Weekly Letter:

Will Santa Claus deliver an IT rally for Christmas?

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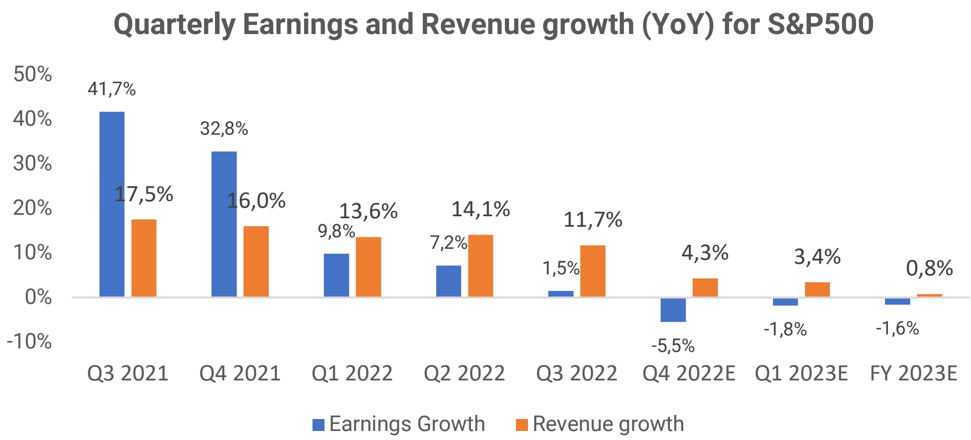
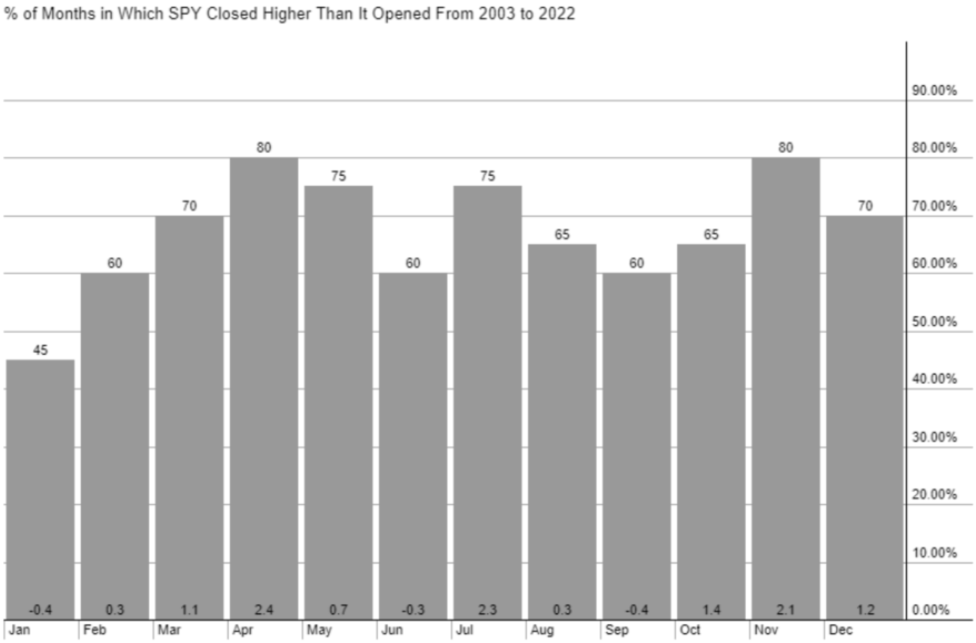
- It is a well-known season effect that the stock market usually has a rebound in the last weeks of the year.
- Two effects are typical: the focus is on winning stocks, as fund managers will be interested in showing portfolios with good-performing stocks when the portfolio value goes public. But in a stock rebound, an opposite strategy can also be attractive, i.e., buying the year's worst performers as they are the laggards…

The trend of analysts lowering earnings estimates for S&P500 companies, which we elaborated upon during the Q3 2022 reporting season, continues.

