



Weekly Markets Overview

Last week

- US inflation came in above forecasts with headline at 3.4% (up from 3.1%) and core at 3.9% (down from 4.0%)
- China's deflation was reported slightly above forecasts at -0.3% (up from -0.5%)
- UK GDP growth came in at 0.2% (below 12-month average of 0.6%)

Week ahead

- Eurozone inflation
- China GDP
- US Retail sales
- Earnings from Morgan Stanley (MS), Goldman Sachs (GS), Charles Schwab (SCHW), Taiwan Semiconductor Manufacturing (TSM), and others

*For exact dates please check page 4 of this document

Commentary: Invest in mid-to-long term bonds to avoid reinvestment risk

Last week, global stock markets saw strong performance, with US techs and Japanese broad market equities outperforming. Interestingly, yields on US fixed income declined, despite a higher-than-expected US inflation print. The declining trend in yields has been in place for months now, as 2-year and 10-year treasuries, which have peaked at 5.2% and 5.0%, now stand at 4.1% and 3.9%, respectively.

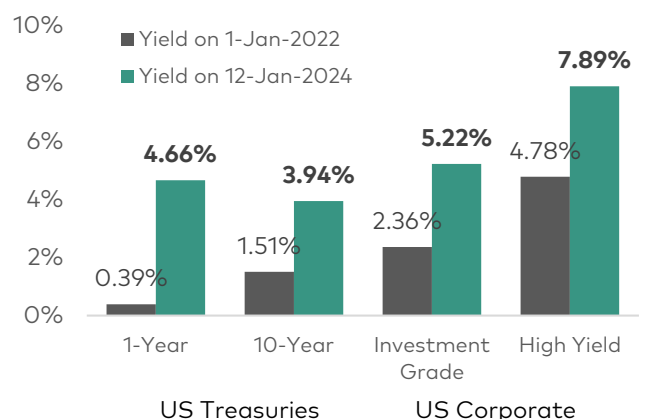
Since the Fed started hiking in 2022, investors have rushed to investment opportunities in short-term credit, bringing total assets to near \$6.0tn. Attractive yields and capital safety served as major reasons for investor appeal. However, it must be noted that short-term credit carries a significant reinvestment risk with it. Once the Fed and ECB start cutting rates, yields on fixed income instruments are likely to decline, leaving investors with lower yields to reinvest their money in after original contracts mature. Indeed, 2-year and 10-year US Treasury yields are forecasted to reach 3.7% and 3.8%, respectively by 2024 year-end. Therefore, it is probably a good time to lock in high yields on mid and long-term fixed income securities.

EQUITIES	Level	1W % change	1M % change	YTD % change
United States				
S&P 500	4,784	1.8	3.0	0.3
Nasdaq 100	16,833	3.2	2.9	0.0
Dow Jones 30	37,593	0.3	2.8	-0.3
Russell 2000	1,951	0.0	3.7	-3.8
Global				
S&P Europe	1,935	0.0	0.8	-0.4
S&P China	321	-1.5	-3.2	-4.1
S&P Japan	2,180	4.5	8.5	6.5
S&P Global	3,457	0.8	4.3	19.9

FIXED INCOME	Yield (%)	1-week ago	1-month ago	1-Jan-2023
United States				
2y US Treasury	4.14	4.39	4.73	4.25
10y US Treasury	3.94	4.05	4.20	3.88
US IG Credit	5.22	5.39	5.60	5.22
US HY Credit	7.89	8.14	8.41	7.80
Europe				
2y German Bund	2.52	2.57	2.72	2.41
10y German Bund	2.18	2.16	2.23	2.02
Europe IG Credit	3.76	3.82	3.94	3.67
Europe HY Credit	6.09	6.32	6.58	6.06

*For detailed information on listed indices and securities please check page 5 of this document

Yields on major US fixed income classes



Source: Bloomberg, Galt & Taggart

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S&P 500 Sector Highlights

Technology was the best performing sector last week, with the associated ETF (XLK) gaining 4.4% w/w. 87 out of 100 largest sector companies closed the week in green. From top 20, only Texas Instruments (TXN, -0.1%) declined. Meanwhile, the best performers from the list were NVIDIA (NVDA, 11.4%), Uber Technologies (UBER, 9.8%), Salesforce (CRM, 8.3%), ServiceNow (NOW, 7.8%), Accenture (CAN, 5.9%), and Advanced Micro Devices (AMD, 5.8%).

