

Is Chat GPT Good For Microsoft's Earnings?

We asked Chat GPT, the new artificial intelligence (AI) engine, that exact question. The answer follows below:

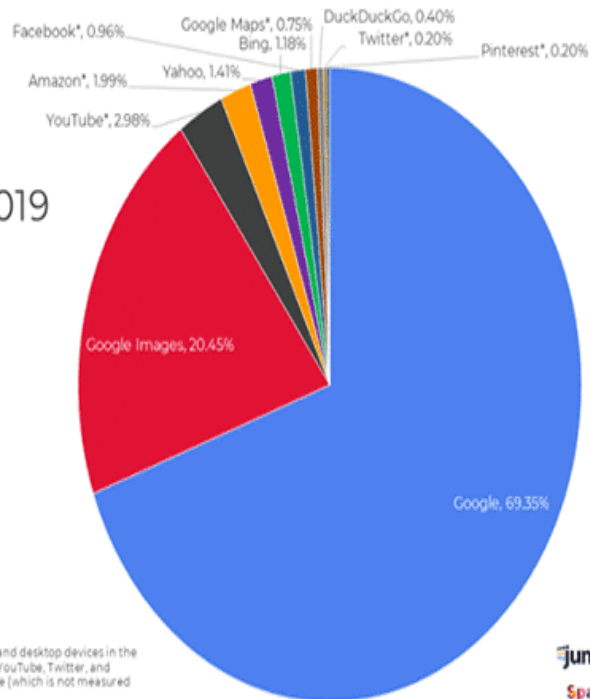
Chat GPT is a good way to improve Microsoft's earnings because it allows users to communicate with each other directly, which can help improve customer service and product quality. Additionally, it can help Microsoft attract new customers and retain existing ones.

Chat GPT is a fantastic advance in AI that can be used for many businesses and individual applications. Don't believe us? Click [HERE](#) and let Chat GPT write an essay, song lyrics, a Valentine's Day poem, or even computer code. Earlier this month, Microsoft bought approximately a third of Chat GPT for \$10 billion. Microsoft's Bing web browser plans on introducing Chat GPT technology to the public in late March. Instead of providing links to keywords you search for, Bing may provide you directly with the information. Further, the Microsoft suite of Office products can easily become a platform for users to take advantage of Chat GPT functionality. The potential Chat GPT applications are immense, and the benefits will likely flow to Microsoft shareholders. As the graph shows, Bing has a lot of market share it can steal from Google.

Search Engine Market Share Q2 2019

94%

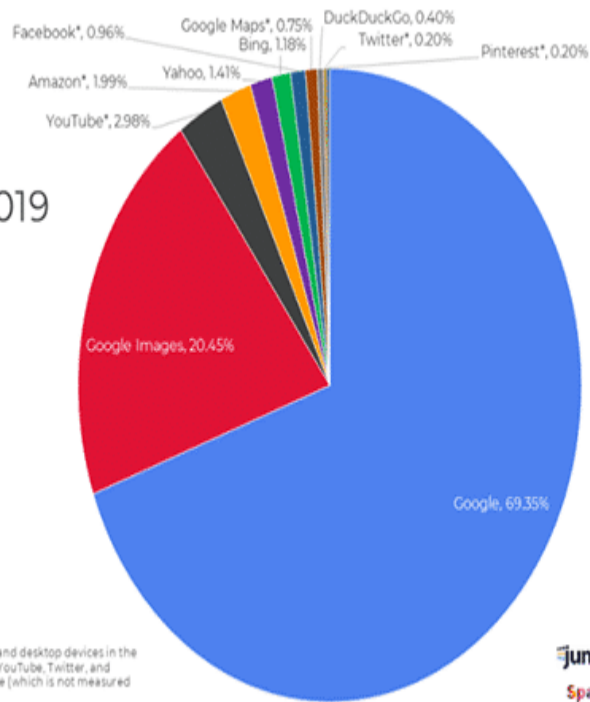
of all searches happen
on a Google property