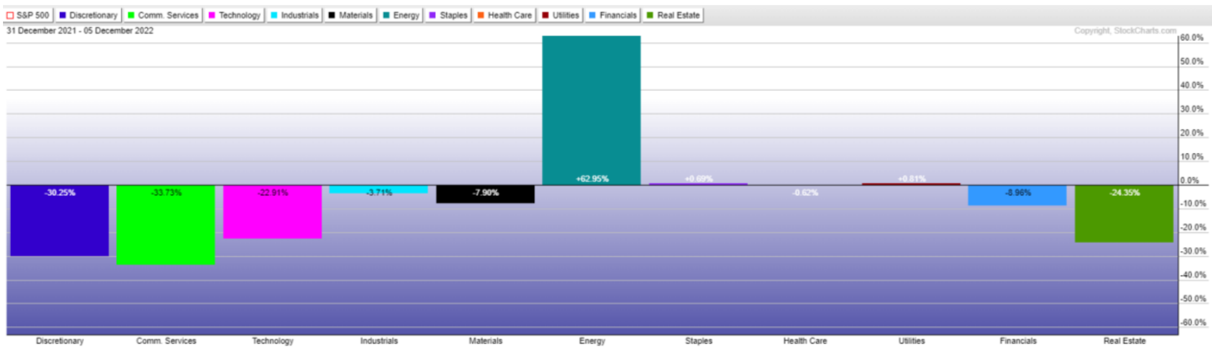


Source: Zacks Research.

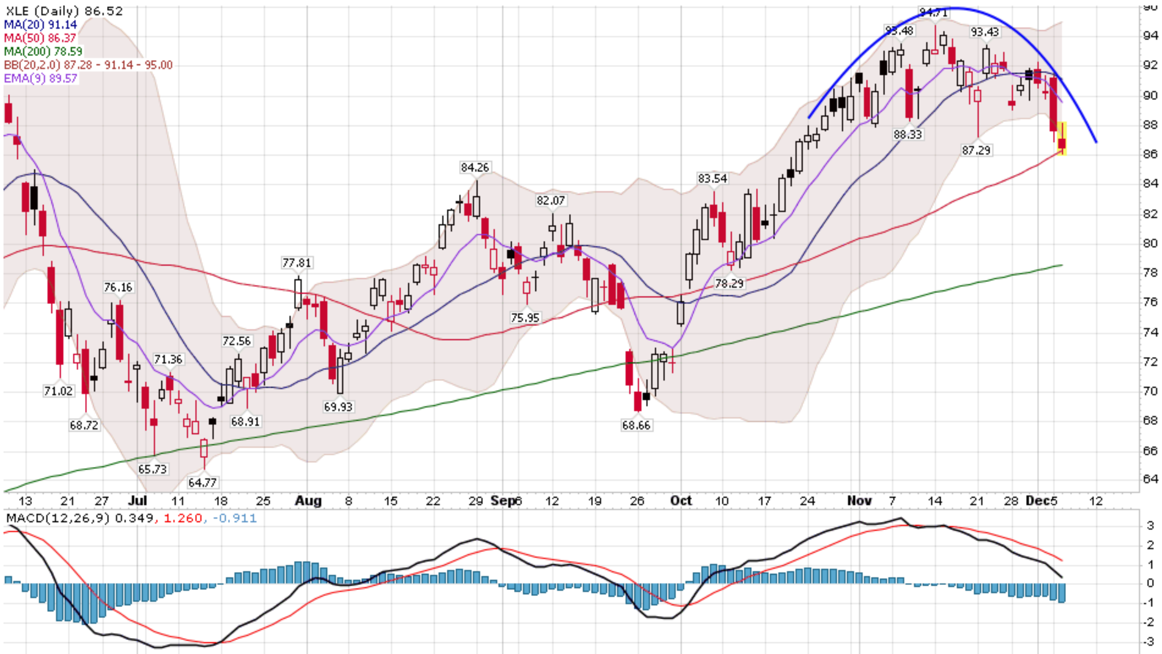
According to Zacks Research, the earnings forecast for full-year 2023 has decreased by a further 4% since 21 October 2022. For Q4 2022, total S&P500 earnings are expected to be down by minus 5.5% from Q4 2021 on 4.3% higher revenues. At the end of August 2022, the anticipated earnings growth was plus 2.5% and plus 1.7% at the end of August. Since the mid-April peak, we have seen the most significant declines in earnings estimates for the S&P500 Construction, Consumer Discretionary and Retail sectors.



