

MONDAY MORNING RECAP - August 24, 2020

Last Week

Dow Jones Industrial Average (DJIA)	27930.33	-0.69	-0.00%
S&P 500 Index	3397.16	+24.31	+0.72%
NASDAQ Composite Index	11311.80	+292.50	+2.65%
U.S. 10 yr. Treasury Note Yield	0.64%	-7 Basis Points	
Gold (\$ per troy oz.)	\$1934.60	-\$2.40	-0.12%
WTI Oil (\$ per barrel)	\$42.01	+\$0.03	+0.07%

Market Summary

GLOBAL EQUITIES: The S&P 500 hit a record high last Tuesday, recovering 52% since its March 23rd low and officially ending the recent bear market. The US index ended up 0.72% for the week, losing some ground after minutes from the Federal Reserve (Fed) expressed uncertainty around the economic recovery. European equities also slipped late last week, as economic data disappointed and Brexit talks between the UK and EU stalled. The Eurostoxx 600 and FTSE 100 ended the week down 0.78% and 1.32%, respectively.

COMMODITIES: Oil prices were range-bound last week as concerns around the global economic recovery continued to weigh heavily on demand. Despite support from promised OPEC+ cuts and a weak US dollar, oil prices remained capped on the upside by weak economic data and mixed progress in reopening the economy. WTI and Brent crude oil finished the week at \$42.01 and \$44.35, respectively.

FIXED INCOME: The Fed's recent bearish outlook on US economic growth renewed investor worries and amplified concerns over stalled US fiscal stimulus negotiations in Congress. Given this backdrop, global yields trended lower last week, with US 10-Year Treasuries falling 7 basis points (bps) to 0.64%. COVID-19 case growth again threatened the European recovery, as evident in August's soft Eurozone PMI print. German Bund yields ended at -0.51%, 9 bps lower than the prior week.

FX: The US dollar index retested its 27-month low earlier this past week before recovering fully to end at 93.25, a level largely unchanged from the week prior. The uptick in weekly initial jobless claims to above 1 million filings was a drag on the greenback, but was offset by tailwinds from the Fed's tone of sustained accommodative policy measures for the foreseeable future.

Economic Summary

PRODUCTION: August's Philly Fed Manufacturing Index came in at 17.2, falling more than expected from last month's 24.1, but still in growth territory. The euro area's composite PMI ended a solid rebound over the last few months, declining by 3.3 points to 51.6 in August, below market expectations of a slight increase, primarily driven by weakness in the service sector.

INFLATION: In Japan, Core CPI (ex. fresh food) and Core-Core CPI (ex. fresh food and energy) came in at 0.0% and +0.4% Year-over-Year respectively, undershooting market expectations.

POLICY: In July's meeting minutes, Fed policymakers reiterated their commitment to keeping interest rates at zero, but offered little explicit guidance on other potential support measures. Meanwhile July's ECB minutes suggest members were somewhat more optimistic that their baseline scenario might be realized. However, some policymakers appeared less keen on the €1.35tn Pandemic Emergency Purchase Programme (PEPP), which a few members viewed as "a ceiling rather than a target," though the majority supported a more flexible interpretation in the face of unprecedented uncertainty.



Key Economic Releases

Monday, August 24: No economic data released.
Tuesday, August 25: US Consumer Confidence (Cons: 93.0, Prior: 92.6) German Ifo Business (Cons: 92.2, Prior: 90.5)
Wednesday, August 26: No economic data released.

Thursday, August 27: US Jobless Claims (Cons: 1000k, Prior: 1106k)
Friday, August 28: US Pers. Income (Cons: - 0.4%, Prior: - 1.1%) US Pers. Spending (Cons: 1.5%, Prior: 5.6%)

Source: Goldman Sachs Asset Management, "Market Monitor", 8/21/20

1. "Cons." and "Prior" refer to current consensus expectations and the previous data release, respectively.
2. "OPEC" refers to the Organization of the Petroleum Exporting Countries.
3. "WTI" stands for West Texas Intermediate crude oil, a common US benchmark for oil prices. "Brent" is a global benchmark for oil prices worldwide.
4. "Bearish" refers to a negative market sentiment that describes the attitude of investors.
5. "ECB" refers to the European Central Bank.

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