

MONDAY MORNING RECAP - June 20, 2022

Last Week

Dow Jones Industrial Average (DJIA)	29888.78	-1504.01	-4.79%
S&P 500 Index	3674.84	-226.02	-5.79%
NASDAQ Composite Index	10798.35	-541.67	-4.78%
U.S. 10 yr. Treasury Note Yield	3.25%	+10 basis points	
Gold (\$ per troy oz.)	\$1835.60	-\$35.90	-1.92%
WTI Oil (\$ per barrel)	\$109.56	-\$11.11	-9.21%

Market Summary

GLOBAL EQUITIES: Central bank tightening, persistent inflation, and higher sovereign yields drove global equities lower last week. In the US, the S&P 500 finished down -5.79% after digesting higher US Treasury yields and more data suggesting broad-based price pressures. In Europe, the FTSE 100 fell -4.07% following the BoE's 25bps rate hike, and the STOXX 600 also fell -4.59% following the Swiss National Bank's (SNB) 50bps rate hike.

COMMODITIES: Oil prices continued to experience volatility last week on the back of supply concerns. Some of the headlines driving volatility included: new US sanctions on Iran, the potential of another round of European Union sanctions against Russian oil trade, and the US's consideration of energy export limits. Still, WTI and Brent closed lower at \$109.56/bbl and \$113.12/bbl, respectively.

FIXED INCOME: US Treasury yields touched multi-year highs following high inflation prints and central bank plans for more aggressive monetary policies. The 2- and 10-Year Treasury yields ended the week higher at 3.17% and 3.25%, respectively. The 10-Year German Bund yield also ended higher at 1.66% on a surprise SNB rate hike and on ECB efforts to address the divergence in member countries' borrowing costs.

FX: The US dollar touched a two-decade high against a basket of currencies last week, ultimately ending up 0.66% as investors priced in the impact of rapidly tightening financial conditions. In Europe, the euro and pound sterling fell to \$1.0492 and \$1.2211, respectively, despite the ECB's emergency meeting and BoE rate hike.

Economic Summary

MONETARY POLICY: The Fed raised the funds rate by 75bps to 1.50- 1.75% last week, the largest increase in over 27 years. The Fed stated its strong commitment to combating high inflation, especially following concerns of de-anchoring inflation expectations. In the UK, the BoE delivered a widely anticipated 25bps rate hike while signaling its readiness to adjust its pace in response to changes to the economic outlook. Meanwhile, the SNB surprised markets by raising rates by 50bps, the first hike since 2007, in anticipation of tighter monetary policy in the Euro area. The ECB also held an ad hoc meeting and activated PEPP reinvestment flexibility on concerns of Eurozone sovereign risk.

ACTIVITY: The Philadelphia Fed manufacturing index fell into contractionary territory in June, declining -5.9pts to -3.3 against the consensus of an increase. Also in May, headline retail sales declined and core retail sales stayed flat, both below consensus expectations. In fact, the strongest retail sales category was gas stations, reflecting the rise in gas prices.

LABOR: US initial jobless claims decreased to 229k for the week ended June 11, higher than the consensus of 217k. Meanwhile, on a non-seasonally adjusted basis, claims rose by 18k, potentially hinting at an increase in the pace of job losses.

Key Economic Releases

Monday, June 20:

No economic releases

Tuesday, June 21:

US Existing Home Sales (Cons: 5.40m, Prior: 5.61m)

Wednesday, June 22:

UK CPI YoY (Cons: 9.1%, Prior: 9.0%)
UK CPI Core CPI YoY (Cons: 6.0%, Prior: 6.2%)

Thursday, June 23:

US Initial Jobless Claims (Cons: 225k, Prior: 229k)

Euro area Manuf. PMI (Cons: 53.7, Prior: 54.6)

Euro area Manuf. Serv. PMI (Cons: 55.5, Prior: 56.1)

Friday, June 24:

US New Home Sales (Cons: 595k, Prior: 591k)

Source: Goldman Sachs Asset Management: "Market Monitor", 6/17/22

1. "Cons." and "Prior" refer to current consensus expectations and the previous data release, respectively.
2. "Bps" refers to basis points, which are one hundredth of a percent.
3. "BoE" refers to the Bank of England.
4. "WTI" stands for West Texas Intermediate crude oil, a common US benchmark for oil prices.
5. "Brent" is a global benchmark for oil prices worldwide.
6. "Fed" refers to the Federal Reserve.
7. "FOMC" refers to the Federal Open Market Committee.
8. "SNB" refers to the Swiss National Bank.
9. "ECB" refers to the European Central Bank.
10. "PEPP" refers to the pandemic emergency purchase program.
11. "BoJ" refers to the Bank of Japan.
12. "Philadelphia Fed manufacturing index" refers to the Federal Reserve Bank of Philadelphia's Manufacturing Index.

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