Palacios' Perspectives

Week ending January 13th, 2023

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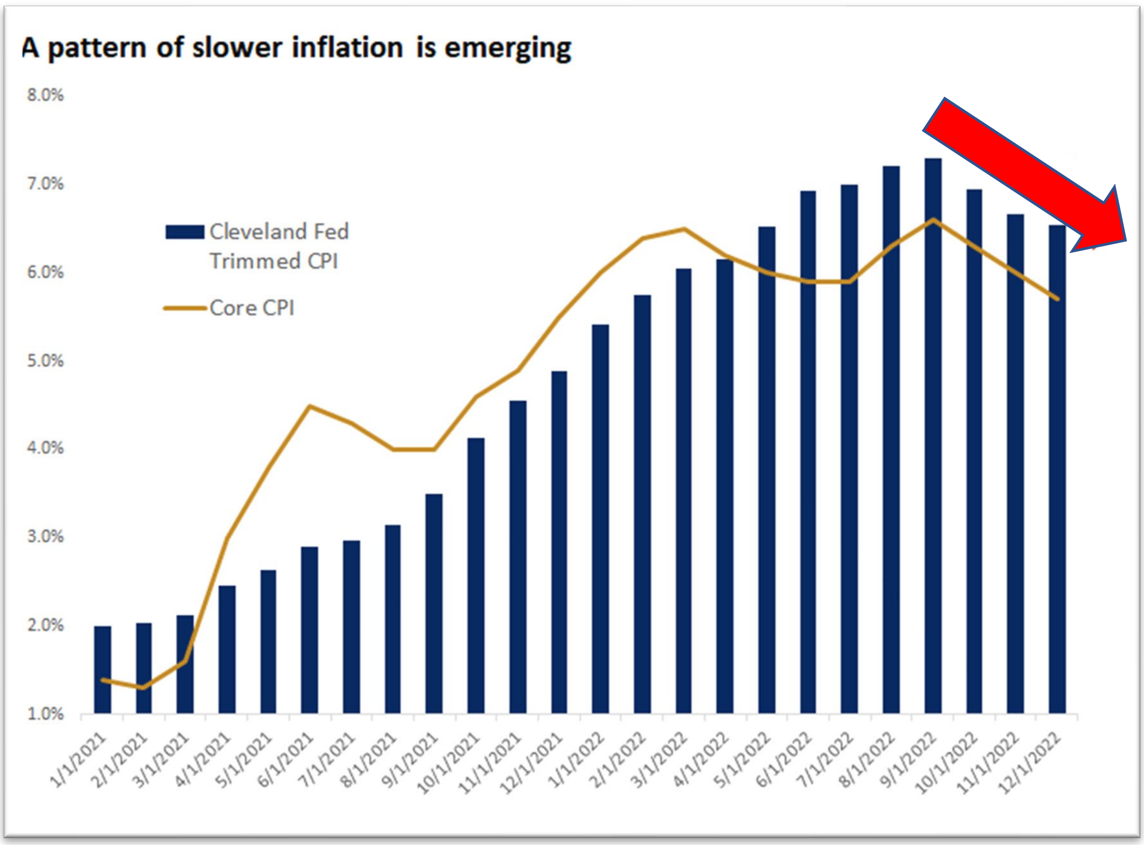
From Wall Street to Main Street

Highlights from the past week

Market / Macro Economic Summary

Markets started 2023 with a resoundingly positive tone as market participants are weighing the inevitability of the Federal Reserve having to stop raising rates. As of now, there is one last rate hike expected in February but otherwise, the ever-important inflation readings are now trending downwards.



Source: Bloomberg, Federal Reserve Bank of Cleveland 16% Trimmed-Mean CPI YoY

What I'd like for you to see is the evidence of core inflation readings having declined since September. Please recall from previous newsletters that the Fed was hiking interest rates so that they could slow the economy and thereby decrease inflation. Now that that is underway, there is little need to keep hiking rates, so the markets are trying to get ahead of an eventual Federal Reserve pivot towards halting any further rate hikes. This is very positive for stocks because high rates make it harder to grow and harder to increase stock market returns.

As earnings season started this week, we have begun to hear from banks about their outlooks for 2023. In his earnings call commentary, JP Morgan Chase CEO Jamie Dimon said he still believes we will see mild inflation and then end the year on a better note. Others were of a similar thought process, and they also did well in their reports. Time will tell, but the bond markets are predicting a much better year for stocks.

XCEL WEALTH MANAGEMENT
A REGISTERED INVESTMENT ADVISORY FIRM

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Week ending November 4th, 2021

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Highlights from the past week

Company Specific / Micro Economic Summary

JP Morgan Chase (JPM)
Shares jumped as the bank reported a top and bottom line beat. Earnings per share of $3.57 were way above the estimates of $3.07. Revenues of $35.57 billion were also far above the analyst estimates of $34.3 billion. Analysts did question CEO Jamie Dimon's underwhelming forecast for this upcoming year, but JP Morgan is handily beating their lowered forecasts such as what they just reported. Dimon blamed the uncertainty with the ongoing war, inflation and several other factors that make them leery of painting too rosy of a picture for the near future. But the results are indisputable, the bank is flush with cash and performing very well in most divisions of the bank.

Bank of America (BAC)
Shares also rose 2% on the heels of a top and bottom line beat as well. Earnings per share of 85 cents were ahead of the calls for 77 cents. Revenue of $24.66 billion was also ahead of the analyst's expectations of $24.33 billion. CEO Brian Moynihan also hinted at the bank's expectations for a mild recession in 2023.

Citigroup (C)
Shares were up about 1% in trading as the bank reported a somewhat mixed quarter. Earnings per share of $1.10 had some exclusions due to divestitures but was also slightly below the $1.14 per share that Wall Street was looking for. Revenue of $18.01 billion was above the $17.9 billion analyst consensus. Trading revenues were much better for fixed income but below estimates of equity trading. Net interest income of $13.27 billion beat the calls for $12.7 billion. CEO Jane Fraser's turnaround efforts are being hampered by the world economic slowdown.

Wells Fargo (WFC)
Shares initially traded lower but ended the day inexplicably higher by 2%. Earnings were a huge miss as they reported 67 cents per share but had been expected to report $1.38. Revenue was 6% lower from last year, coming in at $19.66 billion and was also below the calls for $19.98 billion. The bank is also being required to pay $2.8 billion in ongoing legal and regulatory costs, which had a 70 cents impact to earnings per share in the current quarter.

Parting Thoughts

We welcome an opportunity to discuss the above detail and wish you much success in the rest of your week!

Regards,

E. Palacios

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