The week in seven charts

Chart #3
The market punishes companies that report results below expectations
Read more on p2

The market punishes companies that report results below expectations

As the Q3 earnings seasons draws to a close, energy remains the only sector with a positive year-to-date performance. Each week, the Syz investment team takes you through the last seven days in seven charts.

Charles-Henry Monchau
Chief Investment Officer

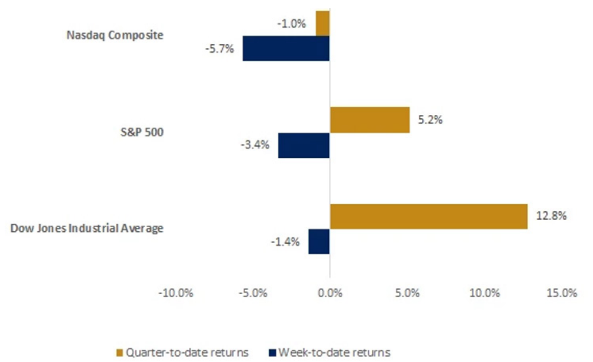
Chart #1 —

The Nasdaq down 6% for the week

U.S. stocks fell last week after the Fed disappointed market hopes for an imminent monetary policy pivot in the form of a pause or slowdown in the pace of rate hikes. The Nasdaq index was the big loser of the week with a -5.6% decline. The Dow Jones Industrials Index - more representative of the "old economy" - held up better (-1.4%). This is the worst week for the Nasdaq since January. Indeed, technology stocks suffered from the fallout of a largely disappointing earnings season for stocks such as Meta (Facebook), Amazon and Microsoft.

The Dow Jones and S&P 500 remain in positive territory for the quarter, while the Nasdaq lost all the gains it had made in October.

Performance of the main US indices last week (in blue) and since the beginning of the quarter (in orange)



Source: Edward Jones

Chart #2 —

Strong outperformance by the value style

With regards to sector performance, U.S. technology stocks lost about 8% over the week, while the energy sector posted the largest gains (+2%).

The value style dramatically outperformed the growth style over the week. This is indeed the most important outperformance since the beginning of January. The Value vs. Growth relative index has returned to its pre-covid levels.

"US Value" vs. "US Growth" relative index

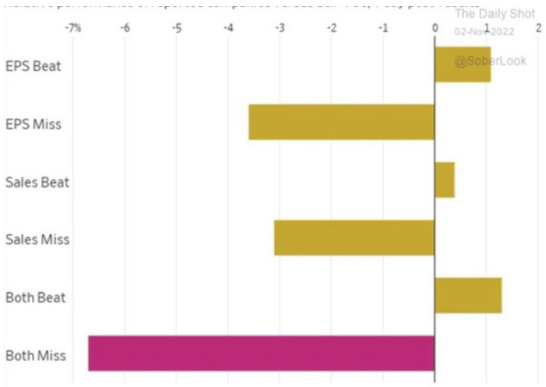
Source: Bloomberg

Chart #3 —

The market punishes companies that report results below expectations

The quarterly earnings season for US companies is coming to an end as 85% of the S&P 500 companies have already released their numbers. At this point, 70% have beaten market expectations in terms of both earnings and revenue. On an aggregate basis, the earnings growth rate is +2.2%, its lowest since Q3 2020. We also see that companies that disappoint analysts' expectations have been severely punished by the market.

Relative stock performance of U.S. stocks following the release of third quarter results



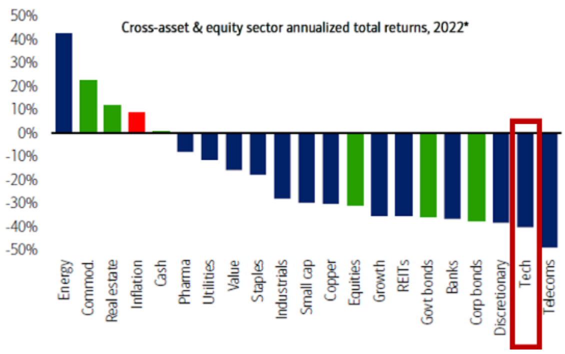
Source: Bank of America, The Daily Shot

Chart #4 —

Energy is the only sector with positive year-to-date performance

As shown on the chart below, very few asset classes or sectors have been in positive territory since the beginning of the year. Energy stocks have posted the best annualized performance (+42%). Commodities (+22%) and real estate (+11%) follow. Among the worst performers are Telecom (-45%) and Technology (-37%).

