



Executive Summary: Central Banks in Focus

The US Federal Reserve raised its base rate by 25bps to 4.5%-4.75% range, in line with market expectations. A smaller sized rate hike was no surprise for investors. However, Chairman Powell's post-meeting speech signaled surprising dovishness, leading equities to surge. The Chairman noted that inflation has been moderating substantially in past months and is expected to cool further. Importantly, the US headline inflation now stands at 6.5% y/y after peaking at 9.1% y/y in June 2022. As a result, markets are now pricing in a Fed pivot in late 2023. Nevertheless, skepticism around this year's market rally has grown among investors. It is widely anticipated that inflation will prove stickier beyond the 4.0% zone and, therefore, the Fed will have to engineer a strong economic downturn in order to reach the target inflation rate of 2.0%. Under this scenario, a pivot is unlikely in 2023.

US jobs reading supports skepticism for current rally in equity markets. In January, the US gained 517,000 jobs, a sharp overshoot from the expected number of 185,000. This strong payroll figure has pushed the unemployment rate to the post-Covid low of 3.4%. Moreover, average hourly earnings have also grown by slightly higher than expected rate of 4.4% y/y. Importantly, however, the pace of wage growth has moderated gradually since peaking at 5.6% in March 2022.

A surprisingly resilient and tight labor market is perhaps the greatest challenge for Fed. Further sizeable reductions in inflationary pressures are less likely, if demand for labor does not cool and wage growth does not moderate considerably.

European Central Bank and Bank of England both hike by 50 bps. BoE's base rate has now reached 4.0% while that of ECB stands at 2.5%. Despite the hikes of similar sizes, the two central banks have diverged on their core messages. While the BoE has mimicked its American counterpart in the dovish tone, the ECB has seemingly preserved its hawkishness. This can perhaps be explained by the distinct outlooks of growth for continental Europe and the UK. While a warmer-than-expected winter forecast (among other factors) has improved the growth outlook for Europe, the UK seems to be facing a largely unavoidable recessionary scenario in 2023.

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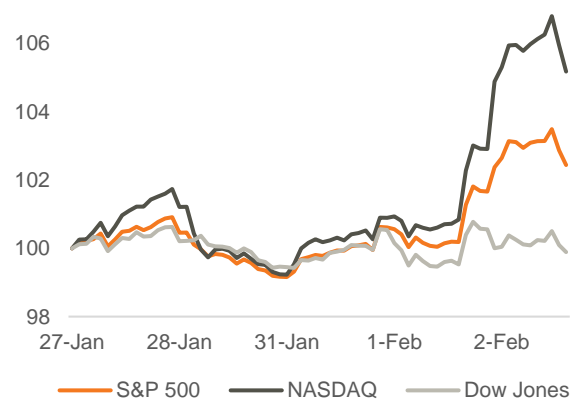
Performance of major equity indices

Index	W/W, %	M/M, %	YTD, %
S&P 500	1.6	8.2	7.7
NASDAQ	3.3	15.6	14.7
Dow Jones	-0.2	2.4	2.3
Russell 2000	3.9	13.4	12.7
FTSE 100 (£)	0.9	1.8	3.7
FTSE 250 (£)	2.8	7.6	9.2
STOXX 600 (€)	1.2	6.1	8.4
Nikkei 225 (¥)	0.5	5.4	5.4
MSCI China	-6.3	0.5	7.0
MSCI EAFE	-0.3	4.8	7.9
MSCI EM	-1.2	7.9	8.6
MSCI World	1.0	6.0	8.3

Source: Bloomberg

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

Major US equity indices Indexed price returns (27-Jan-2023 = 100)














Source: Bloomberg

Weekly sector performance highlights

Communications sector was the best performer, with respective ETF gaining 5.3% w/w. The rally was quite asymmetric across the sector, with 37% of the companies losing ground. Stocks benefitting the most from Fed's dovish tone were Meta Platforms (META, 22.9%), Spotify (SPOT, 18.5%), Interpublic Group of Companies (IPG, 9.3%), Omnicom Group (OMC, 7.5%), and Zoom Video Communications (ZM, 7.3%). Meanwhile, the worst performing stocks were Bilibili (BILI, -12.4%), Sirius XM Holdings (SIRI, -11.9%), Electronic Arts (EA, -11.6%), Match Group (MTCH, -9.7%) and Vodafone (VOD, -5.5%).

Energy sector was the worst performer last week, with the associated ETF losing 5.8% w/w. The downturn can be attributed to sharp decline in natural gas and crude oil prices. Performance was largely symmetric across the sector, with 91% of companies losing ground. The list of the weakest performing stocks include ConocoPhillips (COP, -12.5%), Hess (HES, -12.0%), Marathon Petroleum (MPC, -11.0%), Ovinitiv (OVV, -9.6%), and Phillips 66 (PSX, -9.1%). Meanwhile, five companies managed to pull off a green end to the week: Williams Companies (WMB, 1.8%), Magellan Midstream Partners (MMP, 0.8%), Cameco Corporation (CCJ, 0.5%), ONEOK (OKE, 0.5%), Baker Hughes Company (BKR, 0.2%).