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What To Watch Today

Economy

- 8:30 a.m. ET: **Personal Income**, month-over-month, December (0.2% expected, 0.4% prior)
- 8:30 a.m. ET: **Personal Spending**, month-over-month, December (-0.1% expected, 0.1% prior)

- 8:30 a.m. ET: **Real Personal Spending**, month-over-month, December (-0.1% expected, 0.0% prior)
- 8:30 a.m. ET: **PCE Deflator**, month-over-month, December (0.0% expected, 0.1% prior)
- 8:30 a.m. ET: **PCE Deflator**, year-over-year, December (5.0% expected, 5.5% prior)
- 8:30 a.m. ET: **PCE Core Deflator**, month-over-month, December (0.3% expected, 0.2% prior)
- 8:30 a.m. ET: **PCE Core Deflator**, year-over-year, December (4.4% expected, 4.7% prior)
- 10:00 a.m. ET: **Pending Home Sales**, month-over-month, December (-1.0% expected, -4.0% prior)
- 10:00 a.m. ET: **University of Michigan Consumer Sentiment**, January Final (64.6 expected, 64.6 prior)
- 11:00 a.m. ET: **Kansas City Fed Services Activity**, January (-5 prior)

Earnings

Company		Time	Estimate		 Growth Show only confirmed?	Surprise			
✓ CVX	Chevron Corporation	6:15 AM ET	\$4.16	\$53.56 B	11.3%	<div><div>+</div><div>=</div><div>-</div></div>			<div>+</div>
✓ HCA	HCA Healthcare, Inc.	6:30 AM ET	\$4.79	\$15.59 B	3.5%	<div><div>+</div><div>=</div><div>-</div></div>			<div>+</div>
✓ CHTR	Charter Communicati...	7:00 AM ET	\$8.79	\$13.73 B	3.9%	<div><div>+</div><div>=</div><div>-</div></div>			<div>+</div>
KDDIY	KDDI CORP U-ADR	DMH	-	\$42.42 B	235.2%	<div><div>+</div><div>=</div><div>-</div></div>			<div>+</div>
✓ AXP	American Express Co.	7:00 AM ET	\$2.18	\$14.22 B	17.1%	<div><div>+</div><div>=</div><div>-</div></div>			<div>+</div>
✓ LPL	Lg Display Co. Limite...	BMO	(\$0.52)	\$5.30 B	-28.8%	<div><div>+</div><div>=</div><div>-</div></div>			<div>+</div>
✓ HNNMY	H & M Hennes & Mau...	BMO	\$0.03	\$5.64 B	-12.1%	<div><div>+</div><div>=</div><div>-</div></div>			<div>+</div>
✓ CL	Colgate-Palmolive Co.	6:55 AM ET	\$0.76	\$4.56 B	3.6%	<div><div>+</div><div>=</div><div>-</div></div>			<div>+</div>
ELUXY	AB Electrolux	BMO	-	\$3.50 B	-12.4%	<div><div>+</div><div>=</div><div>-</div></div>			<div>+</div>
SEOAY	Stora Enso Oyj	BMO	\$0.34	\$2.95 B	-5.1%	<div><div>+</div><div>=</div><div>-</div></div>			<div>+</div>
✓ TLSNY	Telia Company AB	(\$0.89)	\$2.26 B	-	\$8.51 B	-14.2%	-		<div>+</div>
✓ ALV	Autoliv Inc.	6:50 AM ET	\$1.54	\$2.45 B	15.6%	<div><div>+</div><div>=</div><div>-</div></div>			<div>+</div>
✓ BAH	Booz Allen Hamilton ...	6:45 AM ET	\$1.02	\$2.22 B	9.3%	<div><div>+</div><div>=</div><div>-</div></div>			<div>+</div>
WRTBY	Wärtsilä Oyj Abp	BMO	-	\$5.54 B	203.3%	<div><div>+</div><div>=</div><div>-</div></div>			<div>+</div>
✓ ROP	Roper Technologies, I...	6:55 AM ET	\$3.77	\$1.43 B	-5.4%	<div><div>+</div><div>=</div><div>-</div></div>			<div>+</div>
TOTDY	Toto Ltd Ord	DMH	\$0.64	-	-	<div><div>+</div><div>=</div><div>-</div></div>			<div>+</div>
RDY	Dr. Reddys Laborator...	9:10 AM ET	\$0.57	-	-	<div><div>+</div><div>=</div><div>-</div></div>			<div>+</div>
