



Weekly Letter:

# Something has to give...

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Something has to give...

- The newsfeed is full of negative headlines about Hamas, Ukraine, etc., giving a gloomy background to the color of the market.
- For the stock market, however, it is the first week of a new quarter. Historically, the last quarter tends to be strong. And usually the reporting season creates better market sentiment
- But we must be humble. This is a divided market, with some large caps driving the whole market, while interest rates are still high and small caps are falling. Something has to give...

As of Friday 13 October, around 30 S&P500 companies, representing six out of eleven sectors, have reported their third quarter results. 84% of S&P companies have reported a positive EPS surprise, while 66% have reported a positive revenue surprise. This is encouraging for the market.

<b>Company</b>	<b>Report Date</b>	<b>EPS estimate</b>	<b>EPS reported</b>	<b>Surprise</b>	<b>Price Change</b>
Delta Airlines	12-Oct-23	1,92	2,03	5,7%	-2,3%
Infosys	12-Oct-23	0,18	0,18	0,0%	-6,5%
Fastenal	12-Oct-23	0,51	0,52	2,0%	7,5%
Walgreen Boots Alliance	12-Oct-23	0,68	0,67	-1,5%	7,0%
JP Morgan Chase	13-Oct-23	3,89	4,33	11,3%	0,9%
United Health Group	13-Oct-23	6,33	6,56	3,6%	2,6%
Citigroup	13-Oct-23	1,26	1,52	20,6%	-0,2%
BlackRock	13-Oct-23	8,47	10,91	28,8%	-1,3%
Wells Fargo	13-Oct-23	1,25	1,39	11,2%	3,1%
The Progressive	13-Oct-23	1,71	2,09	22,2%	8,1%
PNC Financial Services	13-Oct-23	3,18	3,60	13,2%	-2,6%
Charles Schwab	16-Oct-23	0,75	0,77	2,7%	4,7%
Bank of America	17-Oct-23	0,81	0,90	11,1%	2,3%
Johnson & Johnson	17-Oct-23	2,52	2,66	5,6%	-0,9%
Lockheed Martin	17-Oct-23	6,66	6,77	1,7%	0,2%
Goldman Sachs	17-Oct-23	5,32	5,47	2,8%	-1,6%
ProLogis	17-Oct-23	1,26	1,3	3,2%	-2,5%
<b>Average</b>				<b>8,5%</b>	<b>1,1%</b>
<b>Median</b>				<b>5,6%</b>	<b>0,2%</b>

Source: Zacks Research.

The table above lists some of the major US companies that have reported quarterly results since 12 October, along with the actual and expected earnings per share, the percentage deviation, and the post-report price movement. The average earnings per share surprise is 8,8% and the median is 5,6% for the reporting companies. The three major banks (Citigroup, JP Morgan, and Wells Fargo) that reported on Friday 13

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October all beat the market's earnings estimates by between 11% and 21%.

The price movements following these quarterly reports were also positive, but smaller (1.1% on average and 0.2% on median). We are a little surprised by the small rewards that companies are getting, even with much better-than-expected results. Both JM Morgan and Blackrock came in with 11% and 29% better than expected EPS respectively, but the shares did not move much after the results.



JPM left a shooting star candle on the chart and has traded lower after the report.

### KEY TAKEAWAYS

- A shooting star occurs after an advance and indicates the price could start falling. <sup>[1]</sup>
- The formation is **bearish** because the price tried to rise significantly during the day, but then the sellers took over and pushed the price back down toward the open.
- Traders typically wait to see what the next candle (period) does following a shooting star. If the price declines during the next period they may sell or **short**.
- If the price rises after a shooting star, the formation may have been a **false signal** or the candle is marking a potential **resistance** area around the price range of the candle.

See Investopedia's definition of a shooting star above. As mentioned above, a shooting star can illustrate a trend reversal to the downside.



