



Randall Fielder, President & CEO
1400 Broadfield Blvd., Suite 200
Houston, TX 77084
713-955-3555

INCISIVE INVESTOR

January 27, 2023

WEEK IN REVIEW

STOCKS RISE AHEAD OF FED MEETING NEXT WEEK

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U.S. stocks were rising heading toward the closing bell Friday, with the technology-heavy Nasdaq Composite leading the way up, as investors assessed fresh data on inflation and the economy as well as companies' fourth-quarter earnings reports.

The Dow Jones Industrial Average DJIA was up 0.08%, at 33,978.08. The S&P 500 SPX gained 0.25% to 4,070.56. The Nasdaq Composite COMP rose 0.95%, to 11,621.71.

For the week, the Dow is on pace to rise 2.2% while the S&P 500 is on track to advance 2.9% and the technology-heavy Nasdaq is heading for a 4.9% jump, according to FactSet data, at last check. The Nasdaq is on track for a fourth straight week of gains.



info@park10financial.com

www.park10financial.com

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MACRO NEWS

Flash PMI figures



The composite purchasing managers index (PMI) in January was 46.6 was better than the previous month, but still among the lowest levels since the early days of the pandemic. Business activity usually contracts when the PMI reading falls below 50. Despite strong labor demand, job growth is slowing, and trading conditions are uncertain.

Economy grew at a healthy rate in Q4 2022

The US economy grew at an annual rate of 2.9% in the fourth quarter of 2022, slightly down from 3.2% in the third quarter. Last year, it grew by 1%, compared with 5.7% in

2021. Nevertheless, 2022 will reflect a more normal pace of growth, consistent with history, owing to massive fiscal stimulus and economic re-openings. Economic output was solid and above expectations, but the economy itself may be cooling. A weakening outlook for manufacturing, home builds, and financial markets dragged down the Conference Board Leading Economic Indicator index in December by 1% from the prior month and 7.4% from the previous year. In general, when LEI changes turn negative, economic conditions will soon deteriorate.

US has until mid-2023 before defaulting on its debt

As policymakers continue to deliberate over raising the debt ceiling, the Treasury Department decided to stop fully funding the Government Securities Investment Fund of the Thrift Savings Plan — the latest of several extraordinary measures to avoid breaching the debt limit. The fund allows government employees to invest in interest-bearing US securities as part of their retirement savings. U.S. Treasury Secretary Janet Yellen says the country has until June to avoid default. Since 1960, Congress has either raised or revised the debt ceiling 78 times, so this is a recurring issue that emerges every few years or so. There is no risk of a US default, even if negotiations take some time.

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HEADLINERS

Lael Brainard, Fed Vice Chair, is considered a top candidate to lead the US National Economic Council, which includes guiding President Biden on key economic policy items, such as debt limit negotiations, antitrust issues, and energy policy. Current NEC director Brian Deese is planning to step down, but a definitive date has not been announced. In the next few weeks, President Biden is expected to make a final decision.

In line with the World Bank and IMF, the United Nations also predicts a slowdown in the global economy, predicting a growth rate of 1.9% in 2023, one of the lowest in decades. Nevertheless, 2024 is expected to see moderate growth.

Core personal consumption expenditures price index, the Fed's preferred measure of inflation, fell to 4.4% in December from 4.7% in November at the slowest pace since October 2021.

Currently, the United States and the European Union are in talks about a deal related to key materials used in electric vehicles and batteries that would allow the EU to take advantage of certain benefits within the US market, especially the automobile market. This deal would be part of the US Inflation Reduction Act, which offers certain exceptions for countries with free-trade agreements with the United

States to engage in US markets.

In December, new orders of manufactured durable goods increased by 5.6%, beating expectations of 2.5%. Transportation equipment led the rebound, while durable goods excluding transportation contracted 0.1%.

According to the Commerce Department, US new home sales rose 2.3% in December. Redfin reported that pending sales increased by 2.9% in December, the first increase since late 2021. Housing demand may pick up in the coming months as mortgage rates decline.

