



MOE'S MARKET WRAP MINUTE

WEEK OF OCTOBER 25, 2022

MOE'S MARKET MENTIONS

➤ Have we turned a corner or is more bad news imminent?

- The market rally since the October 13th inflation report has continued into the earnings season. It is interesting to note that even though the inflation report showed that inflation has not started to come down, the stock market reversed higher on the news. When market participants start to see the market moving higher despite relatively negative news, it might imply that a lot of the bad news is currently priced into the market which could lead to a short-term bottom.
- So far, fewer companies than usual are beating Wall Street's earnings expectations. With about 20% of companies in the S&P 500 having reported third-quarter results, 72% have topped analysts' consensus earnings estimates, according to FactSet. That is below the five-year average of 77%. Investors are also punishing corporations that miss the mark. Shares of S&P 500 companies that have underperformed Wall Street's earnings expectations have slipped 4.7% on average in the two days before their report through the two days after, according to FactSet. That compares with the five-year average of 2.2%. Despite the lack of beats, the broad market may still head higher meaning the macro environment might be improving for financial assets.
- The war in Ukraine, energy supply shortages in Europe, and a slowdown in China due to the Zero-Covid policy are adding to the inflationary pressures which contribute to the core of the interest rate moves, thus providing more risk and volatility.

CHART OF THE WEEK

This week's chart looks at capital expenditure spending by corporations in the S&P500. As mentioned previously, corporate buyback of their own stocks is a major contributor to stock price movements. Similar, corporations' capital expenditures plans tend to feed directly into economy activity as well as the job market. That said, capital expenditures have been increasing throughout this year so that bodes well for the US economy and thus GDP numbers for the next couple of quarters.

*Past performance is not indicative of future results.

S&P 500 quarterly YoY capex growth, 1987-2Q22



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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 technical and fundamental analysis.

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