

MONDAY MORNING RECAP - June 13, 2022

Last Week

Dow Jones Industrial Average (DJIA)	31392.79	-1506.91	-4.58%
S&P 500 Index	3900.86	-207.67	-5.05%
NASDAQ Composite Index	11340.02	-672.71	-5.60%
U.S. 10 yr. Treasury Note Yield	3.15%	+19 basis points	
Gold (\$ per troy oz.)	\$1871.50	+\$26.10	+1.41%
WTI Oil (\$ per barrel)	\$120.67	+\$1.80	+1.51%

Market Summary

GLOBAL EQUITIES: Equity market volatility continued as investors grappled with another strong US inflation print and upcoming monetary policy tightening in Europe. In the US, the S&P 500 finished down -5.05% as economic growth slows amid a consumption transition from goods to services. In Europe, markets adjusted to the prospect of steady ECB rate hikes, with the STOXX 600 closing down -3.92%.

COMMODITIES: Oil prices rose last week, with WTI breaking the \$120/barrel (bbl) threshold for the first time since March. Still, renewed lockdowns in parts of Shanghai elevated demand concerns as China appears further from emerging out of the pandemic. Ultimately, WTI and Brent closed at \$120.67/bbl and \$122.01/bbl, respectively. Gold stayed range-bound, competing with other perceived safe-haven assets for demand and ultimately finishing at \$1,871.50/troy oz.

FIXED INCOME: Last week, the 10-Year German Bund yield increased 25 bps to 1.52% following the European Central Bank's (ECB) indication of potential rate hikes at upcoming meetings. In the US, the 10-Year Treasury yield rose 19 bps to 3.15% as markets digested possible implications of the ECB's policy and a greater-than-expected US inflation print, lifting the yield once again above the notable 3.0% level. In the UK, the 10-Year Gilt yield also rose to 2.45%.

FX: The US dollar strengthened 1.51% against a basket of currencies, continuing to move higher on the year as US rates surge. Meanwhile, the euro fell to \$1.05 as growth concerns in the region deepen and risk-off sentiment becomes more embedded.

Economic Summary

INFLATION: US headline CPI increased 8.6% YoY in May, above consensus expectations of 8.2% and April's reading of 8.3%. The acceleration was primarily driven by housing prices, contributing 2.9 pp to the overall reading. In China, CPI held steady relative to April's print at 2.1% YoY in May, but declined on a month-over-month basis on the back of normalizing vegetable prices.

LABOR: US initial jobless claims increased by 27k to 229k for the week ending June 4th, above consensus expectations of 206k. While higher than expected, much of the increase may be attributable to seasonal factors, indicating continued labor market strength.

POLICY: Last week, the ECB announced the end of net asset purchases under its Asset Purchase Program (APP) beginning in July, as well as its intention to raise interest rates at meetings in July and September. The expectation is now for a first rate hike of 25 bps with potential for 50 bps at later meetings should the inflation outlook deteriorate further.

SENTIMENT: The University of Michigan Consumer Sentiment Index fell to a record low of 50.2 in June, well below consensus expectations of 58.0. Consumers remain wary of a slowing economic backdrop amid an array of risks.

Key Economic Releases

Monday, June 13:

No economic releases

Tuesday, June 14:

China Retail Sales Year-over-Year (Cons: -7.3%, Prior: -11.1%)

Wednesday, June 15:

FOMC Rate Decision: (Cons: 1.50%, Prior: 1.00%)

Thursday, June 16:

BoJ Rate Decision: (Cons: -0.10%, Prior: -0.10%)

BoE Rate Decision: (Cons: 1.25%, Prior: 1.00%)

Initial Jobless Claims (Cons: 215k, Prior: 229k)

Friday, June 17:

United Kingdom Retail Sales, Month-over-Month (Cons: -, Prior: 1.4%)

Source: Goldman Sachs Asset Management: "Market Monitor", 6/10/22

1. "Cons." and "Prior" refer to current consensus expectations and the previous data release, respectively.
2. "ECB" refers to European Central Bank.
3. "WTI" stands for West Texas Intermediate crude oil, a common US benchmark for oil prices.
4. "Brent" is a global benchmark for oil prices worldwide.
5. "Safe-haven assets" refer to investments whose value is expected to maintain or increase in times of market turbulence.
6. "US CPI YoY" refers to the US Consumer Price Index, year-over-year.
7. "Pp" refers to percentage points.
8. "China CPI YoY" refers to the China Consumer Price Index, year-over-year.
9. "US initial jobless claims" refers to US Initial Jobless Claims, for the week ending June 4th.
10. "APP" refers to "Asset Purchase Program."
11. "Bps" refers to basis points.

Disclosure Statement

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