

MONDAY MORNING RECAP - October 31, 2022

Last Week

Dow Jones Industrial Average (DJIA)	32861.80	+1779.24	+5.72%
S&P 500 Index	3901.06	+148.31	+3.95%
NASDAQ Composite Index	11102.45	+242.74	+2.24%
U.S. 10 yr. Treasury Note Yield	4.02%	-19 basis points	
Gold (\$ per troy oz.)	\$1639.60	-\$11.40	-0.69%
WTI Oil (\$ per barrel)	\$87.90	+\$2.85	+3.35%

Market Summary

GLOBAL EQUITIES: Global equities largely rose last week as markets digested 3Q earnings. In the US, the S&P 500 rose 3.95% on the back of a higher-than-expected US GDP print, despite mixed earnings. Weakness in the tech sector weighed on 3Q US earnings, with 35% of S&P 500 companies thus far reporting missing consensus earnings estimates. In Europe, the STOXX 600 and FTSE 100 rose 3.67% and 1.12%, respectively, as strong earnings offset interest rate, inflation, and recession concerns.

COMMODITIES: Oil prices rose last week as demand was bolstered by US dollar weakness and record US crude exports, though headwinds from growth in crude inventories and renewed COVID-19 restrictions in China remain. Brent and WTI rose to \$95.77 and \$87.90 per barrel, respectively. Gold prices ended lower at \$1640 per troy ounce.

FIXED INCOME: Global sovereign yields largely fell last week following encouraging US economic data and political clarity in Europe. The 10- Year US Treasury yield dipped below 4.0% for the first time in two weeks, ending at 4.02%, and the 2-Year US Treasury yield fell to 4.41% following signs of economic deceleration and a slowdown in housing data, leading markets to be hopeful that the Fed may soon begin easing its rate hikes. In the UK, the 10-Year Gilt yield took PM Rishi Sunak's appointment in stride, ending the week at 3.48%.

FX: The US dollar depreciated -0.75% against a basket of currencies last week as manufacturing, housing, and consumer confidence prints all reflected the impacts of aggressive Fed tightening this year and, as such, have seen investors try to anticipate a future Fed pivot. The euro and pound sterling continued to make strides against the greenback, finishing at \$0.9955 and \$1.1612, respectively, on the back of the ECB's 75 bps hike and Sunak's first speech as PM.

Economic Summary

INFLATION: The Fed's preferred inflation measure, core PCE, rose 5.1% YoY in September, below consensus expectations but above the prior print of 4.9%, suggesting that sticky components such as wages have continued to keep prints elevated.

MONETARY POLICY: In Europe, the ECB delivered a widely expected second consecutive 75 bps hike, bringing its benchmark deposit rate to 1.50%, the highest level since 2008. The central bank communicated that further policy tightening will be required at upcoming meetings. Meanwhile, the BoJ kept its monetary policy stance unchanged and retained dovish guidance, in line with consensus expectations, but revised up its price outlook.

ACTIVITY: The US economy grew by more than consensus expectations to 2.6% annualized in 3Q on the back of a narrowing trade deficit and increased consumer and government spending. Residential investment subtracted from the print, with new home sales decreasing -10.9% in September. The GDP print marks the first quarter of positive US growth in 2022, temporarily easing recession fears. In Europe, growth momentum continued to soften as both Euro area and UK composite PMIs came in lower than consensus expectations in October at 47.1 and 47.2, respectively. In contrast, after a one-week delay, China 3Q GDP data showed a rise of 3.9% YoY, beating consensus expectations and indicating a recovery from a challenging spring. However, China growth remains well below official government target, with the rebound likely to be challenged by still-tight COVID-19 control, a prolonged property downturn, and weakening export growth.

Key Economic Releases

Monday, October 31:

Euro area CPI YoY (Cons: 10.2%, Prior: 9.9%)
 Euro area GDP QoQ (Cons: -, Prior: 0.8%)
 China Manuf. PMI (Cons: 49.0, Prior: 48.1)

Tuesday, November 1:

UK Manuf. PMI (Cons: 45.8, Prior: 45.8)
 ISM Manuf. (Cons: 49.9, Prior: 50.9)
 US JOLTS (Cons: 10.000M, Prior: 10.053M)

Wednesday, November 2:

FOMC Rate Decision (Cons: -, Prior: 3.25%)
 Euro area Manuf. PMI (Cons: 46.6, Prior: 46.6)

Thursday, November 3:

BoE Rate Decision (Cons: 3.00%, Prior: 2.25%)
 Euro area Unempl (Cons: 6.6% Prior: 6.6%)
 ISM Non-Manuf. (Cons: 55.4, Prior: 56.7)

Friday, November 4:

Euro area Composite PMI (Cons: 47.1, Prior: 47.1)
 Nonfarm Payrolls (Cons: 200k, Prior: 263k)
 US Unempl. (Cons: 3.6%, Prior: 3.5%)

Source: Goldman Sachs Asset Management: "Market Monitor", 10/28/22

1. "Cons." and "Prior" refer to current consensus expectations and the previous data release, respectively.
2. "3Q" refers to quarter three.
3. "US GDP" refers to US Gross Domestic Product growth for 3Q, year-over-year.
4. "Brent" is a global benchmark for oil prices worldwide.
5. "WTI" stands for West Texas Intermediate crude oil, a common US benchmark for oil prices.
6. "Fed" refers to the Federal Reserve.
7. "ECB" refers to the European Central Bank.
8. "Bps" refers to basis points.
9. "BoE" refers to the Bank of England.
10. "Core PCE" refers to the US Personal Consumption Expenditures Price Index excluding food and energy, year-over-year.
11. "YoY" refers to year-over-year.
12. "BoJ" refers to the Bank of Japan.
13. "Dovish" refers to more accommodative monetary policy.
14. "New Home Sales" refers to US New Home Sales, month-over-month.
15. "Euro Composite PMI" refers to the Markit Eurozone Composite Purchasing Managers' Index.
16. "UK Composite PMI" refers to the Markit UK Composite Purchasing Managers' Index.
17. "China 3Q GDP" refers to Chinese Gross Domestic Product growth for 3Q, year-over-year.



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