



INCISIVE INVESTOR

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WEEK IN REVIEW STOCKS TRADE MIXED

IN THIS ISSUE

- ▶ **More work to do says Fed Officials**
- ▶ **Turkey/Syria earthquakes claim thousands**



U.S. stocks closed mostly up Friday, with the S&P 500 turning higher in late afternoon trading, as investors weighed a report showing improved consumer sentiment and recent warnings from Federal Reserve officials that the battle to tame high inflation isn't done.

Still, the S&P 500 and technology-laden Nasdaq Composite each saw their worst week since December, with the Nasdaq snapping a five-week win streak as traders await next week's January inflation report.

Dow Jones Industrial Average DJIA rose 169.39 points, or 0.5%, to close at 33,869.27. S&P 500 SPX gained 8.96 points, or 0.2%, to finish at 4,090.46. Nasdaq Composite COMP fell 71.46 points, or 0.6%, to end at 11,718.12.

For the week, the Dow dipped 0.2% while the S&P 500 shed 1.1% and the Nasdaq fell 2.4%. The Dow fell for a second straight week, while the S&P 500 snapped two consecutive weeks of gains in its biggest percentage drop since the week ending December 16th, according to Dow Jones Market Data.



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MACRO NEWS

More work to do says Fed Officials

There was a strong consensus this week among US Federal Reserve officials that the central bank has more work to do before it can declare victory in its battle against inflation. In a speech to the Economic Club of Washington, D.C., Fed Chair Jerome Powell did not specifically protest looser financial conditions but warned that if tight labor market conditions persist, the Fed may have to raise its policy rate. According to Powell, for the Fed to achieve its 2% inflation target, it has a "significant road ahead." The markets have priced in an additional rate and priced out a rate cut before the end of 2023 since the FOMC meeting last week, aligning with the central bank's "higher for longer" message.

Turkey/Syria earthquakes claim thousands

As rescue workers race against time in a search for survivors, the death toll from a series of earthquakes in Turkey and Syria reached 20,000 on Friday. Two strong earthquakes measuring magnitudes 7.8 and 7.5 destroyed thousands of buildings. Turkish officials have been criticized for their slow response. The Turkish president faces reelection this year, with the vote set for May 14th.

HEADLINERS

As investors priced in more hawkish Fed bets, the yield on the US 2-year note rose about 0.35% to 4.50% this week. As a result of the jump in short-term yields on Thursday, the 2s-10s yield curve inverted for the first time in 42 years.

According to the University of Michigan consumer sentiment survey, inflation expectations for next year increased to 4.2% from 3.9% in January. A steady 2.9% was expected over the next five to ten years.

It has been reported by US officials that the Chinese balloon downed last weekend by US aircraft was equipped to capture signals intelligence and that more than 40 countries on five continents have been targeted by such balloons. The US House of Representatives voted unanimously on Thursday to condemn the balloon's intrusion into US airspace as an egregious violation of US sovereignty.

Goldman Sachs reduced its odds of a US recession to 25% from 35%.

In Q4, credit standards tightened in the US while loan demand fell, according to the Fed's Senior Loan Officer Opinion Survey.

On Thursday, US weekly jobless claims edged up to 196,000, but remain historically low.

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President Joe Biden delivered the "State of The Union" address to a joint session of Congress this week. The president has proposed quadrupling the 1% tax on stock buybacks that went into effect earlier this year, as well as calling for a "billionaire's tax" on unrealized gains. Republicans, who control the House of Representatives, are expected to oppose both proposals.

During the Fed's 2023 stress test of large banks, the US unemployment rate would rise nearly 6 1/2 percentage points to peak at 10%. Market volatility, widening corporate bond spreads, and asset price declines accompany the increase in the unemployment rate.

In 2022, the US trade deficit reached a record \$948 billion, an increase of 12% from the previous year.



Based on data from FactSet Research, with 69% of the S&P 500 Index constituents having reported for Q4 2022, blended earnings per share (which combines reported data with estimates for those that haven't yet reported) show earnings declined 5% compared with the same quarter a year ago, while sales rose 4.7%. About 70% of reporters have beaten consensus EPS expectations, which is lower than the one-year average of 75% and the five-year average of 77%.

MAJOR STOCK MOVES



A graphic with a blue background. The text "MAJOR STOCK MOVES" is written in large, white, sans-serif capital letters across the top. Below the text, there is a faint, colorful line graph showing stock price movements.

Expedia EXPE shares sank 8.6% after the travel company reported disappointing quarterly earnings.

Lyft Inc. LYFT shares plunged 36.4% after the ride-sharing company posted record revenue for a second consecutive quarter but issued weak guidance.

News Corp. Class A NWSA shares dropped 9.4% after reporting earnings last night. The company is the owner of Dow Jones.



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A CHEAT SHEET FOR SENDING YOUR KID TO COLLEGE

Dropping off your son or daughter is loaded with emotions; [here are a few tips](#) for a smoother experience.

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Do you have questions about your finances, the market, or the economy?

Park 10 Financial has the knowledge and expertise to answer all of your concerns.

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