

MONDAY MORNING RECAP - August 22, 2022

Last Week

Dow Jones Industrial Average (DJIA)	33706.74	-54.31	-0.16%
S&P 500 Index	4228.48	-51.67	-1.21%
NASDAQ Composite Index	13181.09	-341.97	-2.62%
U.S. 10 yr. Treasury Note Yield	2.98%	+14 basis points	
Gold (\$ per troy oz.)	\$1747.60	-\$51.00	-2.84%
WTI Oil (\$ per barrel)	\$90.77	-\$1.32	-1.43%

Market Summary

GLOBAL EQUITIES: US Equities edged lower despite the fact that several large retailers reported resilient earnings and core retail sales data showed consumer spending rose in July. Despite positive consumer data, minutes from the FOMC's July meeting implied softer economic growth momentum should be expected and the S&P 500 closed the week down -1.21%. In Europe, the STOXX 600 decreased -0.73% on the back of a higher than expected UK inflation print and cost of living concerns amongst consumers.

COMMODITIES: Oil prices experienced volatile swings last week following weakening demand in China and warnings of a supply squeeze from OPEC's Secretary-General. WTI and Brent crude ended the week lower at \$90.77/bbl and \$96.72/bbl respectively. Gold prices closed the week down -2.84% amid broadly rising rates and a surprise decline in US initial jobless claims, signaling a still-healthy labor market.

FIXED INCOME: US Treasury yield movements were mixed last week as the release of July FOMC minutes drove expectations for monetary policy. The minutes indicated continued focus on taming inflation, but acknowledged the risk that overtightening would have on growth. Ultimately, the 2-Year US Treasury yield rose 1 bp to close the week at 3.27%, while the 10-Year yield rose 14 bps to 2.98%. In the UK, the 10-Year Gilt yield surged 30 bps to 2.41% as July inflation came in higher than expected.

FX: The US dollar responded to FOMC minutes reiterating the need for continued rate hikes to lower inflation. It closed the week up 2.30% against a basket of currencies as US monetary policymakers' comments were perceived as hawkish. The euro fell to \$1.003 against the US dollar as Euro area 2Q GDP was marginally revised down.

Economic Summary

ACTIVITY: US core retail sales rose by 0.8% MoM, a larger increase than consensus expectations. Meanwhile in the UK, retail sales volumes rose by 0.3% MoM in July following a decline in June. While the data were stronger than consensus expectations, consumers are cutting back on spending in light of increased prices and affordability concerns. By contrast, China industrial production and retail sales data broadly missed market expectations, suggesting the growth recovery following Omicron lockdowns in April-May slightly reversed in July.

MONETARY POLICY: July FOMC minutes highlighted “noticeably weaker” economic growth amid tighter financial conditions. Participants opined that the effects of tightening to date had yet to be fully felt by the real economy, suggesting a potentially slower pace of hiking in September. Inflation comments remained consistent, with members remarking that supply chain improvements alone could not be relied on to resolve supply/demand imbalances in the economy. Meanwhile in China, following the weaker-than-expected activity data, the PBoC cut both the one-year medium-term lending facility and seven-day open market operation reverse repo interest rates by 10 bps.

UK INFLATION: In the UK, headline CPI rose by more than consensus expectations from 9.4% YoY in June to 10.1% YoY in July. The increase was fairly broad-based across both core and non-core components but driven largely by higher food prices.

Key Economic Releases

Monday, August 22:

No economic data released.

Tuesday, August 23:

Euro area Manuf. PMI (Cons: 49.0, Prior: 49.8)

US Manuf. PMI (Cons: 51.9, Prior: 52.2)

US New Home Sales (Cons: 575k, Prior: 590k)

Wednesday, August 24:

US Durable Goods Orders MoM (Cons: 0.5%, Prior: 2.0%)

Thursday, August 25:

US Initial Jobless Claims (Cons: 253k, Prior: 250k)

Germany Ifo Business (Cons: 86.7, Prior: 88.6)

Friday, August 26:

US Core PCE MoM (Cons: 0.3%, Prior: 0.6%)

Source: Goldman Sachs Asset Management: "Market Monitor", 8/19/22

1. "Cons." and "Prior" refer to current consensus expectations and the previous data release, respectively.
2. "FOMC" refers to the Federal Open Market Committee.
3. "OPEC" refers to Organization of Petroleum Exporting Countries.
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. "Bbl" refers to barrel.
7. "US Initial Jobless Claims" refers to refers to the number of people filing to receive unemployment insurance benefits for the week ending August 13, 2022.
8. "Hawkish" refers to a state of less accommodative monetary policy.
9. "MoM" refers to month-over-month.
10. "GDP" refers to Gross Domestic Product.
11. "Financial Conditions" refers to state of financial variables that influence economic behavior.
12. "Hawkish" refers to a state of less accommodative monetary policy.
13. "PBoC" refers to People's Bank of China.
14. China's "one-year medium-term lending facility rate" refers to the main rate at which the central bank lends to commercial banks.
15. China's "seven-day open market operation reverse repo interest rate" refers to the rate on a short-term loan the central bank uses to increase liquidity and influence other rates in the banking system.
16. "Bps" Refers to basis points or .01%.
17. "Headline CPI" refers to the UK Consumer Price Index, year-over-year.
18. "BoE" refers to the Bank of England.



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