



Weekly Letter:

Commodities and tech in focus as USD turns higher

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Carlsquare

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Commodities and tech in focus as USD turns higher

- The US debt ceiling negotiations are weighing on the market. This will, of course, be resolved one way or another. But the outcome for the stock market may not be the bull run that many seem to believe
- Stock indices are stuck in consolidation. It is better to trade sectors or individual stocks in technology. Commodities are also an exciting area with some opportunities as a stronger US dollar puts pressure on the sector

Again, we have a stock market that is relatively calm on the surface but with much turmoil going on underneath.



A warning sign is that the 10-year US Treasury yield is on the move again. It can be connected to the US debt ceiling issue. When the roof is moved (as it must be), the US state must sell many bonds again, increasing interest rates. This can be the front running that we are witnessing.

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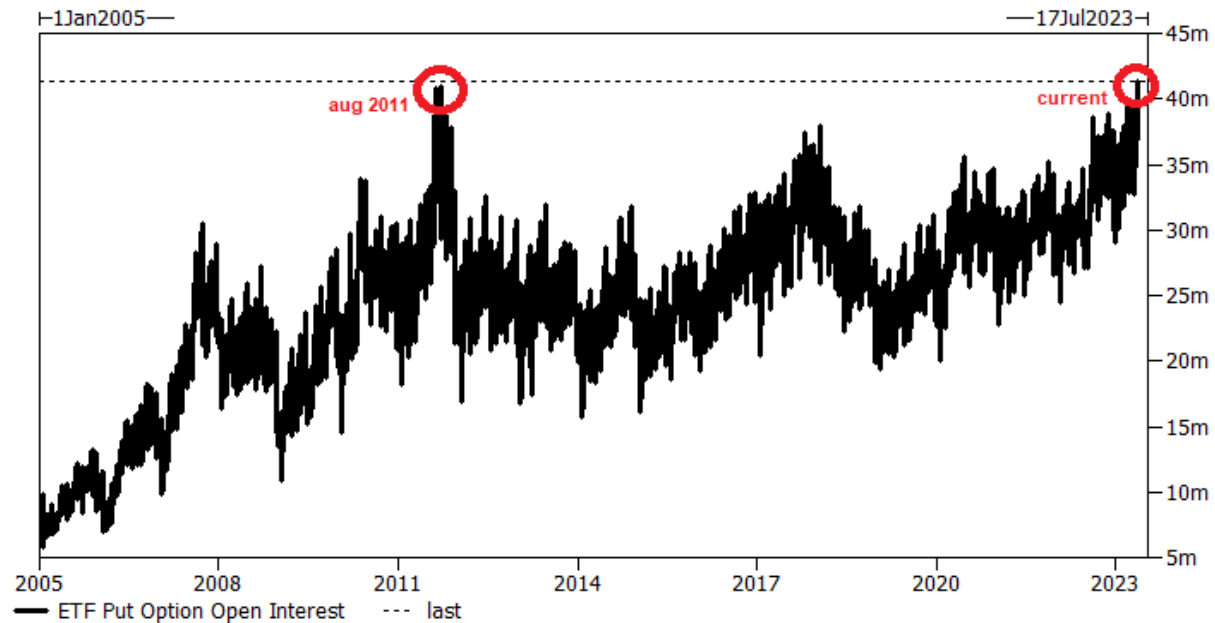


US interest rates and the stock market often move in opposite directions, especially when rates move fast. Many people expect an upturn for the S&P 500 as it removes a negative theme in the market. But an increased supply of bonds will draw away liquidity from the market, which is harmful to the stock market. Stay tuned when the debt ceiling is lifted.



VIX represents the market’s expectations for the relative strength of near-term price changes of the S&P 500. It is currently trading at the bottom of its range.

When the VIX is low, option pricing is low regarding implied volatility. This also makes it more attractive to buy downside protection in the form of put options. This is something that investors have also noticed. As the chart below shows, the number of put options outstanding is the highest it has been in a long time.



The last time the number of put options outstanding was at this level was in the summer of 2011 when the US had its last debt ceiling crisis. That led to a downgrade of the country's credit rating... and the S&P500 fell by around 20%. However, there are signs that hedge funds have increased their leverage to increase their long positions in the equity market. That's the opposite of what's typical.