✓ GNTX	Gentex Corp.	8:00 AM ET	\$0.38	\$496.44 M	18.2%	<div><div>+</div><div>=</div><div>-</div></div>			<div>+</div>
✓ HTH	Hilltop Holdings Inc.	BMO	\$0.26	\$125.27 M	-69.3%	<div><div>+</div><div>=</div><div>-</div></div>			<div>+</div>
✓ FBP	First BanCorp	7:00 AM ET	\$0.41	\$218.74 M	-4.4%	<div><div>+</div><div>=</div><div>-</div></div>			<div>+</div>
✓ FHB	First Hawaiian, Inc	8:00 AM ET	\$0.57	\$219.63 M	20.1%	<div><div>+</div><div>=</div><div>-</div></div>			<div>+</div>
✓ BMI	Badger Meter, Inc.	8:30 AM ET	\$0.60	\$143.58 M	5.8%	<div><div>+</div><div>=</div><div>-</div></div>			<div>+</div>
✓ PFS	Provident Financial S...	8:00 AM ET	\$0.62	\$132.70 M	8.5%	<div><div>+</div><div>=</div><div>-</div></div>			<div>+</div>
✓ DCOM	Dime Community Ba...	6:00 AM ET	\$0.98	\$102.42 M	-4.3%	<div><div>+</div><div>=</div><div>-</div></div>			<div>+</div>
✓ HMST	HomeStreet, Inc.	4:05 PM ET	\$0.77	\$69.42 M	-22.5%	<div><div>+</div><div>=</div><div>-</div></div>			<div>+</div>
TMP	Tompkins Financial C...	9:00 AM ET	\$1.42	\$77.59 M	-2.7%	<div><div>+</div><div>=</div><div>-</div></div>			<div>+</div>
✓ CFFN	Capitol Federal Finan...	\$0.12	\$96.69 M	\$0.12	-	38.8%	0.0%		<div>+</div>
RBCAA	Republic Bancorp Inc.	8:00 AM ET	\$0.83	\$59.25 M	-12.9%	<div><div>+</div><div>=</div><div>-</div></div>			<div>+</div>
✓ SBSI	Southside Bancshare...	5:45 AM ET	\$0.86	\$70.01 M	4.9%	<div><div>+</div><div>=</div><div>-</div></div>			<div>+</div>
PGC	PeapackGladstone Fi...	BMO	\$1.11	\$64.35 M	5.4%	<div><div>+</div><div>=</div><div>-</div></div>			<div>+</div>
✓ OXLC	Oxford Lane Capital ...	8:00 AM ET	-	-	-	<div><div>+</div><div>=</div><div>-</div></div>			<div>+</div>

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Market Trading Update

FINALLY! A market breakout worth having. After a successful retest of the downtrend from the January peak, the breakout yesterday took the market above the neckline of [the inverse head-and-shoulders pattern](#). With this breakout, the market is sending a pretty strong message ahead of the Fed that the bulls are in charge. However, don't discount the Fed entirely. Jerome Powell still carries a big hammer when it comes to market sentiment.



TradingView



The breakout of the downtrend also pulls the 50-DMA ever closer to a *?golden cross?* (*when the 50-DMA crosses above the 200-DMA*) which historically suggests higher prices over the intermediate term. The MACD buy signal is not extended, and the markets are not extremely overbought. We have recently added exposure to this rally, but we remain cautious ahead of the Fed meeting next week. Once that meeting is behind us, we will have much better visibility on further increasing equity exposure.



TradingView



While the market is certainly pricing in a "soft landing" scenario currently, a more difficult outcome is certainly not off the table. Once our MACD signal turns lower, we will reduce equity exposure again, as I suspect this summer could be trying for the bulls.

