



Weekly Letter:

Strong tech reports, but Fed withdraws liquidity

26 April 2023

Carlsquare

Anders Elgemyr and Bertil Nilsson

www.carlsquare.com

Strong tech reports, but Fed withdraws liquidity

- Microsoft delivers after hours, showing that tech companies can deliver this quarter too.
- Fed shrinks its balance sheet again. It may be a rocky market after the tech companies this week and into the Fed meeting on 2-3 May.

We are living with two currents moving in opposite directions. Upcoming reports from technology companies will be robust, giving the market one last push before summer volatility and maybe also the doldrums set in. On the other hand, we have central banks still pushing for higher interest rates to contain inflation.

The silver lining for the market in the US banking crash was that central banks would have to help the market with new QE, quantitative easing. But as quickly as the Fed injected new money into the market, it stopped just as quickly when the turmoil ended. The Fed has created no new liquidity in the last four weeks, at least according to its balance sheet.

Earnings season kicks off in earnest this week with MSFT and GOOG reporting on Tuesday after the close, META on Wednesday after the close, AMZN on Thursday, and many more after that.



Strong tech reports, but Fed withdraws liquidity

Microsoft's share price jumped almost 5 per cent after the company reported quarterly earnings and revenue that beat analyst expectations. Revenue from Microsoft's Intelligent Cloud division rose 16%, beating analysts' forecasts. The stock has fallen below its MA20 and is in dire need of energy from today's report.



Alphabet (Google) also reported better-than-expected figures and rose 4 per cent in after-hours trading.



Strong tech reports, but Fed withdraws liquidity

Meta (Facebook) will report after hours tomorrow. Meta has also fallen below the MA20. All these stocks must regain the MA20 for the market to move higher.



Amazon is the strong one at the moment, as it is trading above the MA20 and is pushing to break the MA200.



The S&P 500 has made a false break above the trend line. Trading will be interesting today as Microsoft and Google bring some energy back into the market, but will it be enough to regain lost ground?

Strong tech reports, but Fed withdraws liquidity

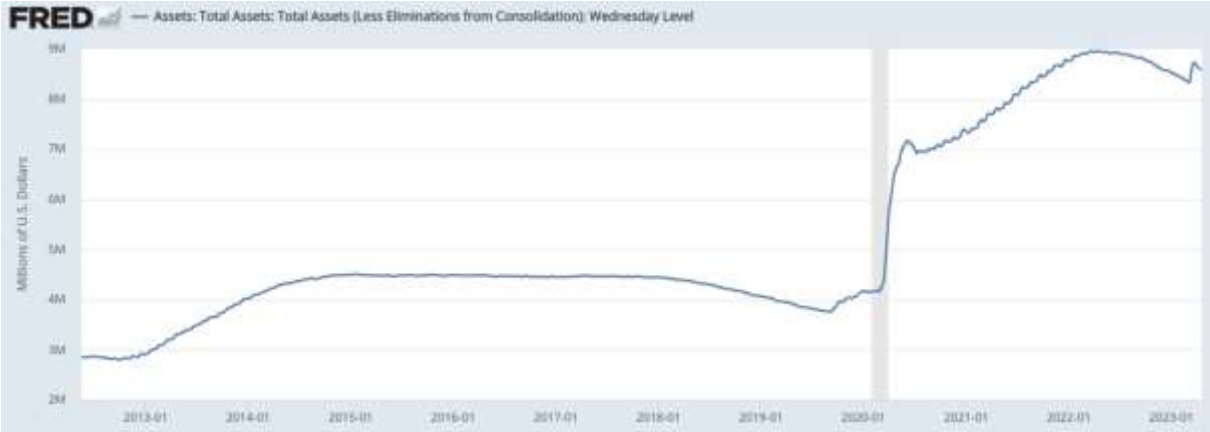


The 2-hour chart shows a negative trend as the trend line was lost during the week.



Last week we discussed the opportunity to buy VIX and another cover in the market. The VIX was up 11 per cent yesterday. It is still trading in the lower range, so there is still time to buy some cover.