Looking at the statistics, there are typical seasonality effects on the stock market. We don't jump into the explanations, but usually, it is a lot of money at work last weeks of the year to fill the gaps and do some window dressing before the clock stops at year-end.

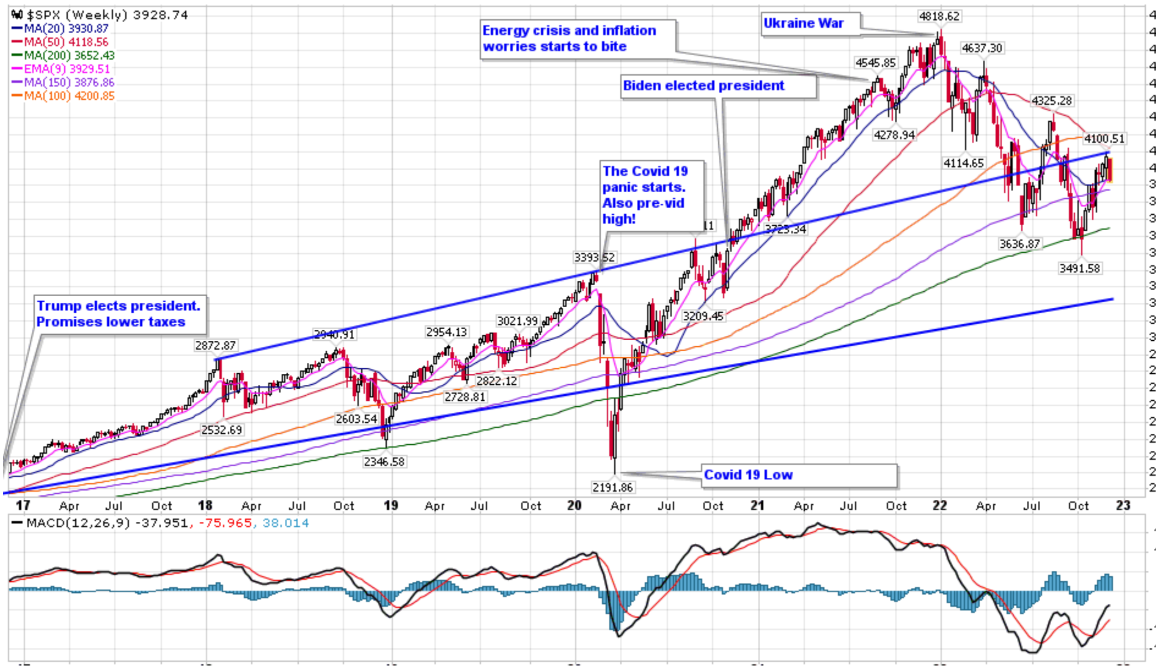


Energy stocks are the clear winners in the S&P500 index for the year to date. At the bottom, we find IT/Communications Services and Discretionary consumer stocks.



The Energy sector (ETF: XLE) is not looking compelling now from a technical point of view. The sector is capped under a hat. We may see some more consolidation before that break.

The oil price has tanked lately when the world is pencilling in a global recession. We believe that the oil and energy companies may be winners in 2023 when the energy crisis returns. But right now, money is going out from the sector.



S&P 500 is still in an uptrend from a very long perspective. But the current market can best be described as a Bear Market with typical short squeezes on the upside. The upper blue line is essential. That line needs to be broken before we can get bullish again.

The best index in the US is Dow Jones Industrial Average, the oldest one covering the more tedious and cash flow positive 20 largest companies in the United States.

On the other hand, Nasdaq has been a looser as people shy away from growth stocks, especially if the underlying companies are not generating positive cash flow. Looking at the chart above, it is, however, starting to get more optimistic. Momentum on the downside is starting to ebb out. MACD below is in an uptrend, giving a positive divergence! At the top, the MA lines pinch together and may have bottomed out after four-wave downs. Three and five waves are whole numbers in technical analysis.

In all, this is a setup for a positive reversal, but we need a trigger. The absolute best day to buy is at the lower blue line. The trigger for the chart is when the index breaks above the higher blue line. If you believe in the Santa Claus rally, you may add positions in the tech area coming weeks on snowing days.