As other signs of an economic slowdown emerged, US household spending fell 0.2% month over month in December. In the meantime, personal spending increased by 3.4% from the previous month.

As a result of weaker earnings in the last quarter of 2022, several tech companies laid off employees this week, including Google, Microsoft, Spotify, IBM, and SAP. Despite this, weekly jobless claims fell by 6000 to 186,000, suggesting that the labor market remains tight.



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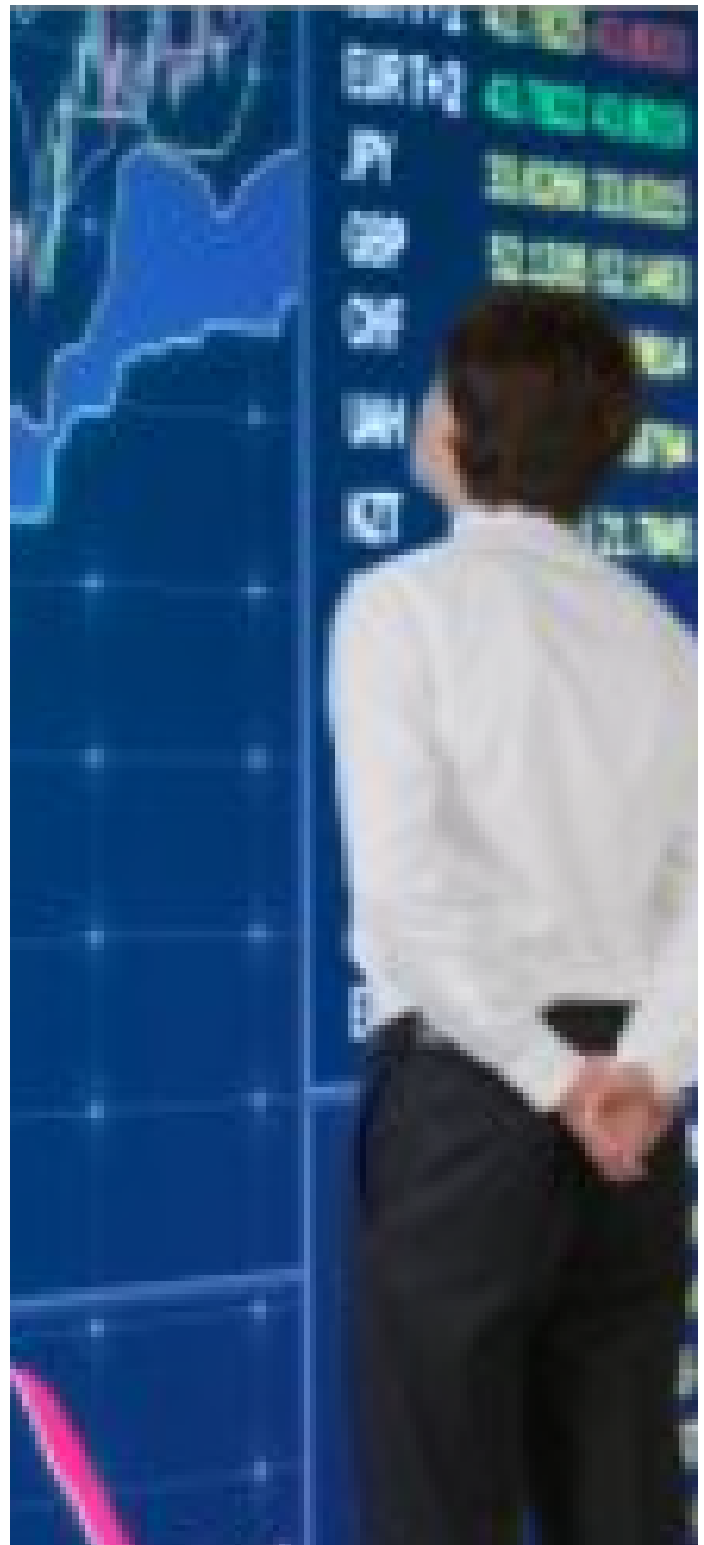
Based on data from FactSet Research, earnings per share (which combine reported data with estimates for those that have yet to report) for 28% of the constituents of the S&P 500 Index declined 5.1% compared to the same quarter last year while sales rose by about 4%. If earnings end the quarter in the red, this will be the first since the third quarter of 2020.