Strong tech reports, but Fed withdraws liquidity

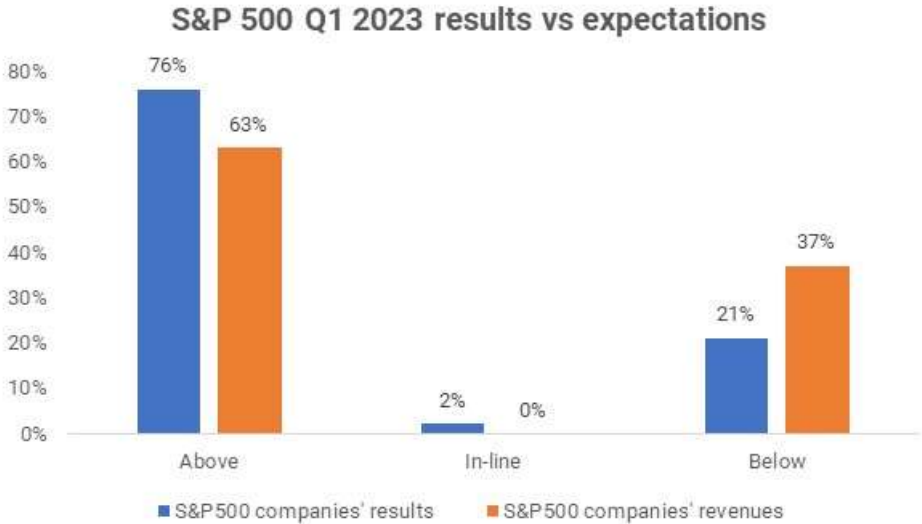


Although the earnings season can provide some energy to the equity market, the Fed's balance sheet is unwinding, and seasonality can work against the market. The Fed's 2-3 May meeting may take over and be more critical in the coming days.

Happy trading!

Q1 2023 Earnings season

For Q1 2023 (with around 90 companies reporting), 76% of S&P companies have reported a positive EPS surprise, while 63% have reported a positive revenue surprise.



Sources: Factset Earnings Insight, Carlsquare.

Five sectors (Commercial Services, Consumer Staples, Energy, Health Care and Materials) have 100% of companies reporting better than expected Q1 2023 earnings. The three worst-performing sectors are Information Technology, Financials and Real Estate, with 75, 53 and 50% positive earnings surprises for Q1 2023.

As of 31 March 2023, analysts were forecasting a -6.7% decline in earnings for Q1 2023. This expected earnings decline has decreased to -6.2% as of 21 April 2023.

Strong tech reports, but Fed withdraws liquidity

The following table lists some of the major US companies that have reported quarterly results since 21 March, along with the actual and expected earnings per share, the percentage deviation and the share price movement after the report was released.

<u>Company</u>	<u>Report Date</u>	<u>EPS estimate</u>	<u>EPS reported</u>	<u>Surprise</u>	<u>Price Change</u>
Abbott Labs	19-Apr-23	0,98	1,03	5,1%	7,8%
ASML Holding	19-Apr-23	4,59	5,31	15,7%	-3,1%
Elevance Health	19-Apr-23	9,26	9,46	2,2%	-5,3%
IBM	19-Apr-23	1,27	1,36	7,1%	1,3%
Morgan Stanley	19-Apr-23	1,67	1,70	1,8%	0,7%
Tesla	19-Apr-23	0,83	0,85	2,4%	-5,9%
AT&T	20-Apr-23	0,58	0,60	3,5%	-10,4%
American Express	20-Apr-23	2,64	2,40	-9,1%	-1,0%
Philip Morris	20-Apr-23	1,33	1,38	3,8%	-4,7%
Union Pacific	20-Apr-23	2,57	2,67	3,9%	0,3%
Procter & Gamble	21-Apr-23	1,32	1,37	3,8%	3,5%
Coca-Cola	24-Apr-23	0,65	0,68	4,6%	-0,2%
Alphabet	25-Apr-23	1,06	1,17	10,4%	1,7%
Danaher	25-Apr-23	2,26	2,36	4,4%	-8,8%
General Electric	25-Apr-23	0,13	0,27	107,7%	-1,7%
McDonald's	25-Apr-23	2,31	2,63	13,9%	-0,6%
Microsoft	25-Apr-23	2,22	2,45	10,4%	8,5%
NextEra Energy	25-Apr-23	0,75	0,84	12,0%	-1,5%
PepsiCo	25-Apr-23	1,37	1,50	9,5%	2,3%
Raytheon Technologies	25-Apr-23	1,11	1,22	9,9%	-1,3%
Texas Instruments	25-Apr-23	1,76	1,85	5,1%	1,6%
Union Parcel Service	25-Apr-23	2,19	2,20	0,5%	-10,0%
Verizon Communications	25-Apr-23	1,19	1,20	0,8%	0,5%
Visa	25-Apr-23	1,97	2,09	6,1%	1,7%
Average (including interim reports since 21 March 2023)				7,8%	0,0%
Median (including interim reports since 21 March 2023)				5,5%	0,1%