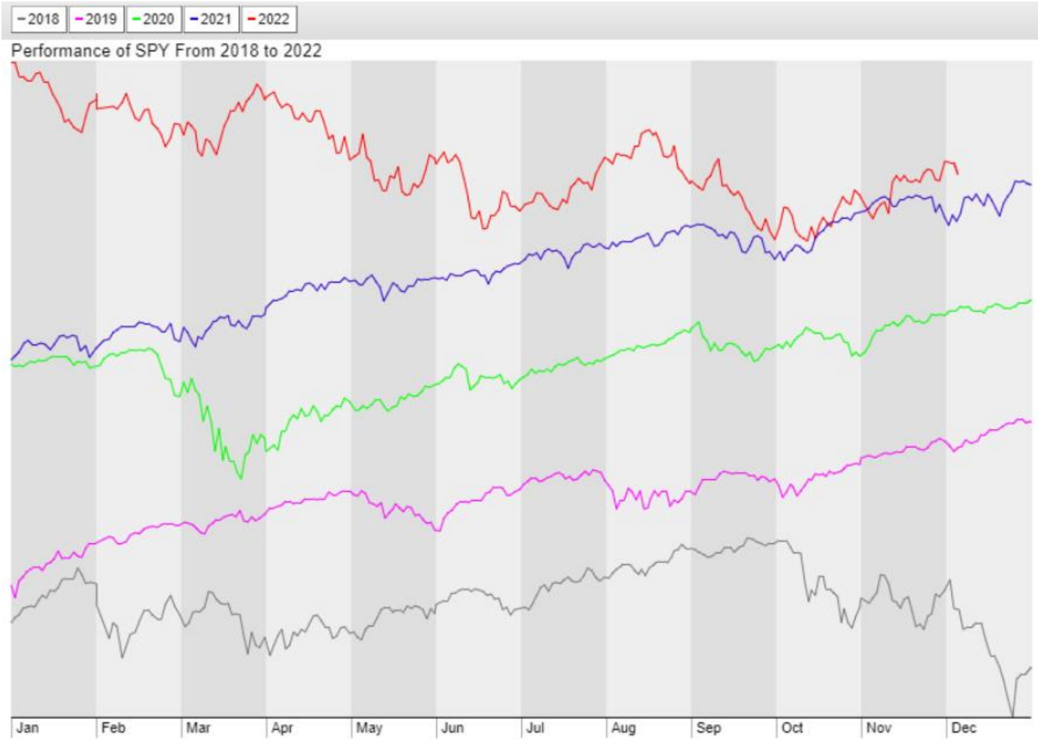
Today, there are just eight stocks that together represent 52 per cent of the ETF QQQ, in the following order: Apple, Microsoft, Amazon, Tesla, Nvidia, Google and Facebook

(Meta). To find the best return, you may get into the individual stocks as they all show the same patterns.

Among them, Facebook/Meta may be the most stressed:

From the top of 384 USD, Meta has fallen in a steep, never-ending downtrend. It is a lot of short money in this stock now, so the day it turns upwards, it may do that with a bang.

It is still an ugly chart, but please notice that MACD is turning up, giving a positive divergence!



Before jumping on the bandwagon of the Santa Claus journey: Even the kids must wait for Santa Claus. December often starts on a sour note, and often, the rally comes on the very last trading days of the year. Take some patience and wait for the right signals in the market!

Please keep an eye on the US dollar. We have a setup with a falling triangle, which typically breaks out on the upside. Higher USD will be a burden for the overall market. We may have to sort out the USD before the stock market can push higher. Take one day at a time.

Happy trading!

Week Ahead

Company reports on Wednesday, 7 December: Clas Ohlson, Thor Industries. Finnair and SAS release their Traffic figures for November. Capital Market Days: Beijer Electronics and Kesko. Essity (business area Health & Medical).

At 8.00 CET, SCB will present Sweden's GDP indicator, industrial orders, production value index, and household consumption in October. At the same time, German industrial production in October is released. Before lunch, we get the Q3 GDP for the Eurozone. In the afternoon, Q3 productivity in the US, a Bank of Canada interest rate announcement and weekly oil inventories (DOE) statistics are released.

Company reports on Thursday, 8 December: Systemair, British American Tobacco (operational update), Canopy Growth. Capital Markets Days: Inwido, SKF, Munters and Storebrand. Essity (business area Professional Hygiene).

At 0.50 CET, Japan's current account balance for October and GDP for Q3 is published. In the afternoon, we get weekly jobless claims from the US.

