

MONDAY MORNING RECAP - July 8, 2024

Last Week

Dow Jones Industrial Average (DJIA)	39,375.87	+257.01	+0.66%
S&P 500 Index	5,567.19	+106.71	+1.95%
NASDAQ Composite Index	18,352.76	+620.16	+3.50%
U.S. 10 yr. Treasury Note Yield	4.28%	-8 Basis Points	
Gold (\$ per troy oz.)	\$2,388.50	+\$60.80	+2.61%
WTI Oil (\$ per barrel)	\$83.16	+\$1.62	+1.99%

Market Summary

GLOBAL EQUITIES: US equities rallied last week as softer economic data revived hopes of potential Fed rate cuts sooner than previously anticipated. The S&P 500 rallied by 1.98%, shrugging off softer labor data. In Europe, the FTSE 100 and the STOXX 600 rallied by 0.50% and 1.05%, respectively, following a landslide victory for the UK Labour party and first-round results of France's early legislative elections reducing the likelihood of a Left government.

COMMODITIES: Oil prices hit their highest levels since April last week, following a larger-than-expected decline in US inventories. The US Energy Information Administration reported crude inventories fell by 12.2 million to 448.5 million in the week of June 28. Brent and WTI ended the week at \$86.54 and \$83.16/bbl, respectively. Gold also finished the week higher at \$2388.50/troy oz, supported by a weaker dollar and lower yields.

FIXED INCOME: US Treasury yields climbed earlier in the week but dropped sharply towards the end of the week, following the release of the June employment report, with the 2-year and 10-year finishing at 4.60% and 4.27%, respectively. In Europe, the yields of 10-year German Bunds and 10-year UK Gilts also declined, finishing the week at 2.56% and 4.12% respectively.

FX: The US Dollar contracted slightly last week, reflecting lower US Treasury yields and emerging signs of a slower US economy, with the DXY index declining by -0.89%. Across the pond, Sterling and the Euro strengthened slightly against the greenback as uncertainty around European elections faded somewhat, finishing at \$1.2817 and \$1.0837, respectively. In Japan, the Yen also appreciated against the Dollar, finishing the week at ¥160.73.

Economic Summary

MONETARY POLICY: The June FOMC minutes emphasized that the Fed's dual mandate had moved towards better balance, with price pressures perceived as "diminishing" and with more downside risks to the labor market. However, FOMC members stressed that more supportive data were required to give them greater confidence. What's more, some participants noted upside risks to inflation stemming from potential changes related to the outcome of the US election.

LABOR: The US June employment report showed the labor market cooled somewhat. While the economy added a solid 206,000 jobs, prior prints were revised down by a total of 111,000. Furthermore, the unemployment rate ticked up to 4.1%, the highest level since November 2021 and above the Fed's 4Q 2024 projection of 4.0%.

INFLATION: In the Euro area, flash HICP headline inflation was 2.5% YoY in June, 0.1pp lower than the month before. That said, HICP core inflation was unchanged at 2.9% YoY, surprising to the upside. The picture is one of still firm service price pressures.

ELECTIONS: The Labour party won the UK general election with a significant majority, as widely anticipated.



Key Economic Releases

Monday, July 8:

Japan Cash Earnings YoY (Prior: 2.1%)

Tuesday, July 9:

Fed Chair Powell Testimony

Wednesday, July 10:

China CPI YoY (Cons: 0.4%, Prior: 0.3%)
China PPI YoY (Cons: - 0.8%, Prior: -1.4%)
Fed Chair Powell Speech

Thursday, July 11:

UK GDP MoM (Cons: 0.2%, Prior: 0%)
US Core CPI MoM (Cons: 0.2%, Prior: 0.2%)
US Initial Jobless Claims (Prior: 238k)

Friday, July 12:

US Core PPI MoM (Cons: 0.1%, Prior: 0%)

Source: Goldman Sachs Asset Management: "Market Monitor", 7/5/2024

"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. "DXY Index" measures the value of the US Dollar versus a basket of global currencies. "FOMC" refers to the Federal Open Market Committee, "HICP" refers to the Harmonised Index of Consumer Prices, and "pp" refers to percentage point.

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