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WEEK IN REVIEW

STOCKS END MIXED

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U.S. stocks ended mixed Friday, with the S&P 500 and Dow Jones Industrial Average booking modest weekly losses, after hotter-than-expected inflation reports and commentary from Federal Reserve officials spurred investors to bet on more interest-rate hikes by the central bank.

The Dow Jones Industrial Average DJIA rose 129.84 points, or 0.4%, to close at 33,826.69. The S&P 500 SPX slipped 11.32 points, or 0.3%, to finish at 4,079.09. The Nasdaq Composite COMP shed 68.56 points, or 0.6%, to end at 11,787.27.

For the week, the Dow slipped 0.1%, logging its third-straight weekly decline in the longest such losing streak since September, according to Dow Jones Market Data. The S&P 500 fell 0.3%, booking back-to-back weekly declines for the first time this year, FactSet data show. The technology-heavy Nasdaq rose 0.6% for the week.

US inflation progress slows down

In January, consumer and producer prices in the US moderated less than expected. In December, the Consumer Price Index rose 6.5% over a year ago, slightly slower than December's 6.5% increase, and 0.5% higher than the month prior. The core CPI also exceeded expectations, increasing 5.6% from a year ago. Also, producer prices increased more than expected in January, by 5.4% while gaining 0.7% from December. Despite slowing price growth, the pace of improvement decelerated, while core service prices remained high. In the months ahead, the US Federal Reserve is likely to continue tightening its monetary policy, with rate hikes expected in March and May, and possibly in June as well. After several Fed officials made the case for more aggressive rate hikes this week, investors have priced in an 18% chance of a 50-basis-point hike in March.

“No landing” scenario?

Recently, the debate has turned from whether the US economy will have a hard or soft landing to whether it will land at all. Although the US economy has absorbed 450 basis points of rate hikes in less than a year, a string of stronger-than-expected data points suggests it remains resilient. The latest upside surprise was January retail sales, which climbed 3% after declining by 1.1% in December. Following a strong January employment report and signs that inflation may moderate more slowly going forward, investors are starting to contemplate a "no landing" scenario where the Fed continues to hike rates. Some fear that this scenario may only postpone a downturn until 2024, even though it may appear benign in the short term. In public remarks this week, Fed officials were hawkish, suggesting several more rate hikes are likely.

Fed's musical chairs

Lael Brainard was named director of the National Economic Council by US President Joe Biden this week. A likely replacement for Brainard has been suggested as recently appointed Federal Reserve Bank of Chicago President Austan Goolsbee. Formerly, Goolsbee chaired the Council of Economic Advisers under President Barack Obama.

HEADLINERS

For the first time since 2007, the yield on a one-year US Treasury bill rose above 5%.

In January, the Conference Board's Index of Leading Indicators declined 0.3%, its ninth consecutive decline.

The National Association of Homebuilders sentiment index rose to 42 from 35 in February.

According to Bloomberg this week, Chinese consumers are paying off mortgages and purchasing stocks instead of consumption with cut-rate loans offered by banks.

Republican Senate leader Mitch McConnell said this week that the government will not default if the US debt ceiling is raised.

According to the Congressional Budget Office, the US will default between July and September if Congress does not extend the nation's debt limit. Unless spending patterns change, the CBO projects a $1.4 trillion deficit for fiscal 2023 and an additional $19 trillion in debt in the coming decade.

With about 82% of the constituents of the S&P 500 Index having reported for Q4 2022, blended earnings per share (which combines reported data with estimates for those that have yet to report) indicates that earnings declined 4.8% compared to the same quarter a year ago, while sales increased about 5.2%.

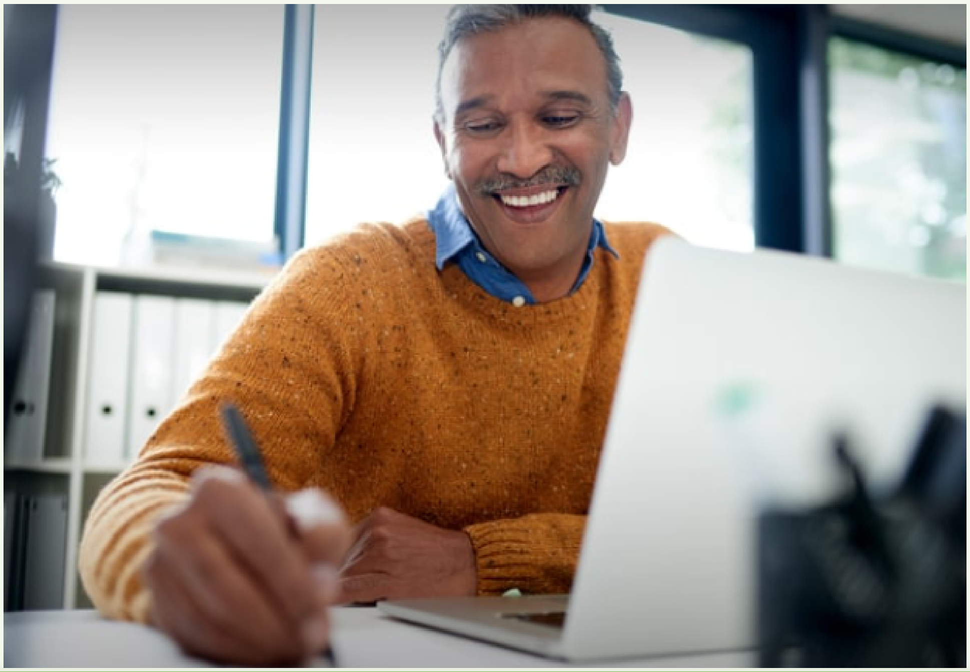
Deere & Co. DE shares jumped 7.5% after the maker of agriculture, construction, and forestry equipment reported fiscal first-quarter profit and revenue that beat expectations by wide margins, with all segments seeing both higher shipment volumes and higher pricing.

DoorDash Inc. DASH fell 7.6% after the food delivery merchant reported a much wider fourth-quarter net loss than expected, though the company beat most other Wall Street estimates, including for revenue, orders, and its first-quarter forecast.

AMC Entertainment Holdings Inc. AMC slipped 0.2% after the TV network and streaming services company reported a fourth-quarter profit that was more than double what was expected.

AutoNation Inc. AN shares climbed more than 11% after the automotive retailer easily topped profit expectations for its latest quarter while benefiting from higher sales of and prices for new vehicles.

DraftKings Inc. DKNG shares jumped 15.3% after the sports betting firm cleared $800 million in revenue in the fourth quarter, a new record just one quarter after topping $500 million for the first time, as the online-gambling company's move into new states continues to boost sales.



THE PROS AND CONS OF A NUA STRATEGY

Learn the advantages of a Net Unrealized Appreciation strategy with this helpful article.

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

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