

MONDAY MORNING RECAP - August 5, 2024

Last Week

Dow Jones Industrial Average (DJIA)	39,737.26	-852.08	-2.10%
S&P 500 Index	5,346.56	-112.54	-2.06%
NASDAQ Composite Index	16,776.16	-581.72	-3.35%
U.S. 10 yr. Treasury Note Yield	3.80%	-40 Basis Points	
Gold (\$ per troy oz.)	\$2,425.70	+\$44.70	+1.88%
WTI Oil (\$ per barrel)	\$73.52	-\$3.64	-4.72%

Market Summary

GLOBAL EQUITIES: US equities were volatile last week, evidenced by the VIX (the volatility index) rising by 42.71%. Weak manufacturing and labor market data provided further incentive for the Fed to soon cut interest rates, with futures markets implying a 50bp cut in September. Ultimately, the S&P 500 closed the week – 2.06% lower. Elsewhere, the STOXX 600 fell by –2.90% despite a modest upside GDP surprise relative to consensus expectations while the FTSE 100 fell –1.26% despite the BoE cutting interest rates for the first time since 2020.

COMMODITIES: Oil prices edged lower last week despite increasing risk of direct conflict between Israel and Iran. Ultimately, WTI and Brent Crude ended the week at \$73.52 and \$76.81/bbl, respectively, as weakening activity data may point to lower global demand. The price of gold on the other hand rose to \$2427.70/troy oz as interest rates fell sharply.

FIXED INCOME: Global bond yields moved lower last week across most major developed market economies as central banks delivered, or indicated future, interest cuts. In the US, the 2-Year and 10-Year US Treasury yields closed the week lower at 3.87% and 3.80%, respectively, as the Fed held its policy rate steady in its July meeting but delivered indication of a potential September cut so long as impending inflation justified the decision. Across the pond, the 10-Year German Bund and 10-Year UK Gilt yields fell to 2.17% and 3.83%, respectively as the BoE cut its policy rate by –25bps.

FX: The US dollar weakened against a basket of currencies last week as US job growth was soft and recession concerns resurfaced. Ultimately, the US dollar index closed the week –1.03% lower. In Japan, the yen strengthened against the greenback to ¥146.47 as the BoJ hiked its policy rate and indicated a reduced pace of government bond purchases.

Economic Summary

MONETARY POLICY: The BoJ kicked off a busy week of central bank activity by raising its target rate by 15bps to 0.25% and announcing a reduced magnitude of government bond purchases moving forward. In the US, the FOMC left the target range for the federal funds rate unchanged, with the statement acknowledging the recent increase in the unemployment rate but noting that it “remains low.” Finally, the BoE lowered its Bank Rate by –25bps, citing progress in reducing risks of inflation persistence while monetary policy remains restrictive.

LABOR: US job openings declined by –46k in June from the prior month, with the manufacturing sector experiencing the largest decline in open positions. Meanwhile, the quits rate and layoff rate edged lower to 2.1% and 0.9%, respectively, each below pre-pandemic levels. According to ADP, private sector employment rose by 122k in July from the month prior, below consensus expectations, while the Nonfarm Payroll report indicated job gains of 114k from the prior month, well below consensus expectations. Finally, the unemployment rate increased to 4.3%, against consensus expectations for a flat reading relative to last month.

GROWTH: The ISM manufacturing index declined to 46.8 in July, against consensus expectations for a modest increase. Meanwhile, Euro area Q2 GDP registered at 0.3% QoQ, 0.1pp above consensus expectations.

CONFIDENCE: The Conference Board index of consumer confidence increased by 2.5pt in July, in line with consensus expectations. Consumers’ perceived likelihood of a US recession over the next 12 months remained at 66%, compared to a common survey of economists which remained at 30%.

Key Economic Releases

Monday, August 5:

Euro area Composite PMI (Cons: 50.1, Prior: 50.1)
UK Composite PMI (Cons: 52.7, Prior: 52.7)
US ISM Services PMI (Cons: 56.0, Prior: 56.0)

Tuesday, August 6:

Euro Area Retail Sales MoM (Cons: -, Prior: 0.1%)

Wednesday, August 7:

No economic releases

Thursday, August 8:

No economic releases

Friday, August 9:

No economic releases

Source: Goldman Sachs Asset Management: "Market Monitor", 8/2/2024

"VIX" refers to the Chicago Board Options Exchange's CBOE volatility index. "GDP" refers to gross domestic product. "BoE" refers to the Bank of England. "Fed" refers to Federal Reserve. "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. "BoJ" refers to Bank of Japan. "Bps" refers to basis points. "FOMC" refers to the Federal Open Market Committee. "ADP" refers to Automatic Data Processing, Inc. "ISM" refers to the Institute for Supply Chain Management. "QoQ" refers to quarter-over-quarter. "Pp" refers to percentage points. "Pt" refers to points.

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