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INCISIVE INVESTOR

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WEEK IN REVIEW

STOCKS BOOK BEST WEEK OF GAINS IN 2 MONTHS

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U.S. stocks finished higher Friday, as investors weighed a flurry of bank earnings results for the fourth quarter and fresh data on consumer sentiment and inflation expectations.

All three major benchmarks also booked their best weekly percentage gains since November 11th, according to Dow Jones Market Data.

The Dow Jones Industrial Average DJIA rose 112.64 points, or 0.3%, to close at 34,302.61. The S&P 500 SPX added 15.92 points, or 0.4%, to finish at 3,999.09. The Nasdaq Composite COMP gained 78.05 points, or 0.7%, to end at 11,079.16.

For the week, the Dow rose 2%, the S&P 500 advanced 2.7% and the Nasdaq gained 4.8%.



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US inflation eased in December

For the sixth consecutive month, consumer prices in the United States declined.

According to the Consumer Price Index, inflation is 1.0% lower than in November and just 6.5% lower than a year ago, down from 7.1% in November. CPI has grown at a more measured pace since June when it peaked at 9.1%. This has been the result of falling energy and goods prices, and a rise in services prices. The US Federal Reserve Chair Jerome Powell recently highlighted core services inflation ex shelter as a priority measure for policymakers, and it increased year over year to 7.4%. Investor optimism that the Fed's tightening cycle is nearing its end was not dampened by the uptick in jobless claims data. Markets expect the Fed to hike 0.25% on February 1st and again on March 22nd before pausing. Several FOMC members said that they expect to raise rates in smaller increments in the future.

Slower growth expectations

The World Bank lowered its growth forecast for 2023 and warned of a global recession. Compared to its June forecast, it expects

global growth of 1.7% this year. David Malpass, President of the World Bank, said slow growth, tightening financial conditions, and heavy indebtedness are likely to dampen investment and trigger corporate defaults.

Yellen remains at the White House

This week, the White House confirmed that US Treasury Secretary Janet Yellen will continue to serve her post for a third year. After midterm elections, cabinet officers typically leave their positions. Her belief that inflation would be transitory drew criticism earlier in Biden's term, a mistake she has acknowledged. As Congress prepares to debate the nation's debt limit, Yellen, a former Federal Reserve chair, is well-positioned to warn against potential defaults.

Biden under investigation

After Joe Biden's vice presidency ended in 2017 but before he was sworn in as president in 2021, US Attorney General Merrick Garland appointed a special counsel to investigate his possible mishandling of classified documents. As a result of searching Biden's former office at the think tank in Washington, DC, and his residence in Wilmington, Delaware, the documents were discovered in November.



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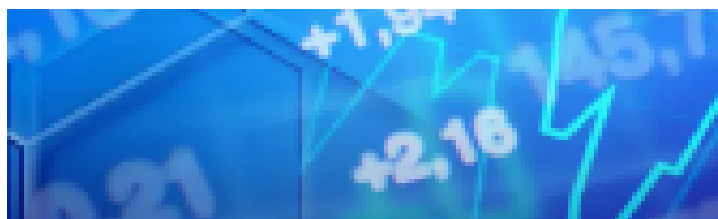
HEADLINERS

Analysts expect the S&P 500 earnings for Q4 to decline 4.1% year-over-year, the first decline since Q3 2020.

In December's Federal Reserve Bank of New York Survey of Consumer Expectations, inflation over the next year fell to 5% for the first time since July 2021. From 6.9% in November, household spending expectations fell sharply to 5.9% in December while income growth expectations rose to 4.6%.

As interest payments on the national debt soared by 37%, the US budget deficit widened by 12% in the first quarter of the fiscal year. The deficit reached \$421 billion from October to December. It was \$1.38 trillion in 2022, down from \$2.78 trillion during some of the worst of the pandemic the previous year.

According to the University of Michigan Consumer Sentiment Survey, one-year inflation expectations declined to 4% in January from 4.4% in December, but expectations for 5 to 10 years in the future rose to 3% from 2.9%. Sentiment among consumers rose to 64.6 from 59.7 in December.



MAJOR STOCK MOVES

JPMorgan JPM shares gained 2.5% after reporting fourth-quarter earnings and revenue before the bell that topped Wall Street expectations. The bank said a mild recession is now the "central case."

Wells Fargo WFC shares rose 3.3% after reporting falling profits, as it was hit by a recent settlement and the need to build reserves.

Bank of America BAC shares gained 2.2% after reporting earnings per share of 85 cents last quarter, above the 77 cents a share expected by analysts. Revenue also beat expectations. However, the bank's net interest income fell slightly below expectations despite jumping interest rates.

Delta Air Lines Inc. DAL reported fourth-quarter profit and revenue before the bell that beat expectations. Shares of the airline fell 3.5%.

Tesla Inc. TSLA shares fell after the company cut prices in the U.S. and Europe again, according to listings on the company's website Thursday night. Tesla finished down 0.9%.

Shares of UnitedHealth Group Inc. UNH dropped 1.2% after the health-insurance giant shared its results.

BlackRock Inc. BLK shares closed about flat after the asset-management giant reported a decline in fourth-quarter results.

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