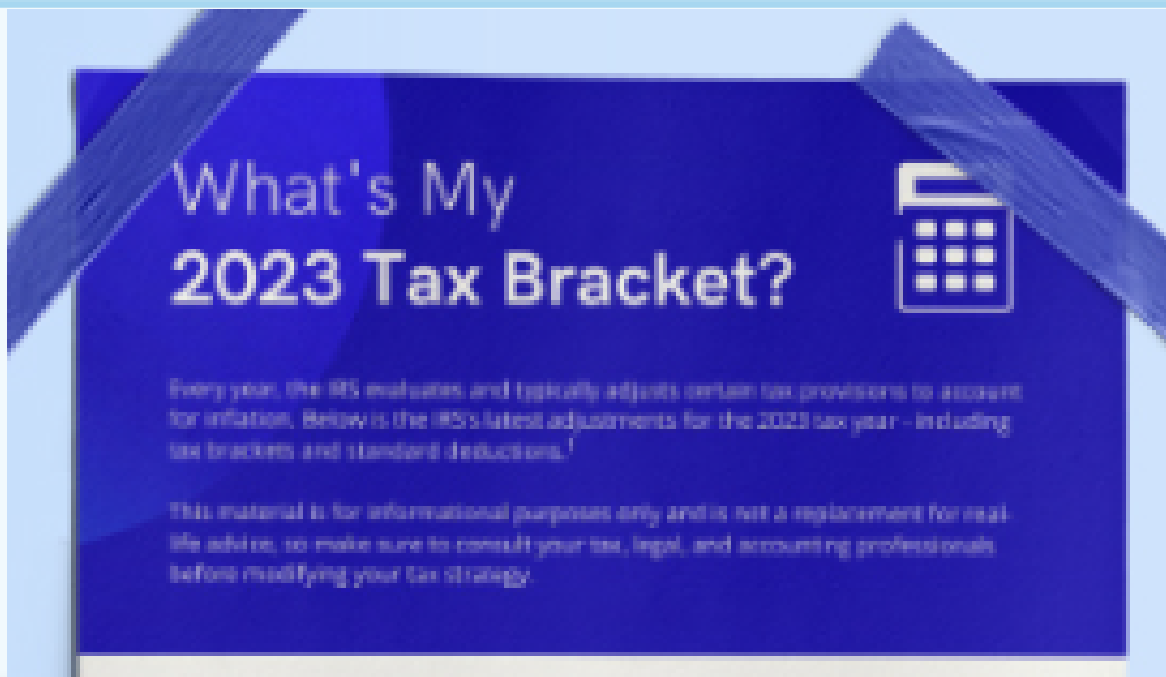
Intel INTC was down more than 6% after the chip maker reported a big miss for the fourth quarter, forecast a loss for the first quarter, and said the data-center market was contracting and that inventory digestion will gnaw at margins.

Chevron CVX fell almost 4% after the oil and gas giant missed fourth-quarter profit expectations, while revenue rose above forecasts.

American Express AXP stock soared almost 11% after reporting earnings that came up short of profit expectations for the fourth quarter but delivering an upbeat earnings outlook for the full year ahead and boosted its dividend by 15%.



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What's My 2023 Tax Bracket?

Check out [this handy reference of updated ranges](#) from the IRS in case your designated bracket has changed.

Randall Fielder

(713-955-3555, randall@park10financial.com)



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.

Email: info@park10financial.com