**FEATURE**

WEEKLY MARKET REVIEW 08 May 2023

# The week in seven charts

**Chart #5**
U.S. unemployment rate at its lowest since 1969
Picture source: theatlantic.com

## U.S. unemployment rate at its lowest since 1969

With a handful of stocks contributing to it's perfomance, the S&P500 is up nearly 8% YTD, U.S. unemployment rate fell to a record low of 3.4% and the Fed raised rates by 25 basis points. Each week, the Syz investment team takes you through the last seven days in seven charts.

**Charles-Henry Monchau**
*Chief Investment Officer*

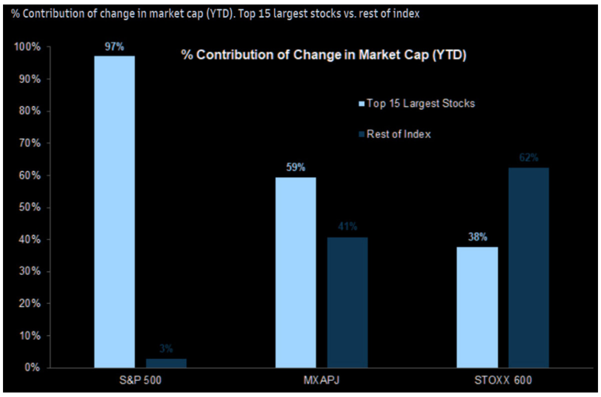
PRIVATE BANKING

Chart #1 —

## The S&P 500 is up nearly 8% since the beginning of the year, but only a few stocks are contributing to this performance

Despite a rebound on Friday (thanks to Apple's results - see chart #2), the S&P 500 index ended the week slightly lower following comments from Fed Chairman Jerome Powell, who suggested that a "pivot" to a rate cut may not happen as quickly as the market hopes (see chart #6). Concerns about the U.S. debt ceiling may also have weighed on sentiment.

Following this slight pullback, the S&P 500 is now up 7.7% year-to-date. It should be noted that the increase in the leading U.S. stock index is based on only a small number of stocks. Indeed, 97% of the S&P 500's year-to-date performance can be attributed to just 15 stocks. This is a rare level of performance concentration and does not necessarily bode well for the future.



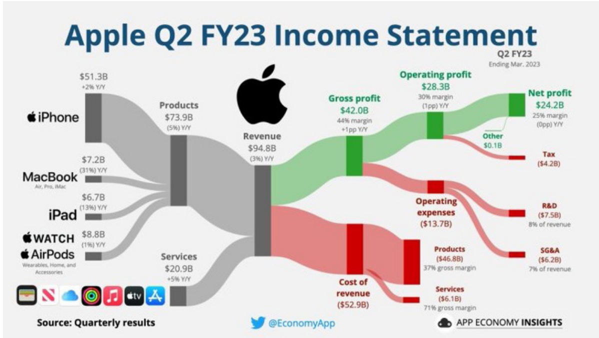

Source: Datastream, TME

Chart #2 —

## Apple reports quarterly results ahead of analysts' consensus expectations

It was the most anticipated earnings release of the week. Apple reported its first quarter results on Thursday night after the market closed. It was a strong quarter, during which Apple broke a number of records, allowing executives to announce a massive $90 billion share buyback program.

Revenue reached $94.8 billion, $2 billion more than expected, but still a 2% decline from Q1 2022. Services grew by 5% year-on-year ($73.9 billion in revenue) while products declined by 5% ($20.9 billion). Operating margins were down slightly by 1% to 30%. Earnings per share were $1.52, 9 cents better than expected.

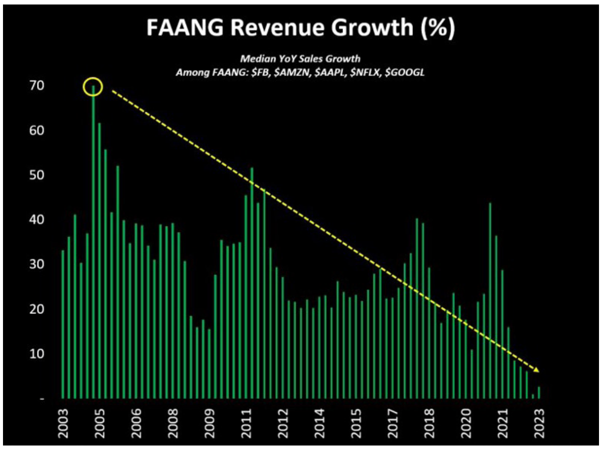



Source: App Economy Insights

Chart #3 —

## FAANGs' revenue growth is normalizing

All FAANGs stocks have now reported their results. It is clear that the median revenue growth continues to weaken. Note that this data is calculated in nominal terms. As the recent price increase has contributed significantly to revenue growth, the real growth rate is probably negative. Because of their size, these mega-cap companies are no longer able to grow their revenues at the rate they did a few years ago. However, their valuation multiple (P/E all above 25x) corresponds to the price paid for high-growth stocks. Given their very high weighting in the indexes, these stocks represent a significant downside risk for the entire market.