Value or Growth

The graph below showing the relative historical performance of a value versus a growth portfolio can be beneficial in understanding recent trends and in forming expectations. Except for short periods where growth beats value, value portfolios have proven to be the better investment choice. However, since the Great Financial Crisis, growth stocks have significantly outperformed value. Why?

There are many explanations, but the one we find most compelling is interest rates. Extremely low-interest rates favor growth stock valuations as the present value formula to assess future cash flows benefits growth stocks more than value stocks. For a more detailed explanation, please read our article, [Finance is at Fault](#).

Will rates eventually get back down to 2021 levels? If so, growth has a better shot of outperforming value in the near future. Is the recent value outperformance a resumption of the historical trend? Time will tell, but choosing correctly can pay significant dividends for investors.

Figure 1: A Historical Perspective on Value and Growth Investing



Source: Fama/French Data, accessed through the Kenneth R. French Data Library. As of April 30, 2022.

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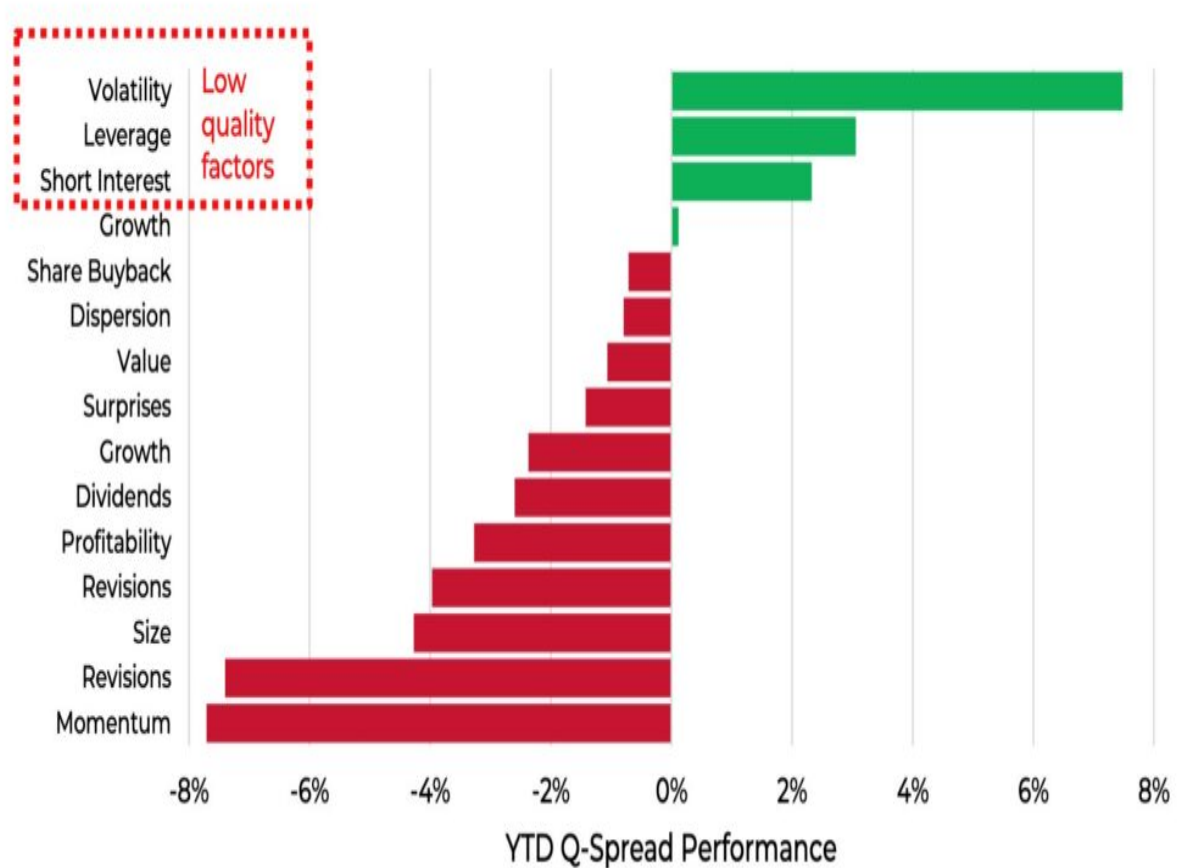