This has both advantages and disadvantages. The advantage is that the buying pressure from hedge funds feeds the existing uptrend. The downside is that a negative trigger can cause a rapid decline as everyone bails out. Then there is the outflow of shares from market makers selling to cover their short gamma. At the same time, as hedge funds are long the market, there are fewer on the buy side to pick up all the shares and take profits on short positions.

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The question then becomes which side is right - the long hedge fund positions or the investors with put options. The evolution of the US debt ceiling situation will likely play an important role.



The US dollar has been consolidating but is now in an uptrend again. This is a mirror of increased interest rates. MACD is also trending upwards, signalling growing momentum.

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The WTI oil price has returned to its lower Bollinger Band, reflecting concerns about the broader economy and increased supply. However, this is a positive chart. A lower oil price will reduce inflationary pressure and allow for a new positive economic cycle and bull run in the market.



S&P 500 is still moving upwards in its broad channel.

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Another way to show this is to point to the gap that must be filled. We have been discussing the gap since October 2022 as a natural target for the index. It is not touching it but has not yet filled it. Below, the MACD is in negative territory, indicating that the upward trend is losing steam.

Looking at the chart of the S&P 500, there is little movement. Instead of trading indices, looking at sectors and specific stocks is much better.



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The FANG companies are still in an uptrend and have broken above the upper line. A hold above the red 9 EMA line is a buy signal, but a break below it is a warning sign.



Apple stock is still on an upward trend.



The battle between Google and Microsoft over who has the best AI tools is boosting both stocks.

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Google is well above the EMA9 and instead follows the super-fast EMA5. It is still tradable but, of course, very overbought.



Tesla gets a buy signal on the MACD. The stock is following the upper Bollinger band.

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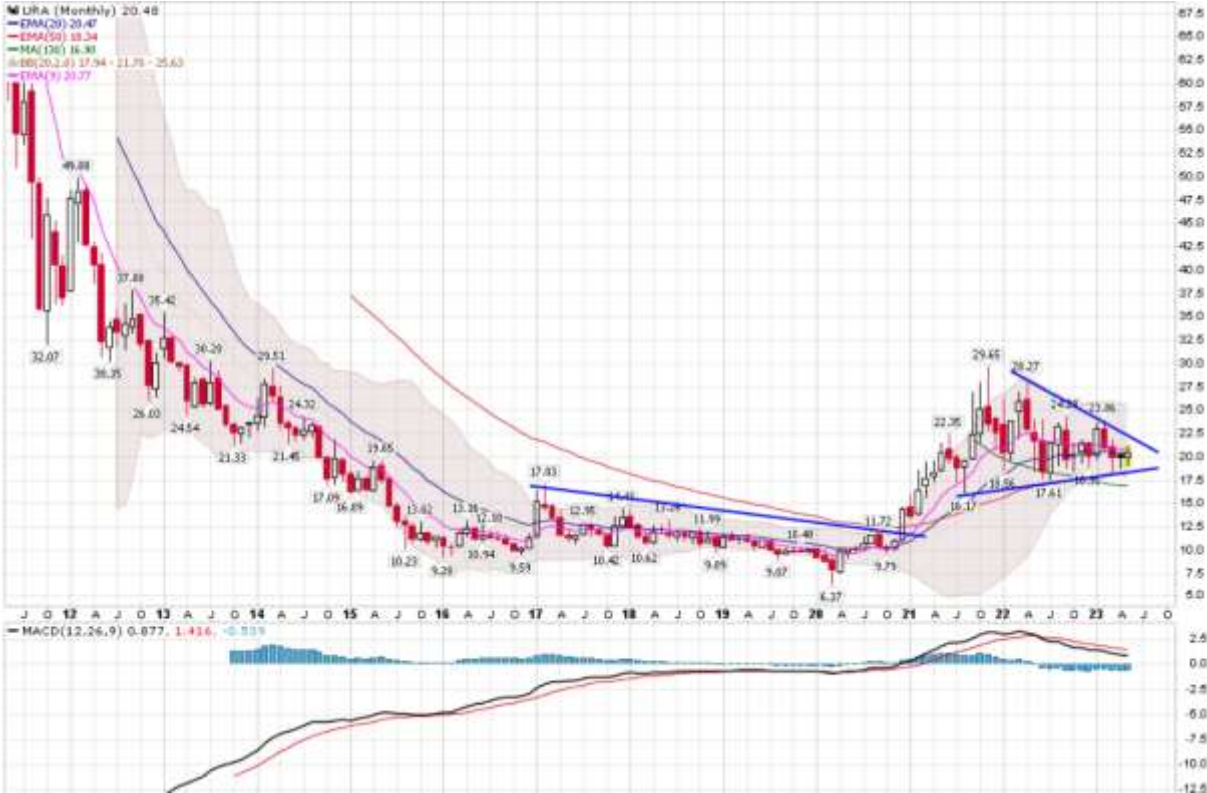
Gold and other commodities are in a long bull market but are trending lower, mainly due to the rising USD.