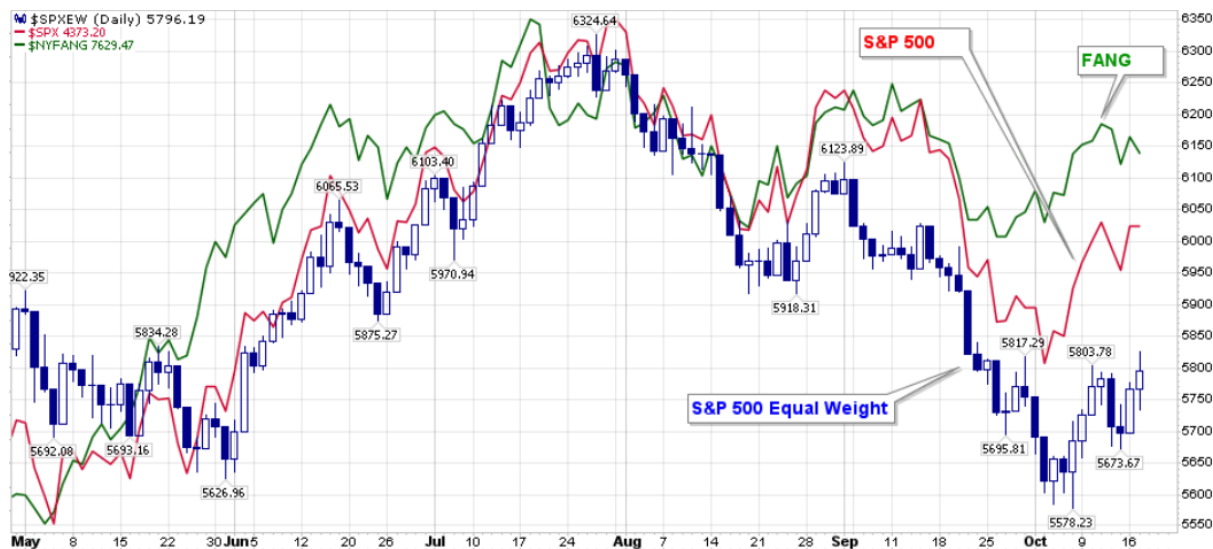
JP Morgan has been winning market share from regional banks lately, which has been depressing the regional bank index KRE. Let's see if JPM can rise again or if KRE will drag JPM down.

Something has to give...

Financial companies are the first to report in the US, while tech companies will take a few weeks to get into full swing. Still, there are a handful of tech companies that are leading the stock market.



The S&P 500 Equal Weight Index is still close to the bottom.



The S&P 500 is still led by some of the large caps. As the market is not balanced, there is room for further volatility.



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The S&P 500 has touched the MA200 and is still in positive territory. Yesterday the market came under pressure from semiconductors, which were hit by new government restrictions on exports to sensitive countries. But the focus is now on upcoming reports from Tesla, Netflix and LRCX.



Tesla is stuck in a wedge with a lot of energy building up. Tesla has the power to move the whole market.

Something has to give...



Netflix is in a downtrend, under pressure from inflation and less disposable income.

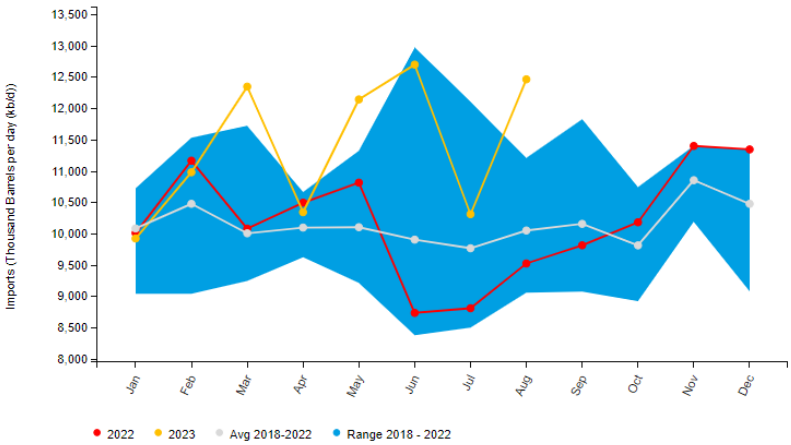
A better-than-expected retail sales report boosted consumer-related companies yesterday but put pressure on the broader market as it also led to higher interest rates.

However, we are happy that oil prices are not going anywhere for now.



The oil is currently stuck between MA50 and MA20.