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Low Quality Rally

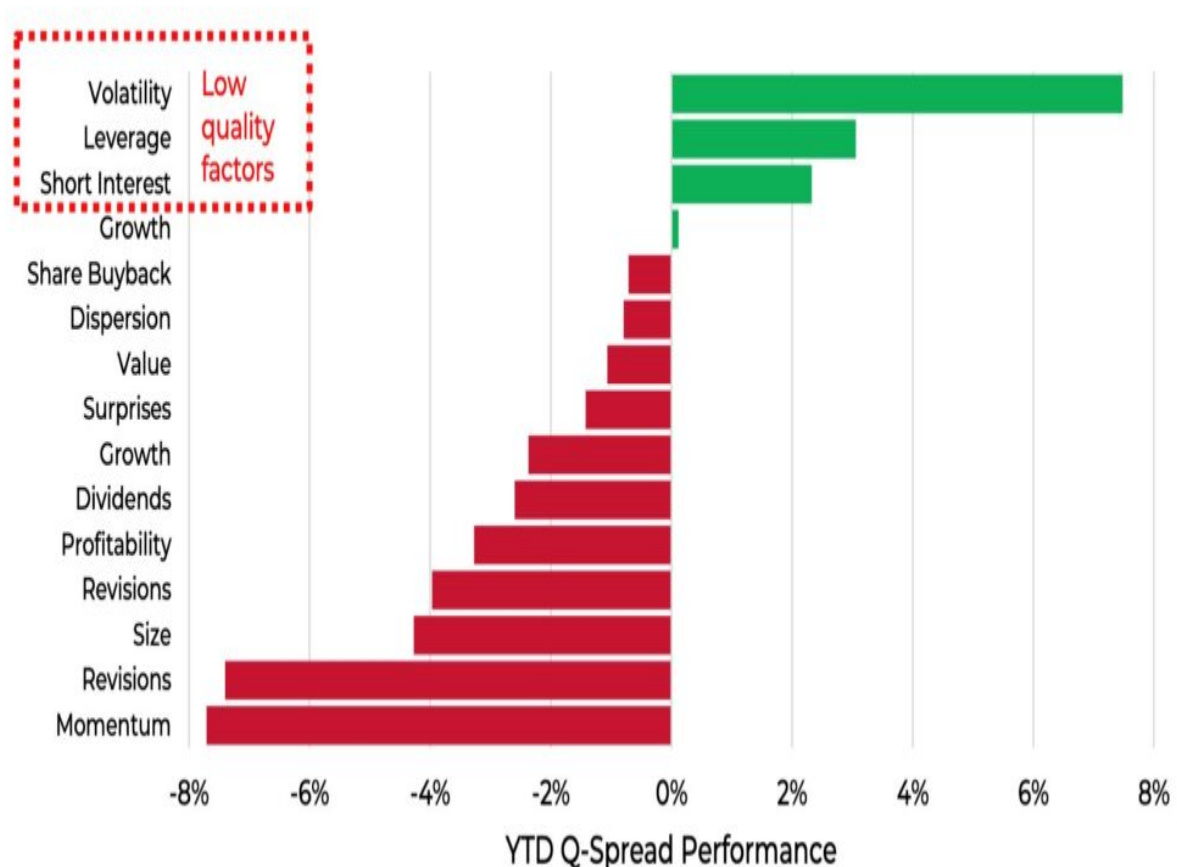
This year's market rally has been impressive; however, a look under the hood leaves something to be desired. Thus far, only four stock factors are outperforming the market. Three of them, high volatility, leverage (highly indebted), and short interest (most shorted stocks), are factors that often reflect a poor quality of the underlying stocks. Growth is only marginally outperforming. Quality factors like value, high dividends, and profitability are lagging. While the quality of leaders is poor, such is often the nature of a bottoming process. Frequently, those stocks/factors that were the laggards in a bear market are quick to rally when a bottom takes hold. The ARKK ETF, for instance, is up 23% year to date.

