



MOE'S MARKET WRAP MINUTE

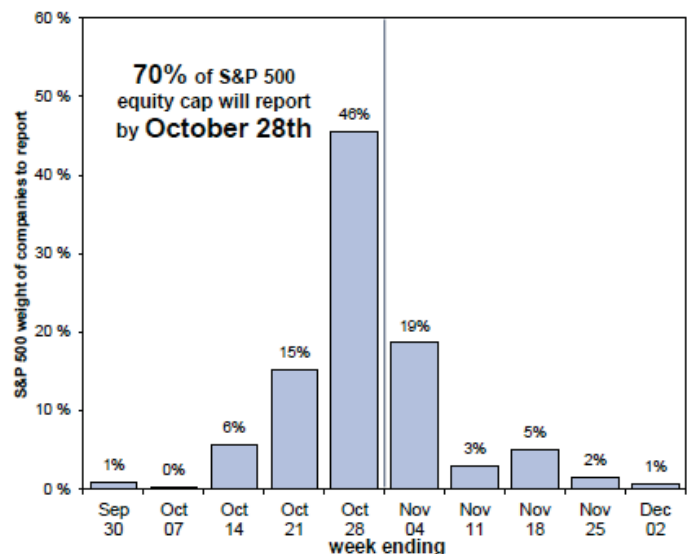
WEEK OF **OCTOBER 11, 2022**

MOE'S MARKET MENTIONS

- OPEC+ announced its plan to reduce oil output by 2M barrels/ day starting in November. It is worth emphasizing that this is a quota cut and the actual dip in production is expected to be closer to >1M barrels/day. Nonetheless, it may aggravate the supply/demand imbalance, especially as EU and G7 sanctions are set to commence in December. Given the market's need to see a waning inflation number, these oil production cuts might prolong the inflation decline for a couple of months until other oil supplies are onboarded.
- As we head into Q3 earnings announcements, the following topics will be up for discussion: 1) headwind to sales due to a stronger US dollar 2) headwind to margins due to elevated inflation and high inventories 3) tax changes effective in 2023. The first two topics are some of the main drivers of the current macro environment and until inflation pressure wanes and the market get a sense the US Fed rate increases are coming to an end, we will probably continue to see a choppy, volatile market.
- Looking forward to estimated S&P500 earnings for 2023, the market is currently pricing in \$235 earnings per share. This is down from \$240 from earlier in the year mainly due to the rising US dollar and its negative effect on foreign revenue demand. While earnings are important, we view the nature of a possible recession as mild and thus a key determinate for future stock market growth will be the earnings multiple. In a low inflationary environment, P/E multiples can be between 18 to 20x but given the current elevated inflationary environment we don't think we can see those types of multiples till the end of 2023 when hopefully inflation is under control. Till then a multiple of 16x seems reasonable and thus I believe the S&P500 is currently fair valued and will probably remain trading around these levels in a wide range until the inflationary pressure resides.

CHART OF THE WEEK

This week's chart is looking at the timeline for earnings announcements for the 3rd quarter of 2022. It is a little-known fact by the public that corporations themselves are one of the largest buyers of stocks. Before their quarterly earnings announcements, the corporations are typically prohibited from buying back their stock for 30 days. With most S&P500 companies announcing their earnings by the end of October, this will hopefully bring a much-needed buyer back in the market for a possible 4th quarter over-sold rally.



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Moez Ansari is the President, Chief Investment Officer, and founder of Compak Asset Management. With over 35 years of investment experience, Moez evaluates the markets using industry-leading technical and fundamental analysis.

His professional experience includes options trading, portfolio optimization, futures trading, mutual fund selection modeling and financial risk management. He is a nationally sought speaker and has conducted numerous financial seminars since the 1980s.

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