

# Weekly Market Recap

## The week in review

- Unemployment rate decreased to 3.4%
- Hourly earnings : +0.30% m/m; +4.4% y/y

## The week ahead

- University of Michigan consumer sentiment (prelim.)

## Thought of the week

With about half of market capitalization reporting, our current estimate for 4Q22 S&P 500 operating earnings (EPS) is \$50.48, representing a y/y decline of 11.0% and a q/q increase of 0.3%. Commentary accompanying results released thus far suggests the year-over-year contraction in earnings is due to higher labor costs, a deterioration in consumer confidence, a stronger U.S. dollar, constrained supply chains and geopolitical tensions. However, despite the considerable set of headwinds, margins in aggregate have remained steady at 11.2%, with robust nominal growth continuing to boost revenues.

Last week, we received notable results at the sector and industry level. While the consumer discretionary sector seems set for a tough quarter of earnings, the auto industry continues to be a bright spot. The positive results were primarily due to improved inventories and higher prices, but margins within the industry did narrow considerably, indicating that demand has begun to normalize. In contrast to consumer discretionary, the information technology sector is currently tracking a solid year-over-year gain in earnings; however, reported results have varied within the sector at the industry level. For example, software earnings have stayed much more resilient relative to those in hardware, with management teams noting a sharp drop-off in the demand for PCs and gaming consoles. Finally, communication services, similar to many of the hardware tech names, had a difficult quarter, as the sector is levered to discretionary sources of spending. While margins have stayed strong, guidance for the year ahead has indicated that the worst is yet to come, particularly as inflation continues to decelerate and revenue growth subsides. As such, it is unsurprising that 2023 has kicked off with a flurry of job cut announcements, particularly in those sectors that experienced rapid growth during the pandemic and responded by increasing the number of workers they employ. *Please see important disclosures on next page.*

## Weekly Data Center

Equities	Level	Index Returns (%)				
		1 week	QTD	YTD	1 year	3-yr. Cum.
S&P 500	4136	1.64	7.86	7.86	-6.07	33.67
Dow Jones 30	33926	-0.15	2.44	2.44	-1.33	27.11
Russell 2000	4935	3.90	12.81	12.81	1.17	26.30
Russell 1000 Growth	1587	2.74	11.30	11.30	-11.63	34.73
Russell 1000 Value	975	0.83	5.63	5.63	-0.42	27.93
MSCI EAFE	2119	0.46	9.07	9.07	-3.17	16.34
MSCI EM	1039	-1.18	8.67	8.67	-11.27	6.37
NASDAQ	12007	3.33	14.77	14.77	-12.74	32.59

Fixed Income	Yield	Levels (%)				
		1 week	QTD	YTD	1 year	3-yr. Cum.
U.S. Aggregate	4.32	0.03	3.02	3.02	-8.18	-6.96
U.S. Corporates	4.97	0.30	4.08	4.08	-8.98	-6.91
Municipals (10yr)	2.61	0.19	2.85	2.85	-1.56	0.49
High Yield	7.95	1.00	4.95	4.95	-4.39	5.01

Key Rates	Levels (%)					
	2/3/23	1/27/23	12/30/22	12/30/22	2/3/22	2/3/20
2-yr U.S. Treasuries	4.30	4.19	4.41	4.41	1.19	1.36
10-yr U.S. Treasuries	3.53	3.52	3.88	3.88	1.82	1.54
30-yr U.S. Treasuries	3.63	3.64	3.97	3.97	2.14	2.01
10-yr German Bund	2.21	2.26	2.53	2.53	0.14	-0.42
3-mo. LIBOR	4.81	4.83	4.77	4.77	0.32	1.74
3-mo. EURIBOR	2.55	2.49	2.13	2.13	-0.55	-0.39
6-mo. CD rate	N/A	N/A	1.80	1.80	0.16	0.75
30-yr fixed mortgage	6.19	6.19	6.58	6.58	3.78	3.71
Prime Rate	7.75	7.50	7.50	7.50	3.25	4.75

