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In this week's recap: Mixed results following weak economic data.

Weekly Economic Update

Presented by Wendy Nelson, January 23, 2023

THE WEEK ON WALL STREET

Stocks showed mixed results last week as recession fears resurfaced in response to weak economic data and a tepid start to a new corporate earnings season.

The Dow Jones Industrial Average skidded 2.70%, while the Standard & Poor's 500 declined 0.66%. But the Nasdaq Composite index gained 0.55% for the week. The MSCI EAFE index, which tracks developed overseas stock markets, lost 0.50%. ^{1,2,3}

MIXED ECONOMIC DATA

Stocks weakened to start the week amid discouraging corporate earnings and troubling economic data. Disappointing retail sales and manufacturing reports sparked concerns that the Fed may have gone too far in hiking rates, while a drop in initial jobless claims diminished chances of a near-term pause in rate hikes. Welcome news from two big technology names on Friday powered a strong rally that mixed significant indices.

The start of the earnings season was a drag on investor sentiment. While 69% of the S&P 500 constituent companies that reported earnings by Thursday (48 companies) exceeded expectations, the percentage of "beats" is below the three-year average. More concerning, however, was that

average earnings declined by more than 2%. ⁴

CONSUMERS RETRENCH

Retail sales fell 1.1% in December, capping an overall weak holiday shopping season. November retail sales were revised downward to -1.0%, from the earlier estimate of -0.6%. Compared to November-December 2021, sales increased by 5.3%, below the 6 to 8% increase expected by The National Retail Federation. ^{5,6}

Many economists viewed these lackluster numbers as evidence of a weakening consumer. A more cautious consumer raises more concerns about a recession at some point this year since the primary driver of U.S. economic growth is consumer spending.

TIP OF THE WEEK



Sell old stuff to fund a new experience. Sell what you don't need online or at a yard sale and use the proceeds to partly or fully fund a vacation, an education, or an adventure.

THE WEEK AHEAD: KEY ECONOMIC DATA

Tuesday: Purchasing Managers' Index Composite.

Thursday: Gross Domestic Product (GDP). Durable Goods Orders. New Home Sales. Jobless Claims.

Friday: Consumer Sentiment.

Source: Econoday, January 20, 2023

The Econoday economic calendar lists upcoming U.S. economic data releases (including key economic indicators), Federal Reserve policy meetings, and speaking engagements of Federal Reserve officials. The content is developed from sources believed to be providing accurate information. The forecasts or forward-looking statements are based on assumptions and may not materialize. The forecasts also are subject to revision.

THE WEEK AHEAD: COMPANIES REPORTING EARNINGS

Tuesday : Microsoft Corporation (MSFT), General Electric Company (GE), Verizon Communications, Inc. (VZ), Johnson & Johnson (JNJ), Lockheed Martin Corporation (LMT), Texas Instruments, Inc. (TXN), Union Pacific Corporation (UNP), D.R. Horton, Inc. (DHI), Raytheon Technologies Corporation (RTX).

Wednesday: AT&T, Inc. (T), The Boeing Company (BA), Tesla, Inc. (TSLA), International Business Machines Corporation (IBM), Lam Research Corporation (LRCX), Abbott Laboratories (ABT), CSX Corporation (CSX), NextEra Energy, Inc. (NEE), KimberlyClark Corporation (KMB), Norfolk Southern Corporation (NSC), General Dynamics (GD).

Thursday: Intel Corporation (INTL), Visa, Inc. (V), Mastercard, Inc. (MA), Blackstone, Inc. (BX), Northrop Grumman Corporation (NOC), Southwest Airlines Co. (LUV), Rockwell Automation, Inc. (ROK).

Friday: Chevron Corporation(CVX), HCA Healthcare, Inc. (HCA), American Express Company (AXP), ColgatePalmolive Company (CL).

Source: Zacks, January 20, 2023

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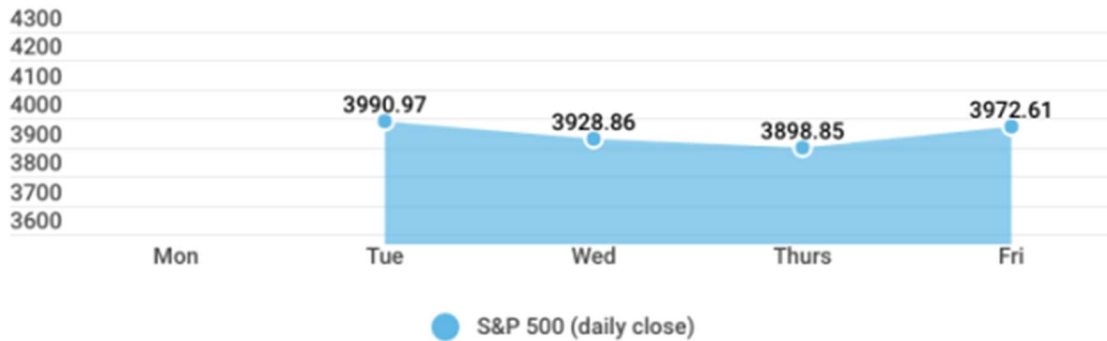
QUOTE OF THE WEEK




“Writing is thinking on paper.”

WILLIAM ZINSSER

Market Index	Close	Week	Y-T-D
DJIA	33,375.49	-2.70%	+0.69%
NASDAQ	11,140.43	+0.55%	+6.44%
MSCI-EAFE	2,070.00	-0.50%	+6.49%
S&P 500	3,972.61	-0.66%	+3.47%



	Treasury	Close	Week	Y-T-D
	10-Year Note	3.48%	-0.02%	-0.40%

Sources: The Wall Street Journal, January 20, 2023; Treasury.gov, January 20, 2023

Weekly performance for the Dow Jones Industrial Average, Standard & Poor's 500 Index, and NASDAQ Composite Index is measured from the close of trading on Friday, January 13, to Friday, January 20, close.

Weekly performance for the MSCI-EAFE is measured from Friday, January 13, open to Thursday, January 19, close. Weekly and year-to-date 10-year Treasury note yield are expressed in basis points.

THE WEEKLY RIDDLE



Take one letter out of a 7-letter word and it becomes longer. What is this word?

LAST WEEK'S RIDDLE: You need to take a gallon of oil out of a barrel of oil. How can you do it using only a 3-gallon container and a 5-gallon container?

ANSWER: Fill the 3-gallon container with oil and pour it into the 5-gallon container. Then fill the 3-gallon container again and use it to fill the 5-gallon container the rest of the way. One gallon will be left in the 3-gallon container.

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The Dow Jones Industrial Average is an unmanaged index that is generally considered representative of large-capitalization companies on the U.S. stock market. Nasdaq Composite is an index of the common stocks and similar securities listed on the NASDAQ stock market and is considered a broad indicator of the performance of technology and growth companies. The MSCI EAFE Index was created by Morgan Stanley Capital International (MSCI) and serves as a benchmark of the performance of major international equity markets, as represented by 21 major MSCI indexes from Europe, Australia, and Southeast Asia. The S&P 500 Composite Index is an unmanaged group of securities that are considered to be representative of the stock market in general.

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CITATIONS:

1. The Wall Street Journal, January 20, 2023
2. The Wall Street Journal, January 20, 2023
3. The Wall Street Journal, January 20, 2023
4. The Earnings Scout, January 19, 2023
5. Census.gov, January 18, 2023
6. The Wall Street Journal, January 18, 2023

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