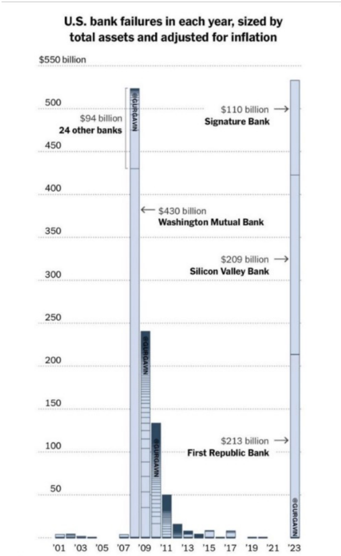

Source: Crescat Capital, Bloomberg

Chart #4 —

## The amount of bank failures in the United States in 2023 is already higher than in 2008

Over the previous weekend, U.S. regulators took control of California-based First Republic Bank, which, like Silicon Valley Bank and Signature Bank, had faced large deposit outflows. JPMorgan Chase acquired most of the failed bank's assets, and deposits not covered by federal insurance did not suffer losses. The regional bank subsector of the S&P 500 Index experienced significant volatility during the week, reflecting concerns about the risk of further bank failures and the credit pressures that could arise as the economy slows and unemployment rises.

First Republic Bank was the second largest bank failure in U.S. history. Only Washington Mutual was larger. Cumulatively, the assets that were held by the three banks that failed this year are larger than the 25 banks that collapsed in 2008 even when adjusted for inflation.

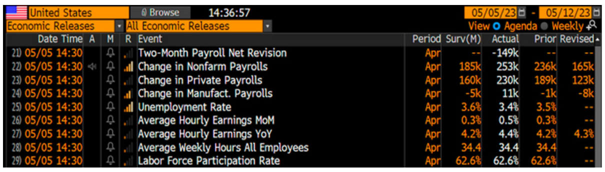



Source: FDIC

## Chart #5 —

## U.S. unemployment rate at its lowest since 1969

Friday's employment report was certainly the most anticipated figure of the week. This report shows that the U.S. economy continues to create a lot of jobs and that wages continue to rise; a development that is certainly not to the liking of the Federal Reserve. Indeed, the U.S. economy added 253,000 jobs in April, compared to an expected 185,000, showing the resilience of the labor market. The unemployment rate fell to a record low of 3.4%, while monthly wage gains accelerated at the fastest pace since July.



| Date Time | Event | Period | Surv(M) | Actual | Prior | Revised |
|---|---|---|---|---|---|---|
| 21) 05/05 14:30 | Two-Month Payroll Net Revision | Apr | -- | -149k | -- | -- |
| 22) 05/05 14:30 | Change in Nonfarm Payrolls | Apr | 185k | 253k | 236k | 165k |
| 23) 05/05 14:30 | Change in Private Payrolls | Apr | 160k | 230k | 189k | 123k |
| 24) 05/05 14:30 | Change in Manufact. Payrolls | Apr | -5k | 11k | -1k | -8k |
| 25) 05/05 14:30 | Unemployment Rate | Apr | 3.6% | 3.4% | 3.5% | -- |
| 26) 05/05 14:30 | Average Hourly Earnings MoM | Apr | 0.3% | 0.5% | 0.3% | -- |
| 27) 05/05 14:30 | Average Hourly Earnings YoY | Apr | 4.2% | 4.4% | 4.2% | 4.3% |
| 28) 05/05 14:30 | Average Weekly Hours All Employees | Apr | 34.4 | 34.4 | 34.4 | -- |
| 29) 05/05 14:30 | Labor Force Participation Rate | Apr | 62.6% | 62.6% | 62.6% | -- |

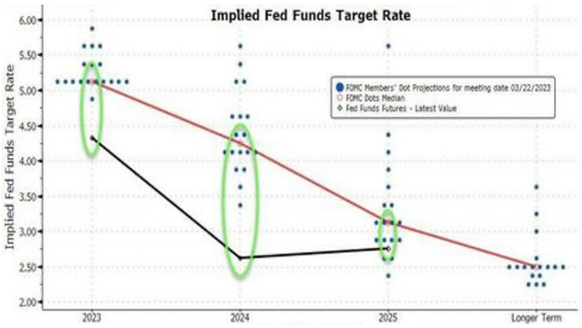
Source: Bloomberg

## Chart #6 —

## A strong dichotomy between the market and the Fed on US interest rate expectations

The much anticipated May FOMC meeting took place on Wednesday. The Fed raised rates by 25 basis points, which was widely anticipated by the market. In addition, it did not signal any further rate hikes for the next few months, suggesting that this hike could be the last. However, the statement is slightly more hawkish than expected, as the Fed indicated that it would take into account "the cumulative tightening of monetary policy, the lags in which monetary policy is affecting economic activity and inflation, and economic and financial developments" to "determine the extent to which further tightening of monetary policy may be appropriate."

Note that the market remains overwhelmingly more dovish than the Fed's expectations. Indeed, investors estimate a 38% chance of a rate cut as early as July, which is not the case for the Fed. Market forecasts for the end of 2023, 2024 and 2025 are also betting on lower rates than what the Fed is projecting.




Source: Bloomberg, www.zerohedge.com

## Chart #7 —

## ECB raises rates by 25 basis points

As expected, the ECB slowed the pace of its rate hikes, announcing a 25 basis point increase, bringing the key rate to 3.25%. For Christine Lagarde and the ECB members, inflation remains the main concern as "the inflation outlook continues to be too high over time". The ECB underlines its dependence on European macroeconomic data with this key phrase from Lagarde: "We are not dependent on the Fed". Future decisions will continue to be based on their assessment of the inflation outlook in light of new economic and financial data, underlying inflation dynamics and the strength of monetary policy transmission.


Source: Bloomberg

## For further information

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