For gold bugs, this could be a new buying opportunity.



In the daily chart, gold trades higher in a channel and is close to support.

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Another attractive metal is uranium. It is consolidating on the monthly chart but has a setup for an intense bull run.



The daily chart shows a small channel and that the URA struggles with the MA200 as resistance.

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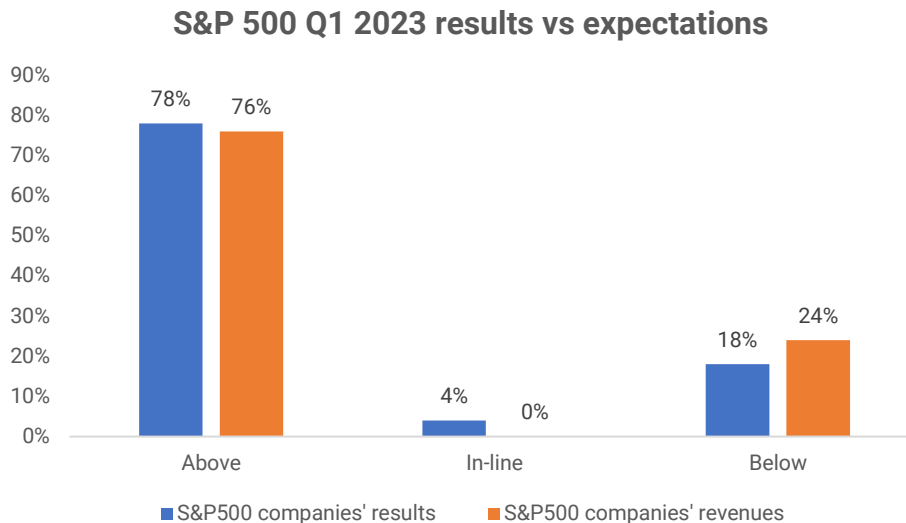
Copper is close to its MA200 line. Copper is often called Dr Copper because it is a good sign for the economy. From that perspective, the chart could be prettier. However, our view is that we are during a crisis, which is usually an excellent time to buy assets (when everyone else is in selling mode). But the crisis is not over yet, so summer could be rocky.

Happy trading!

Q1 2023 Earnings season

Interim reports of S&P500 companies

For Q1 2023 (with 95% of S&P500 companies reporting), 78% of S&P companies have reported a positive EPS surprise, while 76% have reported a positive revenue surprise.



Sources: Factset Earnings Insight, Carlsquare.

For Q2 2023, 58 S&P500 companies have issued negative earnings guidance, while 41 companies have issued positive earnings guidance.

Wall Street analysts are forecasting a -6.4% decline in earnings and a -0.3% decline in sales for Q2 2023.

This week (22-26 May), 13 S&P500 companies are scheduled to report Q1 2023 results.

