

MONDAY MORNING RECAP - August 29, 2022

Last Week

Dow Jones Industrial Average (DJIA)	32283.40	-1423.34	-4.22%
S&P 500 Index	4057.66	-170.82	-4.04%
NASDAQ Composite Index	12141.71	-563.50	-4.44%
U.S. 10 yr. Treasury Note Yield	3.06%	+6 basis points	
Gold (\$ per troy oz.)	\$1736.10	-\$11.50	-0.66%
WTI Oil (\$ per barrel)	\$93.06	+\$2.62	+2.90%

Market Summary

GLOBAL EQUITIES: US equities fell lower last week as hawkish messaging from Fed's Powell at the Jackson Hole Symposium signaled higher interest rates to help curb inflation. Though core PCE rose by less than consensus expectations, the contraction in private sector business activity contributed to concerns about a slowing economy and recession risks, leading the S&P 500 to end lower by -4.04%. Similarly, in Europe, the FTSE 100 and Euro STOXX 600 ended the week lower by -1.54% and -2.55%, respectively, as slowing factory output fed into recession fears.

COMMODITIES: Oil prices rallied last week as some members of OPEC+ indicated potential production tightening. The rise was additionally supported by a report from the EIA that indicated a stockpile draw in line with consensus expectations. WTI and Brent crude ended the week higher at \$93.06/bbl and \$100.99/bbl, respectively.

FIXED INCOME: Global sovereign yields largely rose last week on the back of central bank commentary and economic data. The 10-Year US Treasury yield closed at 3.06% following Jerome Powell's Jackson Hole remarks, which leaned on the side of hawkishness. In Europe, the 10-Year German Bund yield climbed higher to 1.39% following stronger-than-expected PMI data. The 10-Year UK Gilt yield also rose to 2.60%.

FX: The US dollar was range-bound last week before ending 0.31% higher against a basket of currencies after the Fed signaled further hawkishness. Subsequently, in Europe, the euro continued to remain near parity against the US dollar, ending last week lower at \$0.996. The pound sterling also fell to \$1.174.

Economic Summary

MANUFACTURING: In the US, the Manufacturing PMI fell below consensus expectations to 51.3, indicating that business activity in the private sector contracted month-over-month (MoM). In the Euro area, the composite flash PMI decreased by -0.7pt to 49.2 in August, slightly above consensus but in line with our expectation of subdued manufacturing activity and a slowing services momentum. In the UK, the composite flash PMI declined by -1.2pt to 50.9, slightly below consensus expectations. The decline was broad-based across sectors but driven largely by a sharp weakening in manufacturing output.

ACTIVITY: US new home sales fell sharply in July to 511k, the lowest level since early 2016, as a result of rising rates and elevated house prices. Meanwhile, the July core PCE price index rose by 0.08% month-over-month, below consensus expectations, and the year-over-year rate declined to 4.56%. Germany's Ifo index dropped for the third month in a row, coming in at 88.5 in August, from 88.7 in July, the lowest level since June 2020. While the weakening of the Ifo index has slowed down and 2Q German GDP was revised up to 0.1% QoQ earlier in the week, the data adds to evidence that the German economy may be sliding into a winter recession.

LABOR: US initial jobless claims fell to 243k for the week ending August 20th, reflecting a still tight labor market. The four-week moving average, which smooths out weekly volatility, rose to 247k.

Key Economic Releases

Monday, August 29:

No economic data released.

Tuesday, August 30:

US JOLTs Job Openings (Cons: 11M, Prior: 10.7M)

Chinese Manufacturing PMI (Cons: 49.2, Prior: 49.0)

Wednesday, August 31:

Euro area CPI (Cons: 9.0%, Prior: 8.9%)

US Chicago PMI (Cons: 52.1, Prior: 52.1)

Thursday, September 1:

Euro area Manufacturing PMI (Cons: 49.7, Prior: 49.7)

Euro area Unemployment Rate (Cons: 6.6%, Prior: 6.6%)

US ISM Manuf. PMI (Cons: 52.0, Prior: 52.8)

Friday, September 2:

US Nonfarm Payrolls (Cons: 285k, Prior: 528k)

US Unemployment Rate (Cons: 3.5%, Prior: 3.5%)

Source: Goldman Sachs Asset Management: "Market Monitor", 8/26/22

1. "Cons." and "Prior" refer to current consensus expectations and the previous data release, respectively.
2. "Fed" refers to the Federal Reserve.
3. "OPEC+" refers to Organization of Petroleum Exporting Countries and its allies.
4. "Hawkish" refers to a state of less accommodative monetary policy.
5. "Core PCE" refers to refers to the US Personal Consumption Expenditures Price Index excluding food and energy.
6. "EIA" refers to the Energy Information Administration.
7. "2s10s spread" refers to the difference between the 10-year US Treasury yield and the 2-year US Treasury yield.
8. "WTI" stands for West Texas Intermediate crude oil, a common US benchmark for oil prices.
9. "Brent" is a global benchmark for oil prices worldwide.
10. "Bbl" refers to barrel.
11. "MoM" refers to month-over-month.
12. "GDP" refers to Gross Domestic Product.
13. "Bps" Refers to basis points or .01%.
14. "Pt" refers to point. "QoQ" refers to quarter-over-quarter.
15. "PMI" refers to the Purchasing Managers' Index.
16. "Germany Ifo Business" refers to the German Ifo Business Climate Survey.



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