



Executive Summary

Last week:

- US retail sales below forecasts at +0.4% m/m
- Euro Area headline (core) inflation at 7.0% y/y (5.6% y/y)
- Euro Area 1Q23 GDP growth at 1.3% y/y

Week ahead:

- Europe and US manufacturing & services prelim. PMIs (May)
- US 1Q23 GPD 2nd estimate
- US PCE price index (Apr)
- FOMC Minutes

Commentary

US equities saw notable gains last week, with all major indices closing the week in green. Positive investor sentiment was primarily produced by improved prospects for the US debt-ceiling negotiations. While President Biden ensured there will be no default on government debt, Republican speakers called the deal regarding debt-ceiling "doable". Another important catalyst for the current equity rally is unexpected strength of corporate earnings that, on average, surprised on the upside. Despite a lower than expected growth in 1Q23 US GDP, the corporate profit margins stood at stunning 11.8%, the level which has rarely been observed in the past. High margins were supported by resilient consumer spending, particularly in leisure service (e.g., travel and dining). Moreover, the outlook for costs-side has also improved, as companies are actively looking to optimize expenditures, including on human and capital resources.

On the flipside, the retail sales in April have grown by half the speed anticipated (0.4% m/m vs 0.8% forecast). As retail data is reported nominally, the sales have contracted strongly in real terms.

Lastly, it is important to note that this year's rally in US equities is almost solely attributed to multiples growth. This was underlined by market expectations on Fed rate cuts, which may prove too dovish in near future. In such case, earnings growth would be the only possible driver for equity markets.

Performance of major equity indices

Index	Level	W/W, %	M/M, %	YTD, %
S&P 500	4,192	1.6	0.9	9.6
Nasdaq 100	12,657	3.0	4.1	21.9
Dow Jones 30	33,426	0.4	-1.4	0.9
Russell 2000	1,773	1.9	-1.4	1.3
FTSE 100 (£)	7,756	0.0	-1.8	2.7
FTSE 250 (£)	19,289	0.5	0.5	0.8
STOXX 600 (€)	468.9	0.7	0.2	8.0
MSCI Europe	54.1	0.6	-1.4	12.6
Nikkei 225 (¥)	30,808	4.8	7.7	18.1
MSCI China	46.3	0.1	-5.9	-5.8
MSCI EAFE	73.7	0.7	0.5	11.2
MSCI EM	39.0	1.1	-1.2	2.0
MSCI World	120.4	1.4	0.8	10.3

Source: Bloomberg

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

Major global equity indices

Weekly indexed price returns (12 May 2023 = 100)



Source: Bloomberg

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Sector performance highlights

Technology was the best performing sector last week, with respective ETF gaining 4.3% w/w. The rally was quite broad-based, with only 7 out of 100 largest stocks losing ground. Meanwhile, all of the top 20 companies gained the ground. Best performers from the list were Advanced Micro Devices (AMD, +11.1%), Taiwan Semiconductor (TSM, +11.0%), Adobe (ADBE, +10.7%), NVIDIA (NVDA, +10.3%), and Applied Materials (AMAT, +9.4%).

Utilities was the weakest performing sector, with respective ETF down 4.2% w/w. Similarly to Technologies, the sector performance was very broad-based, with only 15 out of 100 largest stocks managing to close the week in green. From top 20, only Constellation Energy (CEG, +3.1%) gained the ground. Worst performers from the list were Edison International (EIX, -7.4%), National Grid (NGG, -6.6%), American Electric Power (AEP, -5.6%), Dominion Energy (D, -5.6%), and American Water Works Company (AWK, -5.6%).

S&P 500 sector review: last week performance

Sector	ETF Ticker	Close Price, \$	W/W ETF Change %	YTD, %	52-week high, \$	52-week low, \$	12M Outlook
S&P 500	SPY	418.6	 1.7%	10.3	424.4	353.6	Neutral
Technology	XLK	157.5	 4.3%	27.8	157.6	116.2	Negative
Communications	XLC	61.4	 2.8%	26.3	61.7	45.3	Positive
Discretionary	XLY	151.6	 2.5%	18.0	172.1	126.3	Neutral
Financials	XLF	32.6	 2.2%	-5.0	37.0	30.1	Neutral
Energy	XLE	79.6	 1.4%	-5.6	93.1	66.1	Positive
Industrials	XLI	99.8	 1.3%	1.4	103.7	82.4	Neutral
Materials	XLB	78.6	 0.7%	86.5	1.3	66.9	Neutral
Health Care	XLV	131.3	-0.7% 	-3.1	139.5	118.4	Neutral
Staples	XLP	75.9	-1.6% 	2.2	77.5	66.0	Negative
Real Estate	XLRE	36.2	-2.4% 	-2.3	44.8	33.4	Positive
Utilities	XLU	66.1	-4.2% 	-6.2%	77.0	61.0	Neutral