Energy was the weakest performing sector, with respective ETF (XLE) losing 0.4% w/w. 74 out of 100 largest sector stocks declined during the week. From top 20, 15 closed the week in red. The worst performers from the list were Equinor (-4.7%), ConocoPhillips (COP, -4.1%), Schlumberger (SLB, -3.7%), and BP (BP, -3.3%). Meanwhile, Marathon Petroleum (MPC, 3.3%) was the best performer.

*For detailed information on sectors please check page 6 of this document

S&P 500 sector review: last week performance

Sector	ETF Ticker	Price, \$	W/W return	YTD, %	52-week low, \$	52-week high, \$	12 month outlook
S&P 500	SPY	476.7	 1.9	1.9	383.9	476.7	Positive
Technology	XLK	192.2	 4.4	4.4	127.9	193.1	Negative
Communications	XLC	73.8	 2.5	2.5	51.2	73.8	Positive
Staples	XLP	72.8	 1.1	1.1	66.2	77.5	Neutral
Health Care	XLV	140.5	 1.0	1.0	123.1	141.0	Neutral
Discretionary	XLY	174.0	 0.8	0.8	135.7	181.4	Positive
Real Estate	XLRE	39.5	 0.6	0.6	32.2	41.8	Negative
Industrials	XLI	112.1	 0.6	0.6	96.4	114.1	Negative
Financials	XLF	37.6	-0.4 	-0.4	31.0	38.0	Positive
Materials	XLB	83.4	-1.1 	-1.1	74.5	86.2	Positive
Utilities	XLU	63.3	-1.9 	-1.9	56.2	71.6	Negative
Energy	XLE	82.7	-2.4 	-2.4	76.6	93.4	Positive

Source: Galt & Taggart Research, Bloomberg, Tipranks

*Percentage price changes given in parentheses indicate w/w changes

Performance of last week's most traded stocks

#	Ticker	Name	Price, \$	W/W, %	M/M, %	YTD, %	52-week high, \$	52-week low, \$	12M price target, \$*	12M upside potential, %
1	NVDA	NVIDIA	547.1	11.4	14.8	15.0	165.1	548.2	658.1	20.3
2	AMZN	Amazon.com	154.6	6.5	4.8	4.1	90.7	155.2	185.6	20.0
3	META	Meta Platforms	374.5	6.4	12.0	8.7	133.0	374.5	398.3	6.3
4	AMD	AMD	146.6	5.8	6.5	8.3	67.7	149.3	142.0	-3.1
5	MSFT	Microsoft	388.5	5.6	3.8	4.8	231.4	388.5	427.4	10.0
6	GOOGL	Alphabet	142.6	5.1	7.6	2.7	89.1	142.6	156.1	9.4
7	AAPL	Apple	185.9	2.6	-4.5	0.9	133.2	198.1	203.9	9.7
8	CSCO	Cisco Systems	50.3	0.5	2.0	-0.3	45.7	57.8	52.7	4.7
9	INTC	Intel	47.1	0.5	7.0	0.1	24.9	50.8	44.8	-5.0
10	DIS	Walt Disney	90.3	-0.6	-0.8	-1.4	79.3	113.2	106.9	18.3
11	MU	Micron Technology	82.4	-1.3	5.4	0.2	53.9	86.9	95.2	15.6
12	BABA	Alibaba Holding	71.8	-1.6	2.0	-6.2	70.4	120.6	126.7	76.4
13	JPM	JPMorgan	169.1	-1.9	5.3	-0.7	124.9	172.3	184.2	9.0
14	XOM	Exxon Mobil	99.9	-2.6	1.9	-3.2	98.1	120.2	130.0	30.1
15	PFE	Pfizer	28.7	-2.6	0.4	-3.5	26.1	47.4	31.9	11.2
16	C	Citigroup	52.6	-3.1	9.5	-1.9	37.7	54.3	58.8	11.7
17	BAC	Bank of America	32.8	-4.7	6.7	-2.2	25.2	36.8	36.5	11.2
18	WFC	Wells Fargo	47.4	-5.0	2.0	-2.6	36.2	50.5	53.4	12.7
19	CVS	CVS Health	76.6	-6.0	4.0	-5.3	65.2	90.1	90.1	17.7
20	TSLA	Tesla	218.9	-7.8	-7.6	-8.2	122.4	293.3	267.9	22.4

*Price targets represent the average price forecasts made during past three months by the highest ranked analysts (primarily from Wall Street). A positive 12 month return target implies an overall "Buy" recommendation by analysts

Source: Bloomberg, Tipranks (top 20 by value)