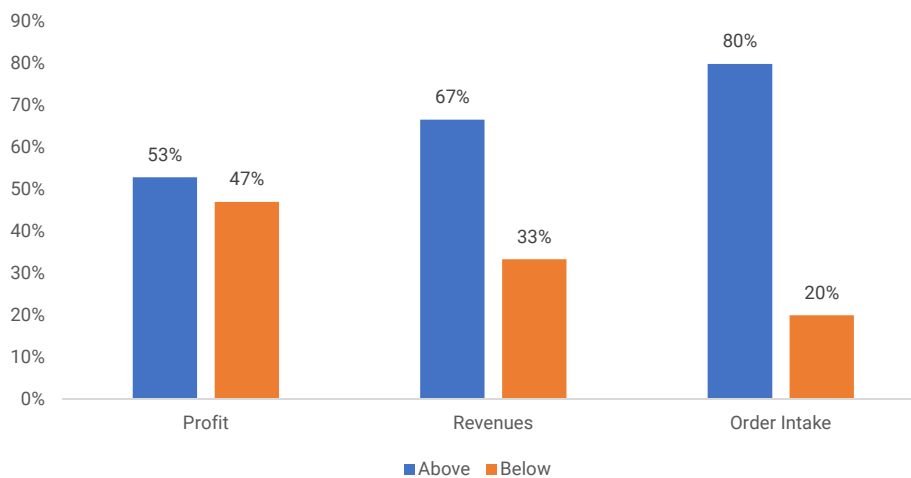
Source: Zacks Research

The average earnings per share surprise are 7.8%, and the median is 5.1% for the reporting companies in the table below. Share price movements following these quarterly reports have been small, 0.0% on average and 0.1% on the median, but volatile (sometimes up or down by around 10% in individual cases).

Strong tech reports, but Fed withdraws liquidity

We have also compiled the Q1 reports of 19 OMX Nordic companies. 53% of these Q1 reports had better-than-expected results, while 67% of the Q1 reports had higher-than-expected sales. Four of the five companies that reported new orders were better than analysts' forecasts. This confirms that demand for industrial products is better than expected for Swedish companies with a very high proportion of exports.

Q1 2023 outcome vs expectations for OMX companies



Sources: www.di.se, Avanza, Placera, Carlsquare.

Company	Date	Result		Revenues		Order Intake	
		Better	Worse	Better	Worse	Better	Worse
H&M	30-Mar	n.m.		0,6%			
Atrium Ljungberg	14-Apr	9,4%					
Ericsson	18-Apr	25,0%		3,3%			
HMS Networks	18-Apr	51,8%		49,5%			-20,4%
Arjo	19-Apr	12,8%		3,7%			
Husqvarna	19-Apr	20,2%		7,8%			
Nokia	19-Apr	-1,4%		2,4%			
Volvo	19-Apr	43,8%		11,0%		16,7%	
Tele2	20-Apr		-3,0%		0,0%		
Munters	20-Apr	35,5%		15,8%			
Autoliv	20-Apr		-1,5%	6,2%			
Sandvik	20-Apr		-0,5%	4,4%		5,0%	
Avanza	24-Apr		-4,8%		-2,5%		
ABB	25-Apr	8,5%		3,3%		11,7%	
Collector	25-Apr		-2,5%		-3,2%		
Stora Enso	25-Apr		-53,5%		-2,8%		
Boliden	25-Apr		-16,0%		-12,1%		
ELUX PRO	25-Apr	18,5%		7,8%			
Alfa Laval	25-Apr	13,4%		3,8%		19,3%	
Average		21,6%	-11,7%	9,2%	-4,1%	13,2%	-20,4%

Week Ahead

Next week, 60 S&P500 companies will report their Q1 2023 results. Below is a list of upcoming Q1 2023 US earnings reports with expected EPS.