Source: Galt & Taggart Research, Bloomberg, S&P Capital IQ
 * Percentage price changes given in parentheses indicate w/w changes

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

#	Ticker	Name	Price, \$	W/W, %	M/M, %	YTD, %	52-week high, \$	52-week low, \$	12M price target, \$	12M upside potential, %	
1	AMD	Advanced Devices	Micro	105.8	11.1	17.7	65.3	108.6	55.9	99.0	-6.5
2	ADBE	Adobe		371.3	10.7	-2.3	10.2	451.0	275.2	395.1	6.4
3	NVDA	NVIDIA		312.6	10.3	11.9	118.4	316.8	112.2	297.9	-4.7
4	AVGO	Broadcom		682.3	8.1	7.5	23.3	682.3	423.6	707.9	3.8
5	NFLX	Netflix		365.4	7.5	13.1	23.9	371.3	167.5	361.2	-1.1
6	TSLA	Tesla		180.1	7.2	-0.2	66.6	309.3	108.1	204.5	13.5
7	AMZN	Amazon.com		116.3	5.4	11.5	35.5	144.8	81.8	136.3	17.2
8	CSCO	Cisco Systems		49.1	5.2	2.3	3.3	52.3	39.0	57.9	17.9
9	META	Meta Platforms		245.6	5.1	13.9	96.9	246.9	88.9	281.6	14.7
10	GOOGL	Alphabet		122.8	4.5	17.8	37.7	122.8	83.4	130.8	6.5
11	JPM	JPMorgan Chase & Co.		139.2	3.8	-1.4	3.8	143.8	101.2	160.9	15.6
12	BAC	Bank of America		28.1	3.8	-6.5	-16.1	38.2	27.0	36.1	28.6
13	MSFT	Microsoft		318.3	3.0	10.4	33.2	318.5	213.1	326.5	2.6
14	LLY	Eli Lilly and Company		442.4	1.8	19.4	21.6	442.4	283.6	426.8	-3.5
15	AAPL	Apple		175.2	1.5	4.5	40.3	175.2	124.8	181.7	3.7
16	MA	Mastercard		385.6	1.0	3.4	11.4	392.0	282.9	434.7	12.7
17	XOM	Exxon Mobil		106.3	0.5	-8.8	0.5	118.3	81.1	130.6	22.9
18	DIS	Walt Disney Company		91.3	-0.7	-7.5	2.7	125.0	84.2	125.2	37.0
19	BABA	Alibaba Group Holding		84.0	-1.6	-10.2	-8.7	122.4	63.2	153.8	83.1
20	WMT	Walmart		149.9	-2.1	-0.1	4.4	153.1	117.3	166.3	10.9

Source: Bloomberg, Capital IQ

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

Week ahead calendar

Macroeconomic releases

Company earnings

	Time (GMT +4)	Country	Event	Company	Ticker	Time	Forecast EPS \$
Monday May 22	16:30	US	Fed Bullard Speech	Ryanair	RYAAY	Premarket	-1.18
	18:00	Euro Area	Consumer Confidence prel. (May)	Heico	HEI	After Market	0.73
	18:50	US	Fed Barking & Bostic Speeches	Zoom Video	ZM	After Market	0.99
Tuesday May 23	12:00	Euro Area	Manufacturing & Services PMIs prel. (May)	Lowe's	LOW	Premarket	3.44
	12:30	UK	Manufacturing & Services PMIs prel. (May)	AutoZone	AZO	Premarket	31.51
	17:45	US	Manufacturing & Services PMIs prel. (May)	Intuit	INTU	After Market	8.49
				Palo Alto Networks	PANW	After Market	0.93
Wednesday May 24	10:00	UK	Inflation (May)	Analog Devices	ADI	Premarket	2.75
	12:00	Germany	Ifo Business Climate (May)	Bank of Montreal	BMO	Premarket	3.19
	22:00	US	FOMC Minutes	NVIDIA	NVDA	After Market	0.92
				Snowflake	SNOW	After Market	0.06
Thursday May 25	10:00	Germany	GDP (1Q23)	RBC	RY	Premarket	2.79
	10:00	Germany	Consumer Confidence (Jun)	Medtronic	MDT	Premarket	1.55
	16:30	US	GDP est. (1Q23)	Toronto Dominion Bank	TD	Premarket	2.10
	18:00	US	Pending Home Sales (Apr)	NetEase	NTES	Premarket	8.68
				Costco	COST	After Market	3.30
Friday May 26	10:00	UK	Retail Sales (Apr)	PDD Holdings	PDD	N/A	4.47
	16:30	US	PCE Price Index (Apr)	Marvell	MRVL	N/A	0.29
	16:30	US	Durable Goods Orders (Apr)	Dell Tech	DELL	N/A	0.86
	18:00	US	Michigan Consumer Sentiment (May)				

Source: Bloomberg, NASDAQ

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