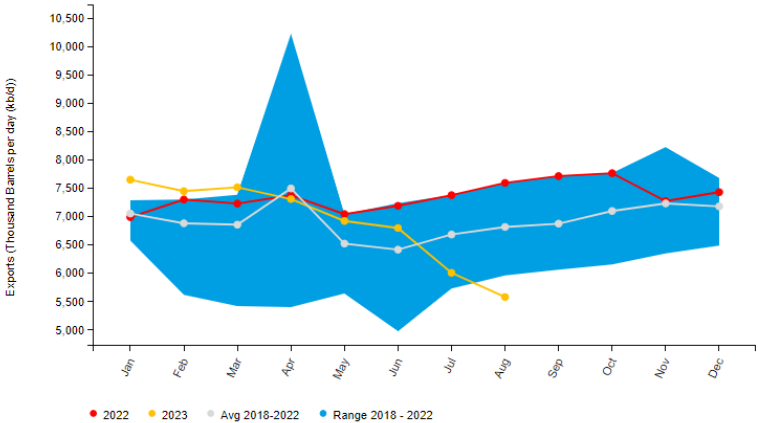
### Figure 5: China Crude Oil Imports



China crude imports rose by 2.15 mb/d to 12.47 mb/d – 2.94 mb/d above year-ago levels.

New data from Jodidata.com shows that China's imports are rising again. Perhaps an early sign of stabilization in China?

### Figure 2: Saudi Arabia Crude Exports



Saudi crude exports decreased by 428 kb/d to 5.58 mb/d, a 28-month low.



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Data from the same source indicates that Saudi Arabia has gone to great lengths to boost oil prices by selling well below normal production levels. With a huge budget deficit, it may not be long before Saudi Arabia increases its oil production again, putting a lid on prices and overall inflation. That would be very positive for the overall sentiment.

Happy trading!

## Week Ahead

Reports on Wednesday, 18 October: ABB, Handelsbanken, Tele2, Volvo, Kinnevik, Entra, BHP (operativ uppdatering), SAP, Abbott Laboratories, ASML Holding, Elevance Health, Lam Research, Morgan Stanley, Netflix, Procter & Gamble and Tesla.

China reports Q3 GDP, as well as industrial production, retail sales, investments, and unemployment for September at 4.00 CET. UK CPI and PPI for September are due at 8.00 CET. From the euro zone, we get September CPI and August construction output at 11.00 CET. From the United States, we have September housing starts, weekly oil inventories (DOE) and the Fed's Beige Book.

Reports and events on Thursday, 19 October: Nordea, Arjo, Nokia, Telia, Fabega, AQ Group, Vitec, Investor, Bergman & Beving, Fastpartner, Mycronic, OEM, Alma Media, Atea, DNB, Elisa, AT&T, Blackstone, CSX, Freeport Mcmoran, Intuitive Surgical, Marsh & McLennan companies, Mondi, Philip Morris, Union Pacific, and Taiwan Semiconductor.

Japan's September trade balance will be released at 1.50 CET. China's September house prices are due at 3.30 CET. From Europe, we get France's October industrial expectations at 8.45 CET and the August eurozone current account balance at 10.00 CET. From the United States, the Philadelphia Fed index for October, initial jobless claims, existing home sales and leading indicators for September will be released.

Reports on Friday, 20 October: Husqvarna, Lifco, Avanza, Boliden, Biogaia, NP3, Wallenstam, Autoliv, Norion Bank, Gjensidige Forsikring, Huhtamäki, Norske Skog, Tomra, Yara, American Express and Schlumberger.

Japan's CPI for September is due at 1.30 CET. UK Retail Sales and German PPI, both for September, will be released at 8.00 CET.

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Reports on Monday, 23 October: Getinge, Nederman, Sandvik, Ratos, Philips and Cadence Design Systems.

From the eurozone we get the budget deficit for Q2 and the household confidence indicator for October. The US brings us the Chicago Fed's national activity index for September.

Reports on Tuesday, 24 October: Alimak, Alleima, Attendo, Beijer Ref, Bilia, Duni, Inwido, Munters, Nordnet, Stora Enso, Troax, VBG, Wihlborgs, Xvivo, Atria, DSV, Kemira, Norsk Hydro, Ponsse, Topdanmark, Novartis, UPM, Chubb Ltd, Alphabet, Barclays, Coca-Cola, Danaher, 3M, General Electric, General Motors, HCA Healthcare, Illinois Tool Works, Kimberly-Clark, Microsoft, NextEra Energy, Paccar, RTX Corporation, Snap, Spotify Technology, Texas Instruments, Verizon, Visa, Waste Management and Whirlpool.

Japan's PMI for October will be released at 2.30 CET.

