6.6
Financials	XLF	-2.1 	35.4	32.5	13.8	3.4
Cons. Staples	XLP	-2.8 	72.6	16.9	24.3	-2.6
Utilities	XLU	-2.9 	69.2	15.9	22.9	-1.8
Industrials	XLI	-3.4 	99.0	13.3	20.3	0.8

Source: Bloomberg, Capital IQ

Performance of last week's most traded stocks globally (top 20 by value)

#	Ticker	Name	Close Price, \$	W/W, %	YTD, %	P/E	12M Price Target, \$	12M Return Target, %
1	TSLA	Tesla	133.4	9.0	8.3	31.0	190.6	42.9
2	GOOGL	Alphabet	98.0	6.4	11.1	19.9	127.1	29.7
3	NVDA	NVIDIA	178.4	5.6	22.1	45.9	206.7	15.9
4	DIS	Walt Disney	103.5	4.1	19.1	24.8	120.1	16.1
5	NFLX	Netflix	342.5	2.9	16.1	30.1	347.5	1.5
6	AAPL	Apple	137.9	2.3	6.1	22.4	172.2	24.9
7	CVX	Chevron	180.9	1.9	0.8	10.8	194.7	7.6
8	META	Meta Platforms	139.4	1.7	15.8	19.3	153.2	9.9
9	CRM	Salesforce	151.3	1.2	14.1	27.1	189.8	25.5
10	MSFT	Microsoft	240.2	0.4	0.2	24.4	283.8	18.1
11	MA	Mastercard	376.3	0.2	8.2	32.6	412.9	9.7
12	XOM	Exxon Mobil	113.4	0.2	2.8	9.7	124.1	9.5
13	UNH	UnitedHealth Group	486.7	-0.6	-8.2	19.5	604.1	24.1
14	AMZN	Amazon.com	97.3	-0.9	15.8	72.9	135.9	39.7
15	AMD	Advanced Micro Devices	70.1	-1.3	8.2	22.2	84.4	20.5
16	BRK.B	Berkshire Hathaway	309.9	-2.4	0.3	0.0	362.0	16.8
17	BAC	Bank of America	33.9	-3.9	2.2	9.7	40.5	19.8
18	LLY	Eli Lilly	346.1	-4.3	-5.4	44.3	400.0	15.6
19	JPM	JPMorgan Chase	135.1	-5.5	0.7	10.8	157.5	16.6
20	GS	Goldman Sachs	341.8	-8.6	-0.4	9.9	405.2	18.5

Source: Bloomberg, Capital IQ

Note: Positive 12 month return targets imply an overall "Buy" recommendation by analysts

Week ahead calendar

Key macroeconomic releases

Key company earnings

	Time (GMT +4)	Country	Event	Company	Ticker	Time	Forecast EPS \$
Monday January 23	19:00	Euro Area	Consumer Confidence prel. (JAN)	Baker Hughes	BKR	Premarket	0.40
	19:00	US	CB Leading Index (DEC)	Brown & Brown	BRO	After market	0.45
				Axis Bank	AXBKY	N/A	1.07
Tuesday January 24	11:00	Germany	Consumer confidence (FEB)	Johnson & Johnson	JNJ	Premarket	2.24
	13:00	Euro Area	Manufacturing & Services PMIs (JAN)	Verizon	VZ	Premarket	1.19
	13:30	UK	Manufacturing & Services PMIs (JAN)	Raytheon Technologies	RTX	Premarket	1.24
	18:45	US	Manufacturing & Services PMIs (JAN)	Microsoft	MSFT	After market	2.33
Wednesday January 25	12:00	Euro Area	ECB Non-Monetary Policy Meeting	ASML	ASML	Premarket	4.49
	13:00	Germany	Business Climate (JAN)	NextEra Energy	NEE	Premarket	0.50
	15:00	France	Unemployment Benefit Claims (DEC)	AT&T	T	Premarket	0.57
	19:00	Canada	BoC Interest Rate Decision	Tesla	TSLA	After market	1.16
				IBM	IBM	After market	3.57
Thursday January 26	17:00	US	Building Permits (DEC)	Mastercard	MA	Premarket	2.57
	17:30	US	GDP (4Q22)	Comcast	CMCSA	Premarket	0.78
	17:30	US	Durable Goods Orders (DEC)	Visa	V	After market	2.01
	19:00	US	New Home Sales (DEC)	Intel	INTC	After market	0.21
				Louis Vuitton	LVMUY	N/A	3.03
Friday January 27	11:45	France	Consumer Confidence	Chevron	CVX	Premarket	4.43
	17:30	US	PCE Price Index (DEC)	American Express	AXP	Premarket	2.33
	19:00	US	Consumer Sentiment (JAN)	Charter Communications	CHTR	Premarket	8.85

Source: Bloomberg, Financial Times

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