EARNINGS CALENDAR		
Date		EPS _e Q1 2023 (USD)
26-Apr	Boeing	-0,98
26-Apr	Thermo Fisher Scientific	4,95
26-Apr	Meta Platforms	1,96
27-Apr	TMobile US	1,45
27-Apr	Amazon	0,21
27-Apr	Intel	-0,16
27-Apr	AbbVie	2,46
27-Apr	Mastercard	2,71
27-Apr	Bristol Myers Squibb	1,98
27-Apr	Caterpillar	3,79
27-Apr	Gilead Sciences	1,61
27-Apr	Merck	1,37
27-Apr	Amgen	3,84
27-Apr	Eli Lilly	1,64
27-Apr	Comcast	0,81
27-Apr	Honeywell International	1,93
27-Apr	S&P Global	2,92
28-Apr	Exxon Mobil	2,70
28-Apr	Chevron	3,36
01-May	Stryker	2,00
02-May	Advanced Micro Devices	0,56
02-May	Pfizer	0,98
02-May	Starbucks	0,64

Source: Zacks.com

Reports and events on Wednesday, 26 April: Handelsbanken, Axfood, Billerud, Pandox, SEB, Telia, NCC, Cloetta, Coor, Fabege, Kindred, Saab, SSAB, Assa Abloy, Castellum, Dometic, Getinge, Hemnet, New Wave, Troax, Sats, Novozymes, Uponor, Kone, Valmet, Pareto Bank, Accuray, Boston Scientific, Glaxo SmithKline, Boeing, Meta Platforms, Roche (Q1 sales figures), Thermo Fisher Scientific and TMobile US

Wednesday begins at 8:00 CET with Sweden's trade balance and unemployment for March and Germany's Gfk consumer confidence for May. The Swedish Riksbank will make an interest rate announcement. In the afternoon, the US durable goods orders and goods trade balance for March and weekly oil inventories (DOE) are due.

Reports on Thursday, 27 April: Nordea, Essity, Intrum, Ratos, Swedbank, Volvo Cars, Bettson, Bonava, Catena, Evolution, Gränges, Indutrade, Scandic Hotels, Thule, Astra Zeneca, JM, SKF, Atlas Copco, Millicom, Trelleborg, Caverion, DNB, Cargotec, Finnair, PGS, Metsä Board, Orion, Aker BP, Atea, Carlsberg (operational update), DSV, GN Store Nord, Huhtamäki, NEL, Norske Skog, Royal Unibrew (operational update), Subsea 7, AbbVie, Activision Blizzard, Altria, Amazon, Amgen, Intel, Barclays, Baxter, Bristol Myers Squibb, Mastercard, Caterpillar, Comcast, Deutsche Bank, Eli Lilly, Gilead Sciences, Global Fashion Group, Honeywell, International Paper, Intel, Mastercard, Merck, Rockwell, Samsung, Sanofi, Schneider Electric, Snap, S&P Global and Unilever.

Sweden's first quarter GDP will be released at 8.00 CET. At 9.00 CET, the Swedish NIESR will publish a survey of Swedish business sentiment in April. A barometer indicator for April will be released from the euro area at 11.00 CET. We will get the estimated first-quarter GDP, initial jobless claims, and contracted house purchases in March from the US during the afternoon.

Reports on Friday, 28 April: Diös, Holmen, Lifco, Electrolux, Hexagon, SBB, SCA, Epiroc, Hexpol, Latour, Gjensidige Forsikring, Kesko, Stockmann (operational update), Tomra, Konecranes, Neste, Yara, Danske Bank, Norsk Hydro, Schibsted, Chevron, Drägerwerk, Exxon Mobil, Mercedes-Benz, Natwest Group, Smurfit Kappa (operational update) and US Steel.

Japan reports unemployment, retail sales and industrial production for March at 1.50 CET. The Bank of Japan will make an interest rate announcement at 5.00 CET. France will release its Q1 GDP at 7.30 CET. From Sweden, household credit and retail sales for March; from the UK, the national house price index for April and Germany import prices for March are due at 8.00 CET. Later in the morning, Q1 GDP will be released for Spain, Italy, Germany and the eurozone. We will also see April CPI from France and Germany and April unemployment from Germany. From the US, March private consumption and inflation, Q1 labour costs, Chicago PMI and Michigan PMI are due in April.

Reports on Monday, 1 May: Softbank and Stryker

During the day, we get the April industrial PMIs from Japan, India, and the US. We will also get March construction output from the US.

Reports on Tuesday, 2 May: Industrivärden (Net Asset Value), Traton, K-Fastigheter, Jyske Bank, Advanced Micro Devices, BP, Cummins, Ford, HSBC, Japan Tobacco, Pfizer, and Starbucks.

During the day, the April industrial PMIs from China, Russia, Sweden, Spain, Italy, France, and the UK will be released. In addition, April's CPI is due from Italy and the eurozone. From the US, we will get the weekly Redbook Retail Sales, the JOLTS Job Openings and Industrial Orders for March, and the weekly Oil Inventories (API) in the evening.

