



# MOE'S MARKET WRAP MINUTE

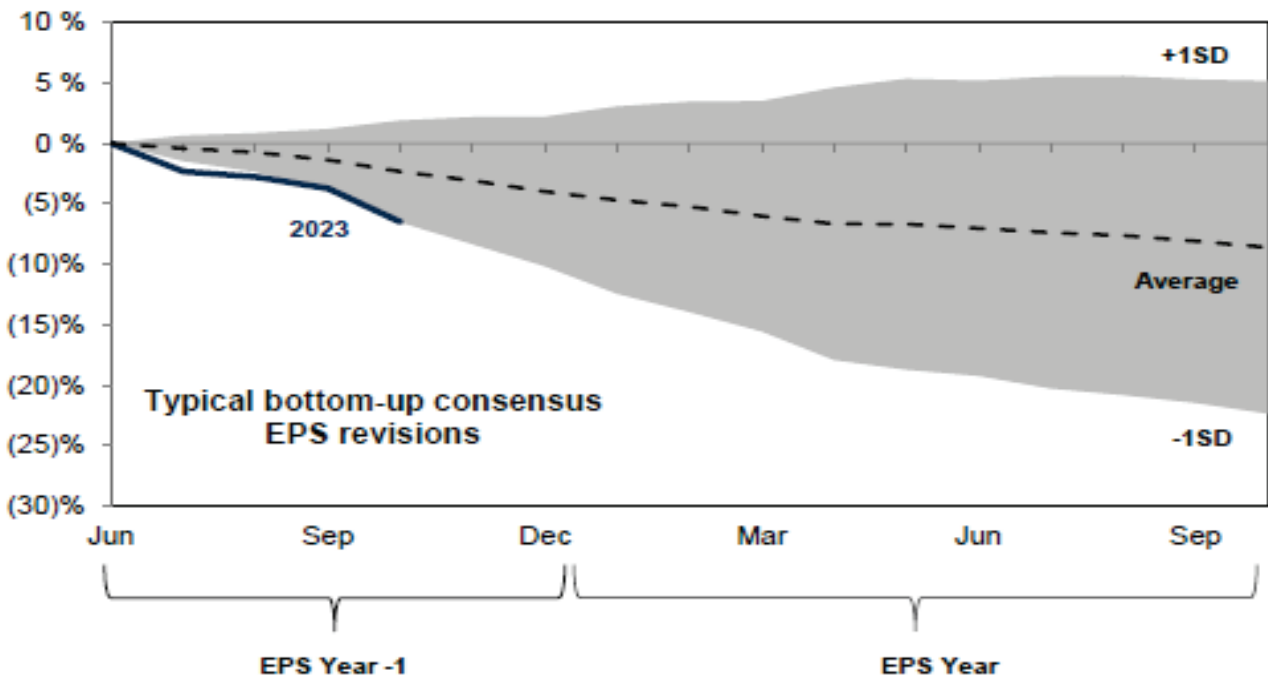
## WEEK OF NOVEMBER 29, 2022

### MOE'S MARKET MENTIONS

- This week's chart looks at earnings revisions for 2023. Now that we are through Q3 2022 earnings season it makes sense to look at what the market is expecting earnings to be in 2023. Currently, the estimate for the S&P500 2023 earnings is \$230. The downward earnings revisions to this number have been quite large when compared to previous revision cycles. This does leave some room for an earnings surprise to the upside in 2023. However, that will all be determined by lower inflation, level interest rates, and a Fed pivot. These conditions probably only occur if the US economy can negotiate a soft landing which is possible but difficult.
- In addition, the US Dollar will play a role in how these earnings play out for 2023. If inflation and interest rates decline more in early 2023 that may put some weakness in the dollar and that could potentially increase earnings estimates for 2023. It is important to remember that ~50% of S&P500 revenues come from abroad, so the US Dollar value plays a role in the marginal amount of earnings for these companies.
- Assuming that interest rates remain level around 4% on the US Treasury 10-year bond, a multiple of 17-17.5x can be expected for the S&P500 headed into 2023. With an earnings outlook of anywhere between \$230 to \$235, that puts an estimated fair value for the S&P500 between 3,910 to 4,112. This implies a possible range-bound market for 2023 around the levels we are ending at in 2022 and is something to account for heading into next year.

### CHART OF THE WEEK

**Exhibit 7: Consensus revisions to 2023 S&P 500 EPS has been sharp as of November 3, 2022**



Source: FactSet, Goldman Sachs Global Investment Research

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1801 Dove Street  
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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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