

WEEKLY MARKET RECAP: January 22 – January 26, 2024

Happy Friday, traders.

Welcome to our weekly market wrap, where we look back at these last five trading days with a focus on the market news, economic data and headlines that had the most impact on the financial market – and may continue to into the future for the US Dollar and other key correlated assets.

With 10% of market cap having reported, fourth quarter S&P 500 operating earnings per share (EPS) is tracking +4.1% y/y growth. However, similar to 3Q23, we continue to see divergence between the operating earnings estimates and pro-forma estimates, which are currently tracking a y/y decline of -2.2%. As a brief reminder, while operating earnings are unadjusted and a better indicator of “economic profit,” the market prices off pro-forma earnings, which are therefore more useful in explaining recent market moves.

So far, results have been heavily impacted by the financial sector. Overall, the sector is tracking a pro-forma earnings contraction of 25%, primarily due to results in the banking industry. Among the banks, earnings have been hampered by a slew of FDIC charges related to the banking crisis we saw earlier in 2023. Separately, net interest income continues to decline, as loan growth stalls and deposits reprice higher. Provisions for loan losses have ticked up yet again due to weakening credit quality and increasing net chargeoffs. These headwinds have been partially offset by a slight recovery in investment banking activity and strong trading revenues. Excluding financials, results have come in above expectations, with an earnings surprise of +5% versus an earnings surprise of -21% including financials. In the consumer sectors, for instance, results from the early reporters have been marked by the successful clearing of bloated inventories, cost management, resilient pricing power and margin expansion. Elsewhere, the tech sectors seem set for another strong quarter, as continued head count and cost management along with the strong demand for digital and AI-related capabilities support software earnings growth.

Looking ahead, the next two weeks will be key for results, as the index’s largest names will report earnings and provide guidance on expectations for profits in 2024.

Thanks for reading! Have a great weekend.

Important Note: The information found on Ausprime platform is intended only to be informative, is not advice nor a recommendation, nor research, or a record of our trading prices, or an offer of, or solicitation for a transaction in any financial instrument and thus should not be treated as such. The information provided does not include any specific investment objectives, financial situation and needs of any specific person who may receive it. The past performance is not a reliable indicator of future performance and/or results. Past Performance or Forward-looking scenarios are not a guarantee of future performance. Actual results may differ materially from those anticipated in forward-looking or past performance statement.