Valuation Tables, Swedish Equities

Lowest P/E-ratio

Bolag	Price	P/E NTM
Maha Energy AB	9,5	1,8x
Tethys Oil AB	53,9	2,7x
Bonava AB	20,3	3,9x
Serneke Group AB	29,4	4,0x
Humana AB	13,7	4,4x
Bong AB	1,0	5,1x
Catella AB	35,1	5,7x
ITAB Shop Concept AB	11,8	5,7x
Wästbygg Gruppen AB	31,6	5,7x
Midway Holding AB	22,0	5,9x

Source: S&P Capital IQ/Carlsquare

Highest Yield

Bolag	Price	Yield, %
Bonava AB	20,3	11,7
Intrum AB	106,1	11,6
Tethys Oil AB	53,9	10,6
Samhällsbyggnadsbolaget i Norden AB	12,2	10,1
Aktiebolaget Fastator	7,5	10,0
Cibus Nordic Real Estate AB	110,2	9,6
Nordic Paper Holding AB	41,3	8,9
Wästbygg Gruppen AB	31,6	8,5
Svenska Handelsbanken AB	95,8	8,4
Resurs Holding AB	23,8	8,2

Source: S&P Capital IQ/Carlsquare

Lowest priced Net Asset Value

Bolag	Price	P/B
Oscar Properties Holding AB	1,1	0,1x
BHG Group AB	8,7	0,2x
Humana AB	13,7	0,2x
Serneke Group AB	29,4	0,2x
Bonava AB	20,3	0,3x
Cint Group AB	13,5	0,3x
Corem Property Group AB	8,8	0,3x
K2A Knaust & Andersson Fastighete	11,0	0,3x
VNV Global AB	20,0	0,3x
Samhällsbyggnadsbolaget i Norden	12,2	0,3x

Source: S&P Capital IQ/Carlsquare

Lowest priced NAV on a debt-free basis

Bolag	Price	EV/tB
Oscar Properties Holding AB	1,1	0,1x
BHG Group AB	8,7	0,2x
Humana AB	13,7	0,2x
Serneke Group AB	29,4	0,2x
Bonava AB	20,3	0,3x
Q-linea AB	5,4	0,3x
Cint Group AB	13,5	0,3x
Karolinska Development AB	1,7	0,4x
Hoist Finance AB	25,4	0,4x
Concejo AB	28,0	0,4x

Source: S&P Capital IQ/Carlsquare

Lowest priced earnings growth

Bolag	Price	PEG
Nordisk Bergteknik AB	34,2	0,1x
Volvo Car AB	39,1	0,2x
RVRC Holding AB	29,9	0,2x
TF Bank AB	141,2	0,3x
Embracer Group AB	50,4	0,3x
New Wave Group AB	186,9	0,3x
Netel Holding AB	34,0	0,4x
H & M Hennes & Mauritz AB	152,3	0,4x
Intrum AB	106,1	0,5x
Dustin Group AB	33,6	0,5x

Source: S&P Capital IQ/Carlsquare

Top priced earnings growth

Bolag	Price	PEG
Tele2 AB	103,9	60,3x
Hufvudstaden AB	141,9	56,9x
Stillfront Group AB	19,8	11,4x
Getinge AB	266,4	9,5x
Thule Group AB	260,9	5,9x
Svenska Cellulosa Aktiebolaget SCA	131,2	5,5x
AB Electrolux	135,6	5,0x
Axfood AB (publ)	267,0	4,8x
Inwido AB	112,5	4,0x
Atlas Copco AB	128,9	3,5x

Source: S&P Capital IQ/Carlsquare

Disclaimer:

The information in this presentation is based on what the publisher, Carlsquare, believes to be reliable sources. However, we cannot guarantee its content. Nothing in the presentation should be construed as a recommendation or solicitation to invest in any financial instrument, option, or the like. Opinions and conclusions expressed in the presentation are for the recipient's use only. The contents may not be copied, reproduced, quoted, or distributed to anyone else. Carlsquare shall not be liable for any loss arising from any decision taken based on the information contained in this presentation. Past performance should not be taken as an indication of future results. Changes in foreign exchange rates may affect the value, price or income of an investment made abroad or in a foreign currency.

The analysis is not directed at U.S. Persons (as that term is defined in Regulation S under the United States Securities Act and interpreted in the United States Investment Companies Act of 1940), nor may it be distributed to such persons. The analysis is not intended for natural or legal persons where the distribution of the analysis to such persons would involve or entail a risk of violation of Swedish or foreign laws or regulations.