Company reports on Friday, 9 December: Capital Markets Day: Essity (business area Consumer Goods).

At 2.30 CET, China presents the November CPI and PPI. In the afternoon, the US PPI in November and the Michigan index in December will be released.

Company reports on Monday, 12 December: -

At 8.00 CET, UK GDP and industrial production for October are published. In the afternoon, we get the New York Fed's inflation expectations for November from the US.

Company reports on Tuesday, 13 December: Svolder.

First out on Tuesday morning at 8.00 CET are the UK's ILO unemployment rate for October and Germany's CPI for November. A little later, Germany's ZEW index for December and a monthly Opec oil report will be published. We get the CPI and NFIB Small Business Index from the US in November, Redbook weekly retail sales and oil inventories (API) weekly statistics.

Valuation Tables, Swedish Equities

Lowest P/E-ratio

Bolag	Price	P/E NTM
Eastnine AB	111,0	2,1x
BE Group AB	80,0	2,4x
SSAB AB	61,1	2,7x
Arise AB	51,3	2,9x
Ferronordic AB	53,3	3,1x
Rottneros AB	14,0	3,1x
Tethys Oil AB	59,8	3,1x
Bonava AB	28,2	3,8x
Maha Energy AB	9,7	4,0x
Bergs Timber AB	33,5	4,4x

Source: S&P Capital IQ/Carlsquare

Highest Yield

Bolag	Price	Yield, %
Tele2 AB	94,7	14,7
SSAB AB	61,1	12,7
Bonava AB	28,2	11,2
Nordic Paper Holding AB	30,7	10,3
Rottneros AB	14,0	10,0
Intrum AB	137,0	10,0
Clas Ohlson AB	76,1	9,5
Nilörngruppen AB	78,6	8,9
Resurs Holding AB	24,2	8,7
Peab AB	61,6	8,2

Source: S&P Capital IQ/Carlsquare

Lowest priced Net Asset Value

Bolag	Price	P/B
Oscar Properties Holding AB	1,4	0,1x
Eniro Group AB	0,9	0,2x
Midsona AB	8,2	0,2x
Serneke Group AB	24,6	0,3x
Corem Property Group AB	10,3	0,3x
Bonava AB	28,2	0,3x
Ferronordic AB	53,3	0,4x
Viking Supply Ships AB	67,8	0,4x
Karolinska Development AB	1,9	0,4x
NGS Group AB	11,4	0,4x

Source: S&P Capital IQ/Carlsquare

Lowest priced NAV on a debt-free basis

Bolag	Price	EV/tB
Oscar Properties Holding AB	1,4	0,1x
Midsona AB	8,2	0,2x
Serneke Group AB	24,6	0,3x
Bonava AB	28,2	0,3x
Hoist Finance AB	25,2	0,4x
Aktiebolaget Fastator	12,6	0,5x
Karolinska Development AB	1,9	0,5x
Eastnine AB	111,0	0,5x
K2A Knaust & Andersson Fastigheter AB	15,5	0,5x
BHG Group AB	22,0	0,5x

Source: S&P Capital IQ/Carlsquare

Lowest priced earnings growth

Bolag	Price	PEG
Volvo Car AB	52,3	0,1x
Karnov Group AB	57,2	0,2x
Elanders AB	146,6	0,3x
TF Bank AB	172,0	0,4x
Netel Holding AB	31,9	0,4x
Better Collective A/S	138,8	0,4x
Projektengagemang Sweden AB	11,6	0,4x
Billerud AB	145,7	0,4x
New Wave Group AB	211,2	0,5x
Telefonaktiebolaget LM Ericsson	67,3	0,5x

Source: S&P Capital IQ/Carlsquare

Top priced earnings growth

Bolag	Price	PEG
Cint Group AB	49,6	73,6x
Hufvudstaden AB	150,7	31,1x
Boliden AB	388,8	21,1x
AB Electrolux	151,0	7,8x
Trelleborg AB	262,3	6,2x
Wallenstam AB	44,8	5,9x
Cloetta AB	20,3	5,1x
Garo Aktiebolag	117,4	4,6x
AB SKF	178,6	4,3x
Telia Company AB	28,5	4,3x

Source: S&P Capital IQ/Carlsquare

Disclaimer: