

MONDAY MORNING RECAP - December 23, 2024

Last Week

Dow Jones Industrial Average (DJIA)	42,840.26	-987.80	-2.25%
S&P 500 Index	5,930.85	-120.24	-1.99%
NASDAQ Composite Index	19,572.60	-354.13	-1.78%
U.S. 10 yr. Treasury Note Yield	4.52%	+12 Basis Points	
Gold (\$ per troy oz.)	\$2,628.70	-\$27.30	-1.03%
WTI Oil (\$ per barrel)	\$69.46	-\$1.36	-1.92%

Market Summary

GLOBAL EQUITIES: US equities fell last week, plunging on Wednesday after the Fed pivoted to a more hawkish stance, leading to renewed fears of stagflation. The CBOE Volatility Index surged by 74% the same day – its second-biggest daily increase ever. The S&P 500 ultimately ended the week down by –1.99%. In Europe, the STOXX 600 fell –2.74% over the week, suffering from the hawkish shift in the US and concerns about US tariffs. The FTSE 100 was down by –2.54%, its worst weekly return in 21 months, as UK inflation hit an eight-month high.

COMMODITIES: Oil prices fell sharply last week on the back of concerns around weak Chinese demand in 2025. WTI and Brent crude ended the week at \$69.46 and \$72.94/bbl, respectively, as strong US retail sales and housing data pointed towards a stronger dollar. Meanwhile, gold prices fell to \$2628.70/troy oz following weak export demand in the US for November.

FIXED INCOME: US Treasury yields spiked last week after the Fed revealed that it plans to cut interest rates by less than expected next year, with market participants demanding higher yields due to potentially sticky inflation. The 2-Year and 10-Year yields ended the week at 4.32% and 4.52%, respectively. Across the pond, the 10-Year German Bund yield also rose, ending the week at 2.29%. The yield spread between US Treasuries and German Bunds is now at its widest since 2019, reflecting diverging monetary policy stances in the US and Europe.

FX: The US dollar strengthened against a basket of currencies last week, hitting a two-year high on the back of an upward revision to US growth. Ultimately, the US dollar index ended the week up 0.01%, as inflation data in the US came in below consensus expectations. Meanwhile, the euro came under pressure last week, falling to its lowest level against the US dollar since November 2022, ultimately ending the week at \$1.0444.

Economic Summary

MONETARY POLICY: The Federal Reserve cut interest rates by 25bp on Wednesday, as consensus expected, but surprised by indicating that it would only cut rates twice in 2025 versus the September dot plot, which had suggested there would be four cuts next year. In the UK, the Bank of England held rates at 4.75%. In Japan, the BoJ kept its policy rate unchanged at 0.25%.

INFLATION: Both headline and core inflation data in the US came in below consensus expectations last week. The November PCE price index rose to 2.4% year-over-year, below consensus expectations for 2.5%. Meanwhile, core PCE rose to 2.8% year-over-year, below consensus expectations for 2.9%.

ACTIVITY: The US Services PMI rose from 56.1 in November to 58.5. The Manufacturing index, by contrast, fell further into contractionary territory and below consensus expectations to 48.3, in part due to weak demand for exports. In the Euro area, the composite flash PMI rose to 49.5 in December, above consensus expectations. The increase was mainly driven by the flash services PMI, which was up from 49.5 to 51.4. In the UK, the composite flash PMI was flat at 50.5, with manufacturing down sharply to 45.7, whereas services activity rose to 51.4.

CONSUMER: US core retail sales rose by 0.4% in November, in line with consensus expectations. Existing home sales in the US shot up by 4.8% month-over-month in November to an annual rate of 4.15M, above consensus expectations for 4.09M. Retail sales were up 6.1% year-over-year, their highest growth rate since June 2021.



Key Economic Releases

Monday, December 23: UK GDP QoQ (Cons: 0.1%, Prior: 0.5%)
Tuesday, December 24: US New Home Sales (Cons: 650k, Prior: 610k)
Wednesday, December 25: US Markets closed in observance of Christmas Day

Thursday, December 26: No economic releases
Friday, December 27: No economic releases

Source: Goldman Sachs Asset Management: "Market Monitor", 12/20/2024

"Fed" refers to the Federal Reserve. "Hawkish" refers to a monetary policy stance favoring higher interest rates to control inflation. "Stagflation" refers to high inflation combined with high unemployment and stagnant growth. "CBOE" refers to Chicago Board Options Exchange. "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. "GDP" refers to Gross Domestic Product. "BoE" refers to Bank of England. "BoJ" refers to Bank of Japan. "bp" refers to basis point. "PCE" refers to Personal Consumption Expenditures. "PMI" refers to Purchasing Managers' Index.

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