Germany's GfK consumer confidence for November is due at 8.00 CET. Today's agenda is dominated by October PMIs from France, Germany, the Eurozone, the United Kingdom, and the United States. UK CBI industrial trends for October will be released at 12.00 CET. From the United States, we also get the weekly Redbook retail sales data, the Richmond Fed index for October and the weekly oil inventories (API) statistics.

## Valuation Tables, Swedish Equities

Lowest P/E-ratio			Highest Yield		
Bolag	Price	P/E NTM	Bolag	Price	Yield, %
Netel Holding AB (publ)	7,0	2,4x	Samhällsbyggnadsbolaget i Norden AB (publ)	3,4	35,3
Dustin Group AB (publ)	16,5	3,5x	Aktiebolaget Fastator (publ)	2,9	27,4
Tethys Oil AB (publ)	55,7	3,5x	Dustin Group AB (publ)	16,5	14,5
Starbreeze AB (publ)	0,4	3,5x	Coor Service Management Holding AB	45,3	10,0
Bonava AB (publ)	16,1	3,7x	Cibus Nordic Real Estate AB (publ)	103,6	10,0
Eolus Vind AB (publ)	72,4	4,3x	Nordic Paper Holding AB (publ)	36,1	9,6
Transtema Group AB	14,6	4,4x	Bilia AB (publ)	103,4	8,6
Embracer Group AB (publ)	19,8	4,4x	Telia Company AB (publ)	23,5	8,5
Hoist Finance AB (publ)	27,4	4,8x	Svenska Handelsbanken AB (publ)	99,9	8,0
Stillfront Group AB (publ)	15,1	5,1x	Swedbank AB (publ)	209,3	7,9
Source: S&P Capital IQ/Carlsquare			Source: S&P Capital IQ/Carlsquare		
Lowest priced Net Asset Value			Lowest priced NAV on a debt-free basis		
Bolag	Price	P/B	Bolag	Price	EV/EB
Oscar Properties Holding AB (publ)	0,5	0,04x	BICO Group AB (publ)	25,9	0,30x
Moberg Pharma AB (publ)	6,4	0,12x	Alligator Bioscience AB (publ)	0,4	0,31x
Aktiebolaget Fastator (publ)	2,9	0,15x	Dustin Group AB (publ)	16,5	0,33x
Mendus AB (publ)	0,4	0,18x	Projektengagemang Sweden AB (publ)	9,1	0,37x
Samhällsbyggnadsbolaget i Norden	3,4	0,21x	Hoist Finance AB (publ)	27,4	0,39x
Cint Group AB (publ)	10,6	0,23x	Fingerprint Cards AB (publ)	0,9	0,52x
Immunovia AB (publ)	0,7	0,23x	FastPartner AB (publ)	41,4	0,59x
Bonava AB (publ)	16,1	0,24x	Byggmax Group AB (publ)	27,6	0,64x
NGS Group AB (publ)	6,5	0,25x	Bulten AB (publ)	68,8	0,75x
Corem Property Group AB (publ)	6,4	0,25x	Qliro AB (publ)	19,3	0,77x
Source: S&P Capital IQ/Carlsquare			Source: S&P Capital IQ/Carlsquare		
Lowest priced earnings growth			Top priced earnings growth		
Bolag	Price	PEG	Bolag	Price	PEG
Nordisk Bergteknik AB (publ)	26,1	0,10x	Fastighets AB Balder (publ)	48,9	287,8x
Volvo Car AB (publ)	47,0	0,13x	Alleima AB (publ)	62,7	75,8x
Telia Company AB (publ)	23,5	0,16x	AB Electrolux (publ)	110,4	10,9x
New Wave Group AB (publ)	73,2	0,29x	Netel Holding AB (publ)	7,0	5,9x
TF Bank AB (publ)	147,8	0,32x	Nolato AB (publ)	50,7	3,7x
Kindred Group plc	93,0	0,36x	Inwido AB (publ)	100,0	3,2x
Embracer Group AB (publ)	19,8	0,40x	Axfood AB (publ)	240,7	3,0x
Scandic Hotels Group AB (publ)	36,1	0,41x	Telefonaktiebolaget LM Ericsson (publ)	53,9	3,0x
Dometic Group AB (publ)	65,5	0,42x	Swedish Orphan Biovitrum AB (publ)	214,0	2,7x
Dustin Group AB (publ)	16,5	0,42x	Biotage AB (publ)	89,3	2,7x
Source: S&P Capital IQ/Carlsquare			Source: S&P Capital IQ/Carlsquare		

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