Factor outperformance this year indicates a low quality rally



Source: Bloomberg, Purpose Investments

Factor outperformance this year indicates a low quality rally



Source: Bloomberg, Purpose Investments



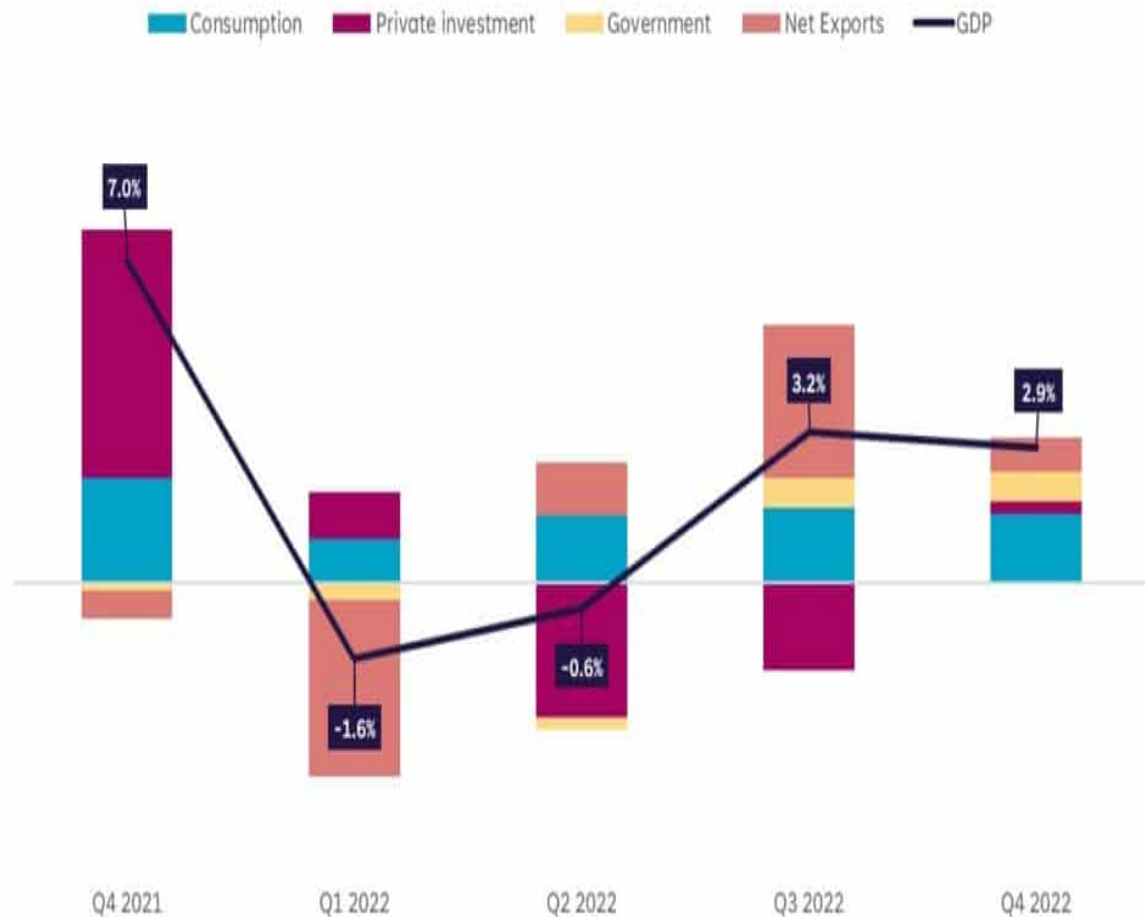
Q4 GDP and Jobless Claims

GDP for the fourth quarter was slightly higher than expectations at 2.9% and slightly off the prior quarter's 3.2% pace. The quarterly PCE inflation rate was +3.9%, the lowest since the first quarter of 2021. Today, we will learn what the PCE inflation rate was for December. Assuming it is in line with CPI, the Fed will likely only raise rates by 25bps.

