The week in seven charts

Microsoft's market capitalization is greater than the entire energy sector

Chinese car exports on the rise, the Dow is down year-to-date, while inflation numbers came in higher than expected. Each week, the Syz investment team takes you through the last seven days in seven charts.

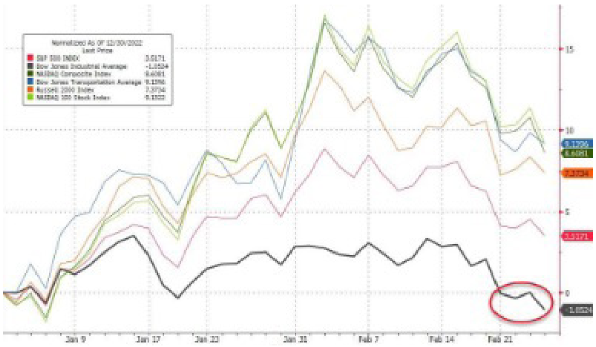
Charles-Henry Monchau
Chief Investment Officer

PRIVATE BANKING

Chart #1 —

The Dow ended the week in the red for 2023

Several upside surprises regarding inflation and growth in the US led to profit taking in US stocks. The S&P 500 Index even recorded its worst week since early December. As of Friday's close, the index had given up about 35% of the gains it made in October; however, it remains up 3.5% year-to-date. As for the Dow Jones Industrial Average, it is now in negative territory for the year. The Nasdaq 100 is still up for 2023 with a 9.1% increase.



Source: www.zerohedge.com, Bloomberg

Chart #2 —

Fed terminal rate keeps moving higher

Here is the chart that is weighing on investor sentiment: since the beginning of the year, the market has raised its expectations for the Fed's terminal rate (i.e. the rate level that should be reached at the end of the monetary tightening movement) by 50 basis points.

Source: Bloomberg

Chart #3 —

U.S. inflation for January surprises on the upside

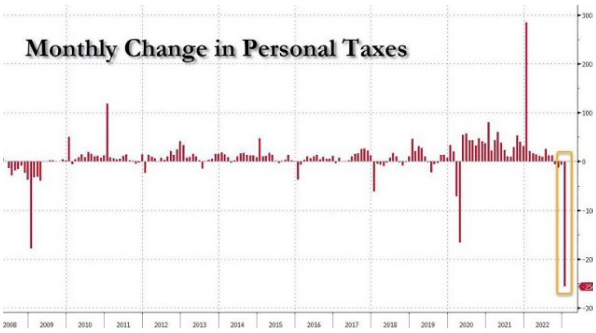
The release of the US inflation figures for the month of January displeased the equity markets. The PCE (Personal Consumption Expenditure) index came in at +5.3% year-on-year versus +5% expected. Core inflation (i.e. excluding energy and food) was also higher than expected (+4.7% y/y vs. +4.3% expected by the consensus).

Source: Bloomberg

Chart #4 —

Should we avoid extrapolating January's US consumer and inflation figures?

Could this be the most important chart of the week? The huge January tax cut could be the main reason for the surge in spending and inflation in the first month of the year. Indeed, the $256 billion tax cut in January is the largest in history, surpassing the plunge of the Covid crash in March 2020 and that of the great global financial crisis in January 2009! The reasons for this large tax cut have not yet been clarified. But according to JP Morgan, it is possible that January's macroeconomic data is truncated by this figure; Friday's data on personal income and spending should be interpreted with extreme caution.