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	 1.6	412.4	387.8	22.1	7.8
of which:						
Communication	XLC	 5.3	58.2	9.9	19.3	21.3
Technology	XLK	 3.7	141.8	42.4	28.2	13.9
Cons. Discret.	XLY	 2.3	151.4	14.8	23.0	17.2
Industrials	XLI	 1.7	102.9	13.8	20.9	4.7
Real Estate	XLRE	 1.5	41.0	5.4	25.4	10.9
Financials	XLF	 0.9	36.6	34.0	14.6	7.0
Cons. Staples	XLP	 0.7	73.4	16.8	24.4	-1.5
Materials	XLB	0.0	83.4	6.3	10.1	7.4
Health Care	XLV	-0.1 	132.7	40.6	24.5	-2.3
Utilities	XLU	-1.4 	67.9	15.5	21.7	-3.7
Energy	XLE	-5.8 	86.0	40.3	7.2	-1.7

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	META	Meta Platforms	186.5	22.9	55.0	20.7	216.1	15.9
2	AMD	Advanced Micro Devices	86.1	14.2	32.9	28.3	92.5	7.4
3	INTC	Intel	30.3	7.7	14.7	56.9	27.2	-10.3
4	TSLA	Tesla	190.0	6.8	54.2	47.9	193.5	1.9
5	AAPL	Apple	154.5	5.9	18.9	24.9	173.7	12.4
6	GOOGL	Alphabet	104.8	5.4	18.8	20.4	92.5	-11.7
7	MSFT	Microsoft	258.4	4.1	7.7	26.1	274.5	6.3
8	NVDA	NVIDIA	211.0	3.6	44.4	54.6	210.7	-0.1
9	NFLX	Netflix	365.9	1.4	24.1	32.1	345.3	-5.6
10	QCOM	QUALCOMM	135.0	1.2	22.8	13.4	147.0	8.9
11	AMZN	Amazon.com	103.4	1.1	23.1	68.4	136.2	31.7
12	DIS	Walt Disney	110.7	1.1	27.4	26.6	121.2	9.5
13	JPM	JPMorgan Chase & Co.	141.1	0.5	5.2	11.1	158.0	12.0
14	BRK.B	Berkshire Hathaway	308.5	-0.2	-0.1	0.0	362.0	17.3
15	F	Ford Motor Company	13.2	-0.3	13.8	8.6	20.0	51.2
16	LLY	Eli Lilly and Company	339.1	-0.9	-7.3	39.8	397.8	17.3
17	UNH	UnitedHealth Group	472.0	-2.9	-11.0	18.9	605.4	28.3
18	XOM	Exxon Mobil	111.9	-3.2	1.5	10.2	126.7	13.2
19	SBUX	Starbucks	104.3	-4.3	5.1	28.9	114.3	9.6
20	COP	ConocoPhillips	108.1	-12.5	-8.4	9.2	141.4	30.8

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 February 6	12:30	Germany	Construction PMI (Jan)	ON Semiconductor	ON	Premarket	1.26
	13:30	UK	Construction PMI (Jan)	Tyson Foods	TSN	Premarket	1.40
	14:00	Euro Area	Retail Sales (Dec)	Activision Blizzard	ATVI	After Market	1.51
Tuesday February 7	04:00	UK	Retail Sales (Jan)	Linde	LIN	Premarket	2.90
	17:30	US	Balance of Trade (Dec)	BP	BP	Premarket	1.65
				BNP Paribas	BNPQY	Premarket	0.88
Wednesday February 8	00:00	US	Consumer Credit (Dec)	CVS Health	CVS	Premarket	1.92
	19:00	US	Wholesale Inventories (Dec)	Uber Tech	UBER	Premarket	-0.16
				Walt Disney	DIS	After market	0.79
				O'Reilly Automotive	ORLY	After market	7.74
Thursday February 9	12:00	EU	Special European Council Meeting	AbbVie	ABBV	Premarket	3.52
	17:30	US	Jobless Claims	PepsiCo	PEP	Premarket	1.65
				AstraZeneca	AZN	Premarket	0.68
				Phillip Morris	PM	Premarket	1.25
				L'Oreal	LRLCY	N/A	N/A
				Toyota Motor	TM	N/A	N/A
Friday February 10	05:30	China	Inflation (Jan)	Enbridge	ENB	Premarket	0.73
	11:00	UK	GDP (Dec)	IQVIA Holdings	IQV	Premarket	2.76
	17:00	Germany	Inflation prel. (Jan)	Honda Motor	HMC	N/A	0.96
	19:00	US	Consumer Sentiment prel. (Feb)				

Source: Bloomberg, Financial Times

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