

MONDAY MORNING RECAP - September 12, 2022

Last Week

Dow Jones Industrial Average (DJIA)	32151.71	+833.27	+2.66%
S&P 500 Index	4067.36	+143.10	+3.65%
NASDAQ Composite Index	12112.31	+481.44	+4.14%
U.S. 10 yr. Treasury Note Yield	3.33%	+13 basis points	
Gold (\$ per troy oz.)	\$1716.20	+\$6.40	+0.37%
WTI Oil (\$ per barrel)	\$86.79	-\$0.08	-0.09%

Market Summary

GLOBAL EQUITIES: US equities rose last week as Chair Powell reaffirmed the Fed's hawkish stance, with the S&P 500 ending 3.65% higher. In Europe, the FTSE 100 and STOXX 600 rose 0.97% and 1.06%, respectively, as the ECB's record rate hike and UK stimulus plans to tackle the country's cost of living crisis outweighed recession worries.

COMMODITIES: Oil prices fell to seven-month lows last week on the back of demand concerns over high inflation and interest rate hikes, renewed COVID restrictions in China, an unexpected increase in US crude inventories, and fears of a looming recession. Brent and WTI fell to \$92.84 and \$86.79 per barrel, respectively. Meanwhile, gold prices ended higher at \$1741 per troy ounce.

FIXED INCOME: Global sovereign yields mostly rose last week amidst stronger than expected economic data and central banks holding firm in hawkish stances. The US 2-Year and 10-Year Treasury yields finished the week up at 3.56% and 3.32%, respectively, as the favorable ISM print and the release of the Beige Book supported markets betting on further Fed rate hikes. Meanwhile, the 10-Year German Bund yield rose to 1.70% on the back of the ECB's largest rate hike in two decades.

FX: The US dollar fell from a 20-year high, depreciating -0.04% against a basket of currencies as investors speculated about upcoming US inflation data and future Fed hawkishness. The euro benefitted from the ECB's large rate hike, ending the week above parity against the US dollar at \$1.004 for the first time in 3 weeks. In Britain, the pound sterling fell to its lowest level since 1985 on inflation, recession, and government spending concerns before ending the week at \$1.1590.

Economic Summary

MONETARY POLICY: In Europe, the ECB raised key policy rates by a record 75 bps, bringing its benchmark deposit rate to 0.75%, its highest since 2011. The central bank indicated that it expects to raise interest rates further in an attempt to curb inflation pressures.

ECONOMIC POLICY: In the UK, newly appointed PM Liz Truss announced support to businesses and a cap on typical household energy bills for two years starting in October 2022.

ACTIVITY: The US ISM Non-Manufacturing Index rose to 56.9 in August, above consensus expectations and 0.2 pp above July's print on the back of stronger order growth and employment as well as easing price pressures and supply bottlenecks. In China, producer and consumer inflation data slowed to 2.3% and 2.5% YoY, respectively, in August, suggesting weaker domestic consumer demand. In Europe, Euro area retail sales fell -0.9% YoY in July, in line with consensus expectations for further contraction. Meanwhile, Euro area and UK composite PMIs for August were both revised down to 48.9 and 49.6, respectively.

TRADE: The US trade deficit narrowed by 12.6% in July on the back of record high exports. In China, both imports and exports lagged expectations, narrowing the trade balance as surging inflation hit overseas demand and new COVID restrictions and heatwaves disrupted output.

Key Economic Releases

Monday, September 12:

UK Ind. Prod. (Cons: 0.4%, Prior: -0.9%)
UK Manuf. Prod. (Cons: 0.4%, Prior: -1.6%)

Tuesday, September 13:

UK ILO Unemployment (Cons: 3.8%, Prior: 3.8%)
US CPI (Cons: 8.1%, Prior: 8.5%)

Wednesday, September 14:

UK CPI (Cons: 10.2%, Prior: 10.1%)
Euro area Ind. Prod. (Cons: -0.8%, Prior: 0.7%)
US Core PPI (Cons: 7.1%, Prior: 7.6%)

Thursday, September 15:

US Retail Sales (Cons: 0.2%, Prior: 0.0%)
US Ind. Prod. (Cons: 0.2%, Prior: 0.6%)
China Ind. Prod. (Cons: 4.0%, Prior: 3.8%)

Friday, September 16:

Eur. CPI (Cons: 9.1%, Prior: 9.1%)
UMich Cons. Sentiment (Cons: 60.0, Prior: 58.2)

Source: Goldman Sachs Asset Management: "Market Monitor", 9/9/22

1. "Cons." and "Prior" refer to current consensus expectations and the previous data release, respectively.
2. "Fed" refers to the Federal Reserve.
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. "Hawkish" refers to a state of less accommodative monetary policy.
6. "US ISM print" refers to the US Institute for Supply Management's Non-Manufacturing Index.
7. "Beige Book" refers to the Federal Reserve's report on the economic conditions in each US Federal district.
8. "ECB" refers to the European Central Bank.
9. "Bps" refers to basis points.
10. "GIR" refers to Goldman Sachs Global Investment Research.
11. "Terminal rate" refers to a central bank's peak benchmark interest rate.
12. "GIR peak inflation forecast" refers to Goldman Sachs Global Investment Research's expectations for peak UK headline inflation, year-over-year.
13. "US ISM Non-Manufacturing Index" refers to the US Institute for Supply Management's Non-Manufacturing Index.
14. "Chinese producer inflation data" refers to the China Producer Price Index, year-over-year.
15. "Chinese consumer inflation data" refers to the China Consumer Price Index, year-over-year.
16. "YoY" refers to year-over-year.
17. "Euro area retail sales" refers to Eurostat Retail Sales Eurozone Volume, year-over-year.
18. "Euro area composite PMI" refers to the Markit Eurozone Composite Purchasing Managers' Index.
19. "UK composite PMI" refers to the Markit UK Composite Purchasing Managers' Index.
20. "US trade deficit" refers to the US Trade Balance.



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