Index Characteristics			
NTM P/E	P/B	Div. Yld.	Mkt. Cap (bn)
18.26	3.98	1.56	34615
17.51	4.42	2.03	10000
21.89	2.07	1.22	2544
23.78	9.44	0.94	19020
15.05	2.45	2.08	19321
13.12	1.70	3.10	15517
12.59	1.64	3.17	6865
25.98	5.04	0.85	19465

Currencies	Levels		
	2/3/23	12/30/22	2/3/22
\$ per €	1.09	1.07	1.14
\$ per £	1.21	1.20	1.36
¥ per \$	131.04	131.95	114.90

Commod.	Levels		
	2/3/23	12/30/22	2/3/22
Oil (WTI)	75.88	80.16	90.17
Gasoline	3.49	3.09	3.37
Natural Gas	2.46	3.52	5.84
Gold	1875	1814	1793
Silver	23.49	23.95	22.36
Copper	9060	8387	9785
Corn	6.10	6.14	6.07
BBG Idx	234.43	245.89	233.56

## Chart of the Week

**S&P 500 profit margin**  
Operating earnings/sale



## Style Returns

	V	B	G
L	0.8	1.6	2.7
M	1.7	2.1	2.9
S	4.2	3.9	3.6
	V	B	G
L	5.6	7.9	11.3
M	9.1	9.9	11.3
S	12.6	12.8	13.0

## S&P 500 Sector Returns

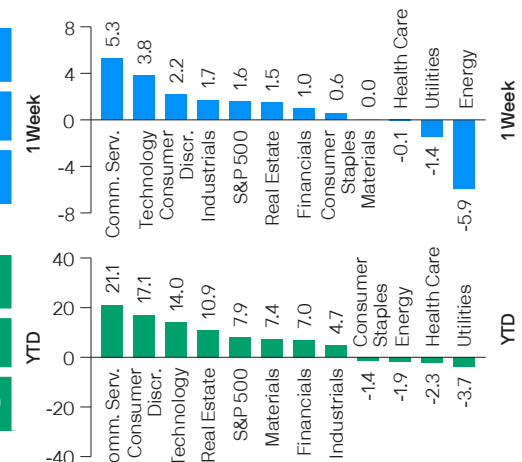




Chart of the Week: Source: Company filings, FactSet, Standard & Poor's, J.P. Morgan Asset Management. \*4Q22 operating margins is an estimate based on 70.6% of the S&P 500's market cap having reported earnings.

Thought of the week: Source: Company filings, FactSet, Standard & Poor's, J.P. Morgan Asset Management.

Abbreviations: Cons. Sent.: University of Michigan Consumer Sentiment Index; CPI: Consumer Price Index; EIA: Energy Information Agency; FHFA HPI: - Federal Housing Finance Authority House Price Index; FOMC: Federal Open Market Committee; GDP: gross domestic product; HPI: Home Price Index; HMI: Housing Market Index; ISM Mfg. Index: Institute for Supply Management Manufacturing Index; PCE: Personal consumption expenditures; Philly Fed Survey: Philadelphia Fed Business Outlook Survey; PMI: Purchasing Managers' Manufacturing Index; PPI: Producer Price Index; SAAR: Seasonally Adjusted Annual Rate

Equity Price Levels and Returns: All returns represent total return for stated period. Index: S&P 500; provided by: Standard & Poor's. Index: Dow Jones Industrial 30 (The Dow Jones is a price-weighted index composing of 30 widely-traded blue chip stocks.) ; provided by: S&P Dow Jones Indices LLC. Index: Russell 2000; provided by: Russell Investments. Index: Russell 1000 Growth; provided by: Russell Investments. Index: Russell 1000 Value; provided by: Russell Investments. Index: MSCI - EAFE; provided by: MSCI - gross official pricing. Index: MSCI - EM; provided by: MSCI - gross official pricing. Index: Nasdaq Composite; provided by: NASDAQ OMX Group.

MSCI EAFE is a Morgan Stanley Capital International Index that is designed to measure the performance of the developed stock markets of Europe, Australasia, and the Far East.

Bond Returns: All returns represent total return. Index: Bloomberg US Aggregate; provided by: Bloomberg Capital. Index: Bloomberg Investment Grade Credit; provided by: Bloomberg Capital. Index: Bloomberg Municipal Bond 10 Yr; provided by: Bloomberg Capital. Index: Bloomberg Capital High Yield Index; provided by: Bloomberg Capital.

Key Interest Rates: 2 Year Treasury, FactSet; 10 Year Treasury, FactSet; 30 Year Treasury, FactSet; 10 Year German Bund, FactSet. 3 Month LIBOR, British Bankers' Association; 3 Month EURIBOR, European Banking Federation; 6 Month CD, Federal Reserve; 30 Year Mortgage, Mortgage Bankers Association (MBA); Prime Rate: Federal Reserve.

Commodities: Gold, FactSet; Crude Oil (WTI), FactSet; Gasoline, FactSet; Natural Gas, FactSet; Silver, FactSet; Copper, FactSet; Corn, FactSet. Bloomberg Commodity Index (BBG Idx), Bloomberg Finance L.P.

Currency: Dollar per Pound, FactSet; Dollar per Euro, FactSet; Yen per Dollar, FactSet.

S&P Index Characteristics: Dividend yield provided by FactSet Pricing database. Fwd. P/E is a bottom-up weighted harmonic average using First Call Mean estimates for the "Next 12 Months" (NTM) period. Market cap is a bottom-up weighted average based on share information from Compustat and price information from FactSet's Pricing database as provided by Standard & Poor's.

MSCI Index Characteristics: Dividend yield provided by FactSet Pricing database. Fwd. P/E is a bottom-up weighted harmonic average for the "Next 12 Months" (NTM) period. Market cap is a bottom-up weighted average based on share information from MSCI and Price information from FactSet's Pricing database as provided by MSCI.

Russell 1000 Value Index, Russell 1000 Growth Index, and Russell 2000 Index Characteristics: Trailing P/E is provided directly by

Russell. Fwd. P/E is a bottom-up weighted harmonic average using First Call Mean estimates for the "Next 12 Months" (NTM) period. Market cap is a bottom-up weighted average based on share information from Compustat and price information from FactSet's Pricing database as provided by Russell.

Sector Returns: Sectors are based on the GICS methodology. Return data are calculated by FactSet using constituents and weights as provided by Standard & Poor's. Returns are cumulative total return for stated period, including reinvestment of dividends.

Style Returns: Style box returns based on Russell Indexes with the exception of the Large-Cap Blend box, which reflects the S&P 500 Index. All values are cumulative total return for stated period including the reinvestment of dividends. The Index used from L to R, top to bottom are: Russell 1000 Value Index (Measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values), S&P 500 Index (Index represents the 500 Large Cap portion of the stock market, and is comprised of 500 stocks as selected by the S&P Index Committee), Russell 1000 Growth Index (Measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values), Russell Mid Cap Value Index (Measures the performance of those Russell Mid Cap companies with lower price-to-book ratios and lower forecasted growth values), Russell Mid Cap Index (The Russell Midcap Index includes the smallest 800 securities in the Russell 1000), Russell Mid Cap Growth Index (Measures the performance of those Russell Mid Cap companies with higher price-to-book ratios and higher forecasted growth values), Russell 2000 Value Index (Measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values), Russell 2000 Index (The Russell 2000 includes the smallest 2000 securities in the Russell 3000), Russell 2000 Growth Index (Measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values).

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**Diversification does not guarantee investment returns and does not eliminate the risk of loss.**

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