

MONDAY MORNING RECAP - June 17, 2024

Last Week

Dow Jones Industrial Average (DJIA)	38,589.16	-209.83	-0.54%
S&P 500 Index	5,431.60	+84.61	+1.58%
NASDAQ Composite Index	17,688.88	+555.76	+3.24%
U.S. 10 yr. Treasury Note Yield	4.20%	-23 Basis Points	
Gold (\$ per troy oz.)	\$2,331.40	+\$26.20	+1.14%
WTI Oil (\$ per barrel)	\$78.45	+\$2.92	+3.87%

Market Summary

GLOBAL EQUITIES: US equities rose last week on the back of core CPI printing at its slowest pace in nearly three years. Ultimately, the S&P 500 finished last week 1.58% higher as the Producer Price Index also indicated disinflationary progress, printing at a month-over-month decline. Outside the US, the STOXX 600 and FTSE 100 stumbled -2.36% and -1.16%, respectively, following political uncertainty in Europe.

COMMODITIES: Oil prices rose last week despite the International Energy Agency reporting expectations for unchanged demand in 2024 and modestly lower demand in 2025. WTI and Brent crude finished higher at \$78.45 and \$82.62/bbl, respectively, as crude oil inventories jumped to 3.7 million barrels despite consensus expectations for a decline. Meanwhile, gold prices rose last week to \$2331.40/troy oz.

FIXED INCOME: Sovereign bond yields fell in most regions globally as progress on disinflation in the US suggested that the Federal Reserve may be able to cut interest rates sooner than market participants had previously anticipated. As such, the 2-Year and 10-Year US Treasury yields fell to 4.69% and 4.20%, respectively. Rates in the Euro area followed suit with exception of France. The 10-Year German Bund yield fell to 2.36%, while the French 10-Year OAT yield rose to 3.13%, as an unexpected French snap election pushed risk premia higher.

FX: The US dollar appreciated against a basket of currencies last week despite consumer sentiment falling to a seven-month low, against consensus expectations for an increase. The US dollar index closed the week up 0.65%. Elsewhere, the euro and pound sterling weakened to \$1.07 and \$1.27, respectively, with the latter snapping a three-day winning streak as GDP in the UK flatlined for the month of April. In Japan, the yen weakened to ¥157.29.

Economic Summary

INFLATION: The US continued its disinflation progress in May as both headline and core inflation printed below consensus expectations. The US headline Consumer Price Index (CPI) rose 3.3% year-over-year, down from 3.4% the month prior. Meanwhile, core CPI rose 3.4% year-over-year, its slowest pace since August 2021. The composition of the print was broadly disinflationary, with decreasing prices for discretionary consumer goods reflecting an increase in discounting and price cuts that likely continued through June. Wholesale price growth also decelerated, with the Producer Price Index (PPI) rising by 2.2% year-over-year and declining by -0.2% month-over month, its largest decline since October.

MONETARY POLICY: The FOMC left the target range for the federal funds rate unchanged at 5.25-5.5% at its June meeting, acknowledging that the US has made “modest progress towards the Committee's 2% inflation objective” in recent months as opposed to the stubborn inflation seen earlier this year. However, the median dot plot for 2024 was revised up from the March projections to just 25bp of cuts versus 75bps previously. In Japan, the BoJ kept policy rate unchanged at a band of 0%-0.1%. The lack of details on the BoJ's reduction of bond purchases may leave the Japanese Yen vulnerable to further declines.

POLITICS: In Europe, EU parliamentary elections delivered a shift to the right and an unexpected snap election in France. French President Macron called for snap parliamentary elections following the French far-right's large victory in the European elections. The surprise announcement has caused the 10-year OAT-bund spread to widen by its largest weekly increase in more than a decade, excluding March 2020.

Key Economic Releases

Monday, June 17:

No economic releases

Tuesday, June 18:

Euro CPI YoY (Cons: 2.6%, Prior: 2.6%)
US Retail Sales MoM (Cons: 0.3%, Prior: 0.6%)

Wednesday, June 19:

US Juneteenth Holiday
UK CPI YoY (Prior: 2.3%)

Thursday, June 20:

BoE Rate Decision US Housing Starts
(Cons: 1.38M, Prior: 1.36M)
US Initial Jobless Claims

Friday, June 21:

UK Retail Sales YoY (Prior: -2.7%)
US Services PMI (Prior: 54.8)
US Existing Home Sales (Cons: 4.10M, Prior 4.14M)

Source: Goldman Sachs Asset Management: "Market Monitor", 6/14/2024

"Core CPI" refers to Consumer Price Index, excluding food and energy. "WTI" refers to West Texas Intermediate crude oil, a common US benchmark for oil prices. "Brent" refers to a global benchmark for oil prices worldwide. "Bbl" refers to barrel. "Oz" refers to ounce. "OAT" refers to Obligations Assimilables du Tresor, or the government bonds issued by the French Treasury. "GDP" refers to Gross Domestic Product. "CPI" refers to Consumer Price Index. "PPI" refers to Producer Price Index. "FOMC" refers to Federal Open Market Committee. "BoJ" refers to Bank of Japan. A snap election is an election that is called earlier than the one that has been scheduled.

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