Week ahead calendar

Macroeconomic releases

Company earnings

	Time (GMT +4)	Country	Event	Company	Ticker	Time
Monday 15 January	13:00	Germany	GDP (2023)			
	14:00	Eurozone	Industrial production (Nov)			
Tuesday 16 January	11:00	Germany	Inflation (Dec)	Morgan Stanley	MS	Premarket
	11:00	UK	Unemployment (Nov)	Goldman Sachs	GS	Premarket
	14:00	Eurozone	Economic sentiment (Jan)	PNC Financial	PNC	Premarket
Wednesday 17 January	06:00	China	GDP (4Q23)	Prologis	PLD	Premarket
	11:00	UK	Inflation (Dec)	Charles Schwab	SCHW	Premarket
	14:00	Eurozone	Inflation (Dec)	US Bancorp	USB	Premarket
	17:30	US	Retail sales (Dec)	Kinder Morgan	KMI	After market
Thursday 18 January	16:30	Eurozone	ECB monetary policy meeting accounts	Compagnie Financiere Richemont	CFRUY	Premarket
	17:30	US	Building permits (Dec)	Taiwan Semiconductor	TSM	N/A
Friday 19 January				Truist Financial	TFC	N/A
	03:30	Japan	Inflation (Dec)	Schlumberger	SLB	Premarket
	19:00	US	Consumer sentiment prel. (Jan)	Travelers	TRV	Premarket
				State Street	STT	Premarket

Source: DailyFX, S&P Capital IQ

Definitions: Sectors

Communications	Includes companies that produce communication technologies and services. Major industries are internet content & information, telecom services, entertainment, electronic gaming & multimedia, advertising agencies, broadcasting, and publishing. Examples of leading companies in this sector are Alphabet, Meta Platforms, Netflix, T-Mobile, and Walt Disney.
Technology	Includes companies that produce technological goods or services. Major industries are software, semiconductors, consumer electronics, IT services, computer hardware, electronic components, and scientific & technical instruments. Examples of leading companies in this sector are Apple, Microsoft, NVIDIA, Cisco, and IBM.
Discretionary	Includes companies that produce non-essential or luxury goods and services (aka Consumer Discretionary or Consumer Cyclical). Major industries are general and internet retail, auto manufacturing & dealership, apparel, restaurants, travel services & resorts, and gambling. Examples of leading companies in this sector are Amazon, Tesla, Nike, Alibaba, and McDonald's.
Staples	Includes companies that produce goods essential to life (aka Consumer Staples or Consumer Defensive). Major industries are discount stores, household & personal products, beverages, tobacco, packaged foods, confectioneries, farm products, and grocery stores. Examples of leading companies in this sector are Walmart, Procter & Gamble, Coca-Cola, Philip Morris, and Costco.
Health Care	Includes companies that produce health-related products and services. Major industries are drug manufacturing, biotechnology, healthcare plans, medical devices, instruments & supplies, diagnostics & research, and medical care facilities. Examples of leading companies in this sector are Eli Lilly, UnitedHealth Group, Johnson & Johnson, AstraZeneca, and Pfizer.
Financials	Includes companies related to finance and investing. Major industries are banks, insurance, credit services, asset management, capital markets, and financial data & stock exchanges. Examples of leading companies in this sector are Berkshire Hathaway, Visa, JPMorgan, Bank of America, and Goldman Sachs.
Industrials	Includes companies that mainly produce capital goods for manufacturing and construction. Major industries are aerospace & defense, industrial machinery, railroads, farm & heavy construction machinery, freight & logistics, and building products & equipment. Examples of leading companies in this sector are Union Pacific, United Parcel Services, FedEx, General Electric, and Boeing.
Materials	Includes companies that produce raw materials mostly for manufacturing purposes. Major industries are chemicals, industrial metals & mining, precious metals & mining, building materials, agricultural inputs, paper & paper products, and lumber & wood products. Examples of leading companies in this sector are Linde, BHP Group, Rio Tinto, and Dow.
Energy	Includes companies relating to oil, gas, and consumable fuels. Major industries of the sector are oil & gas: exploration & production, midstream, equipment & services, refining & marketing, drilling, uranium, and thermal coal. Examples of leading companies in this sector are Exxon Mobil, Chevron, Shell, Occidental Petroleum, and BP.
Utilities	Includes companies that provide basic utilities, such as gas, water, and electricity. Major industries include regulated electric, renewables, regulated gas, regulated water, and independent power producers. Examples of leading companies in this sector are NextEra Energy, Southern Company, and Duke Energy.
Real Estate	Mainly includes Real Estate Investment Trusts (REITs). Major industries are REIT: specialty, industrial, residential, retail, healthcare facilities, diversified, office, mortgage, hotel & motel, and real estate services. Examples of leading companies in this sector are Prologis, American Tower, and Equinix.

Source: S&P Capital IQ, Corporate Finance Institute

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