Annualized performance of major asset classes and S&P 500 sectors



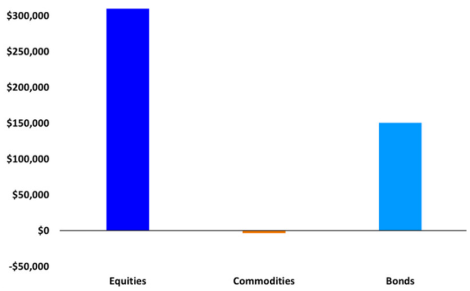
Source: BofA

Chart #5 —

Investors continue to shun commodities

Despite the very good performance of commodities and the collapse of equity and bond markets, fund flows do not support the performance hierarchy. Indeed, investors continue to avoid ETFs invested in commodities, favouringstocks and bonds.

Fund flows into ETFs of different asset classes since the beginning of the year



Source: All Star Charts

Chart #6 —

No "pivot" from the Fed

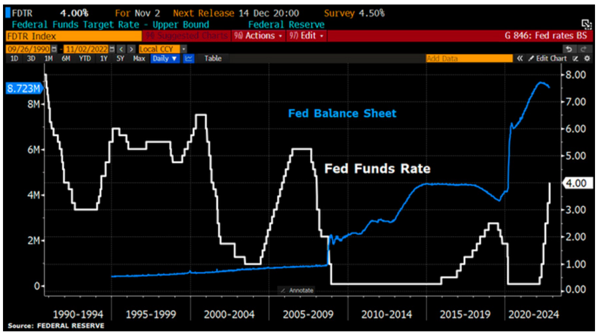
As expected, the U.S. Federal Reserve raised policy rates by 0.75%, extending a rapid pace of monetary tightening that has brought the main rate to 4%, the highest level in 15 years.

The FOMC opened the door to further rate hikes, although it plans to lower the magnitude of the move.

While the Fed's initial statement was initially seen as more accommodative ("dovish") than the market expected, the press conference was later interpreted as a signal of even more restrictive policy ("hawkish") when Fed Chairman Jerome Powell said that it is "very premature" to expect a pause in the current rate hike cycle.

These comments reinforced expectations that the Fed would soon raise the target rate at the end of the tightening cycle ("terminal rate") and continue raising rates beyond February 2023.

Size of the Fed's balance sheet (in blue) and the Fed's policy rate (in white)



Source: Bloomberg

Chart #7 —

The U.S. economy continues to create jobs

U.S. payrolls rose by more than 260,000 in October, exceeding consensus expectations. On the other hand, the unemployment rate rose from 3.5 percent to 3.7 percent. Average hourly earnings in the U.S. rose by 4.7 percent in October, the slowest rate of growth since August 2021.

However, note that this is the 19th consecutive month that inflation has outpaced wage growth, which translates into less purchasing power for U.S. households.

US employment numbers

	Date Time	Event	Period	Surv(M)	Actual	Prior	Revised
21)	11/04 13:30	Two-Month Payroll Net Revision	Oct	--	29k	--	--
22)	11/04 13:30	Change in Nonfarm Payrolls	Oct	193k	261k	263k	315k
23)	11/04 13:30	Change in Private Payrolls	Oct	200k	233k	288k	319k
24)	11/04 13:30	Change in Manufact. Payrolls	Oct	12k	32k	22k	23k
25)	11/04 13:30	Unemployment Rate	Oct	3.6%	3.7%	3.5%	--
26)	11/04 13:30	Average Hourly Earnings MoM	Oct	0.3%	0.4%	0.3%	--
27)	11/04 13:30	Average Hourly Earnings YoY	Oct	4.7%	4.7%	5.0%	--
28)	11/04 13:30	Average Weekly Hours All Employees	Oct	34.5	34.5	34.5	--
29)	11/04 13:30	Labor Force Participation Rate	Oct	62.3%	62.2%	62.3%	--
30)	11/04 13:30	Underemployment Rate	Oct	--	6.8%	6.7%	--

Source: Bloomberg

For further information

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