The average earnings per share surprise are 8.5%, and the median is 5.5% for the S&P500 companies reporting since 21 March. Share price movements after the quarterly reports have been small (0.0% on average and 0.1% on median).

| Company | Report Date | EPS estimate | EPS reported | Surprise | Price Change |
|--|-------------|--------------|--------------|-------------|--------------|
| Cisco Systems | 17-May-23 | 0,97 | 1,00 | 3,1% | 1,2% |
| Walmart | 18-May-23 | 1,32 | 1,47 | 11,4% | 1,3% |
| Deere & Company | 19-May-23 | 8,57 | 9,65 | 12,6% | -1,9% |
| Lowe's Companies | 23-May-23 | 3,48 | 3,67 | 5,5% | 1,7% |
| Intuit | 23-May-23 | 8,45 | 8,92 | 5,6% | -4,9% |
| Average (including interim reports since 21 March 2023) | | | | 8,5% | 0,0% |
| Median (including interim reports since 21 March 2023) | | | | 5,6% | 0,1% |

Source: Zacks Research.

Week Ahead

This week, 13 S&P500 companies will report their Q1 2023 results. Below is a list of upcoming Q1 2023 earnings reports for US companies with a market cap exceeding USD 100 bn with expected EPS.

| EARNINGS CALENDAR | | EPS _e Q1 2023 (USD) |
|-------------------|------------------|-----------------------------------|
| Date | | |
| 24-May | Nvidia | 0,92 |
| 25-May | Costco Wholesale | 3,32 |
| 25-May | Medtronic | 1,56 |

Source: Zacks.com

Reports and events on Wednesday, 24 May: Embracer, Selvaag Bolig and Nvidia.

The UK will release its CPI and PPI for April at 8.00 CET. This is followed by Germany's IFO index for May at 10.00 CET and the UK's CBI industrial trends for May at 12.00 CET. In the afternoon, weekly oil inventories (DOE) are due at 16.30 CET and the Fed minutes at 20.00 CET.

Reports on Thursday, 25 May: Elekta, Mildef, Medtronic and Costco Wholesale.

At 8:00 CET, SCB presents construction activity for Q1 2023 and unemployment in Sweden for April. At the same time, we will get Germany's GfK Consumer Confidence for June and GDP for Q1 2023. France's Business Climate Indicator for May will be released at 8.45 CET. From the US, we will get the Chicago National Activity Index and Pending Home Sales for April, the Q1 GDP, weekly jobless claims, and the Kansas City Fed Index for May.

Reports on Friday, 26 May: -

Friday morning in Europe starts with the French Household Confidence Indicator for May and Swedish April Retail Sales and PPI plus UK April Retail Sales. We get private consumption and inflation (PCE) from the US, wholesale inventories, and trade balance goods - all in April - and the Michigan index for May.

Reports on Monday, 29 May: -

At 8.00 CET, the SCB will release Swedish Household Lending for April.

Reports on Tuesday, 30 May: Lundbergs, Avance Gas, Canopy Growth.

In the morning at 1.30 CET, Japan's unemployment rate for April will be released. Statistics Sweden publishes Sweden's trade balance for April and GDP for Q1 at 8.00 CET. This is followed by the Swedish NIESR Business Climate Survey for May at 9.00 CET. Spain's CPI for May and the EMU's barometer indicator for the euro area for May will be published at 9.00 and 11.00 CET, respectively. In the afternoon in the US, the weekly Redbook Retail Sales, the March S&P/CS and FHFA House Price Index for March, the Household Confidence Indicator and the Dallas Fed Index for May, and the weekly oil inventories (API) will be released.

Valuation Tables, Swedish Equities

Lowest P/E-ratio

| Bolag | Price | P/E NTM |
|--------------------------------|-------|---------|
| Maha Energy AB (publ) | 8,8 | 1,3x |
| Tethys Oil AB (publ) | 50,6 | 3,3x |
| Bonava AB (publ) | 18,4 | 3,6x |
| Humana AB (publ) | 14,6 | 4,1x |
| Hoist Finance AB (publ) | 27,0 | 5,3x |
| Bong AB (publ) | 1,1 | 5,3x |
| Serneke Group AB (publ) | 28,3 | 5,8x |
| Midway Holding AB (publ) | 23,2 | 5,9x |
| Nordic Paper Holding AB (publ) | 40,1 | 6,0x |
| Swedbank AB (publ) | 170,8 | 6,0x |

Source: S&P Capital IQ/Carlsquare

Highest Yield

| Bolag | Price | Yield, % |
|------------------------------------|-------|----------|
| SSAB AB (publ) | 69,4 | 17,2 |
| Bonava AB (publ) | 18,4 | 12,4 |
| Aktiebolaget Fastator (publ) | 6,2 | 12,0 |
| Tethys Oil AB (publ) | 50,6 | 10,7 |
| Cibus Nordic Real Estate AB (publ) | 103,0 | 10,1 |
| Resurs Holding AB (publ) | 19,2 | 9,5 |
| Svenska Handelsbanken AB (publ) | 89,4 | 9,2 |
| Nordic Paper Holding AB (publ) | 40,1 | 9,1 |
| Swedbank AB (publ) | 170,8 | 8,6 |
| AB Volvo (publ) | 207,8 | 8,4 |

Source: S&P Capital IQ/Carlsquare

Lowest priced Net Asset Value

| Bolag | Price | P/B |
|------------------------------------|-------|------|
| Oscar Properties Holding AB (publ) | 0,7 | 0,1x |
| Samhällsbyggnadsbolaget i Norden | 6,1 | 0,2x |
| Bonava AB (publ) | 18,4 | 0,2x |
| Humana AB (publ) | 14,6 | 0,2x |
| Corem Property Group AB (publ) | 7,0 | 0,3x |
| Cint Group AB (publ) | 11,3 | 0,3x |
| BHG Group AB (publ) | 11,9 | 0,3x |
| Immunovia AB (publ) | 2,5 | 0,3x |
| K2A Knaust & Andersson Fastigheter | 10,8 | 0,3x |
| VNV Global AB (publ) | 20,9 | 0,3x |

Source: S&P Capital IQ/Carlsquare

Lowest priced NAV on a debt-free basis

| Bolag | Price | EV/tB |
|------------------------------------|-------|-------|
| Serneke Group AB (publ) | 28,3 | 0,3x |
| Karolinska Development AB (publ) | 1,7 | 0,4x |
| Concejo AB (publ) | 28,0 | 0,4x |
| Hoist Finance AB (publ) | 27,0 | 0,4x |
| Vivesto AB | 0,3 | 0,4x |
| Alligator Bioscience AB (publ) | 0,5 | 0,4x |
| Maha Energy AB (publ) | 8,8 | 0,4x |
| Tethys Oil AB (publ) | 50,6 | 0,5x |
| Projektengagemang Sweden AB (publ) | 12,8 | 0,5x |
| BICO Group AB (publ) | 64,4 | 0,6x |

Source: S&P Capital IQ/Carlsquare

Lowest priced earnings growth

| Bolag | Price | PEG |
|----------------------------------|-------|------|
| Nordisk Bergteknik AB (publ) | 30,8 | 0,1x |
| Volvo Car AB (publ) | 39,2 | 0,1x |
| RVRC Holding AB (publ) | 32,9 | 0,2x |
| TF Bank AB (publ) | 130,0 | 0,3x |
| Embracer Group AB (publ) | 42,2 | 0,3x |
| New Wave Group AB (publ) | 199,9 | 0,4x |
| H & M Hennes & Mauritz AB (publ) | 145,1 | 0,4x |
| Viaplay Group AB (publ) | 243,4 | 0,4x |
| Sinch AB (publ) | 24,8 | 0,4x |
| Dometic Group AB (publ) | 68,5 | 0,5x |

Source: S&P Capital IQ/Carlsquare

Top priced earnings growth

| Bolag | Price | PEG |
|----------------------------|-------|--------|
| Skanska AB (publ) | 151,6 | 137,3x |
| Stillfront Group AB (publ) | 1,7 | 34,3x |
| Hufvudstaden AB (publ) | 28,0 | 17,9x |
| H+H International A/S | 27,0 | 14,3x |
| Sampo Oyj | 0,3 | 8,1x |
| Getinge AB (publ) | 0,5 | 7,3x |
| Tokmanni Group Oyj | 8,8 | 7,2x |
| Raisio plc | 50,6 | 6,9x |
| Uponor Oyj | 12,8 | 6,7x |
| Vestas Wind Systems A/S | 64,4 | 5,2x |

Source: S&P Capital IQ/Carlsquare

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