While the quarter was strong, there are some odd data anomalies beneath the surface. For instance, residential investment fell by 26.7%, but was offset by significant growth in inventories. While inventory growth boosts GDP, it is not necessarily good. An abundance of inventory often means retailers slow down on new orders until they can clear excess inventories.

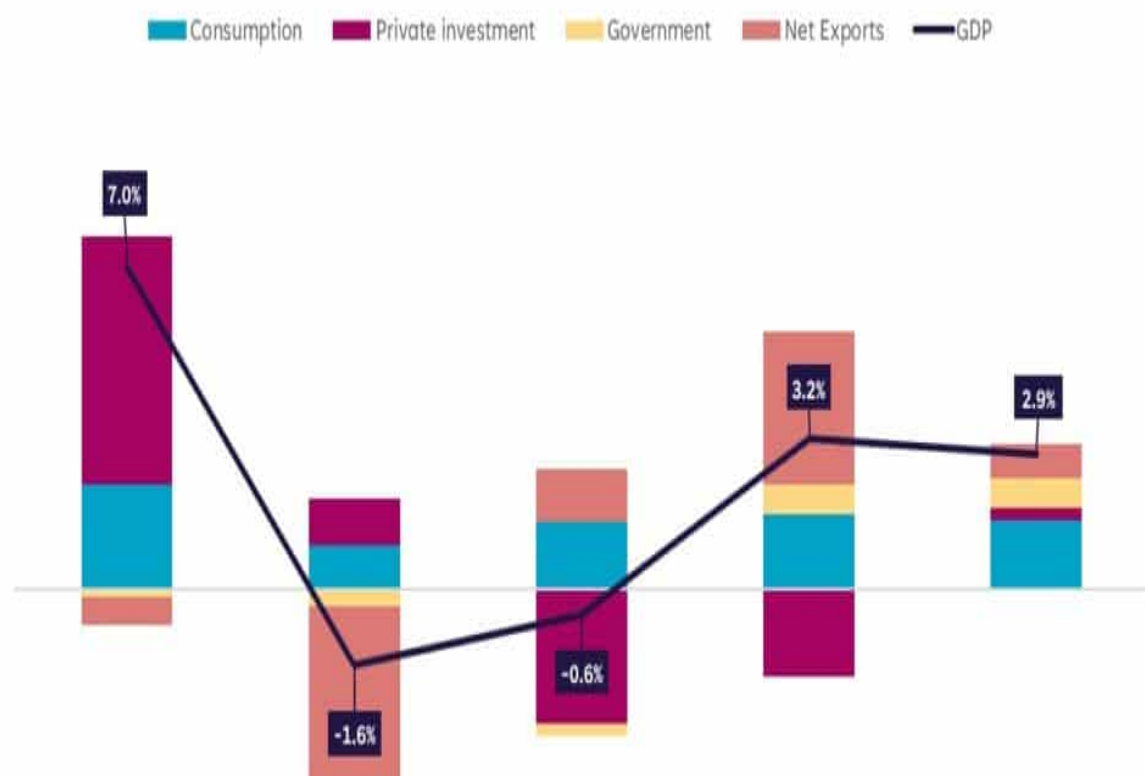
Despite technology-related layoffs, initial jobless claims remain very low. Last week 186k people claimed for new jobless claims. Continuing claims, which measures how many of those that filed for initial claims remain unemployed, ticked up by 25k but also remains at historically low levels.

Contribution to GDP by Category



Source: SoFi, Bloomberg, BEA. Percentages represent real GDP growth.

Contribution to GDP by Category



Tweet of the Day



Charlie Munger Fans @CharlieMunger00 · 4h



"Earnings don't move the overall market; it's the Federal Reserve Board. Focus on the central banks, and focus on the movement of liquidity. Most people in the market are looking for earnings and conventional measures. It's liquidity that moves markets"

--- Stanley Druckenmiller



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20K



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20K



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