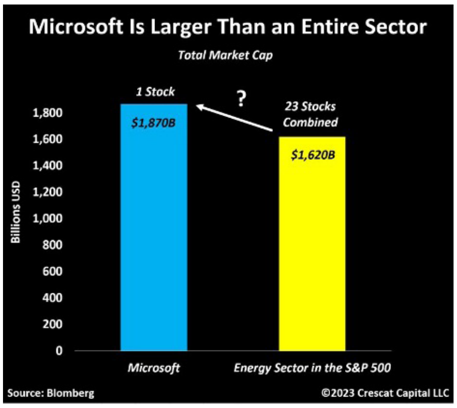


Source: www.zerohedge.com, Bloomberg

Chart #5 —

Microsoft's market capitalization is greater than the entire energy sector

Microsoft still has a higher market capitalization than the entire energy sector as represented in the S&P 500. This is despite the fact that 1) only one company in the oil sector - Exxon Mobil ($XOM) - alone generates more free cash flow than Microsoft; 2) On a free cash flow basis, all of the companies represented in the S&P 500 energy sector are profitable.



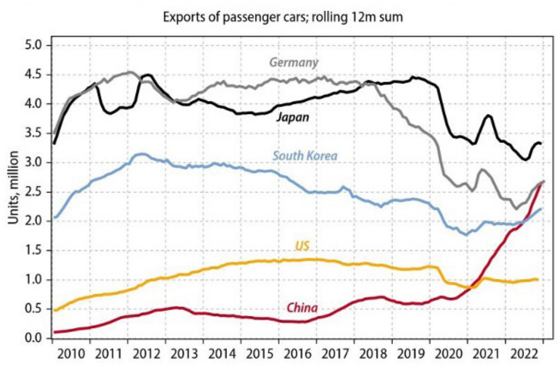
Source: Bloomberg, Crescat Capital

Chart #6 —

China is gaining considerable ground in the car export market

Real GDP growth in Germany was down 0.4% in Q4 and could also decline in Q1 2023, meaning that Germany will experience a technical recession. The German economy is struggling to rebound on one of its pre-covid strengths, namely car exports. On the other hand, exports of cars produced in China are at an all-time high. This increase is a very serious concern for the German automobile industry.

China has emerged from the pandemic as an auto export powerhouse



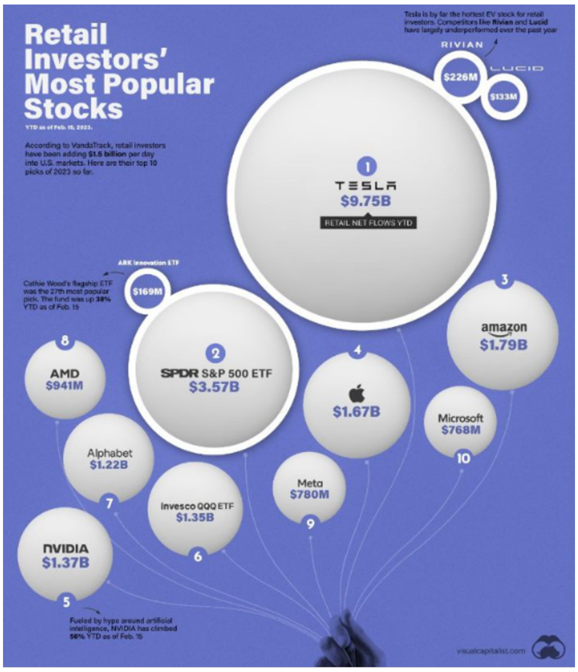
Source: Gavekal

Chart #7 —

Retail investors' 10 most popular stocks

According to VandaTrack, retail investors have been particularly active since the beginning of the year with an average of $1.5 billion in US stock purchases per day in 2023. This is a record level of capital inflow, which begs the question: which stocks are preferred by retail investors?

The top ten names on this list will surprise no one. They represent eight of the world's largest and best-known technology companies, as well as two popular US equity ETFs. Here are the rankings: 1) Tesla; 2) SPDR S&P 500 ETF; 3) Amazon; 4) Apple; 5) NVIDIA; 6) Invesco QQQ ETF; 7) Alphabet; 8) AMD; 9) Meta and; 10) Microsoft.



Source: Visual Capitalist

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