

MONDAY MORNING RECAP - August 31, 2020

Last Week

| | | | |
|-------------------------------------|-----------|------------------|--------|
| Dow Jones Industrial Average (DJIA) | 28653.87 | +723.54 | +2.59% |
| S&P 500 Index | 3508.01 | +110.85 | +3.26% |
| NASDAQ Composite Index | 11695.63 | +383.83 | +3.39% |
| U.S. 10 yr. Treasury Note Yield | 0.74% | +10 Basis Points | |
| Gold (\$ per troy oz.) | \$1964.60 | +\$28.60 | +1.48% |
| WTI Oil (\$ per barrel) | \$42.97 | +\$0.63 | +1.49% |

Market Summary

GLOBAL EQUITIES: The S&P 500 gained for the fourth consecutive week, boosted early in the week by a fall in US coronavirus cases and the FDA announcement of emergency-use authorization for convalescent plasma in COVID-19 treatment. The index closed the week up 3.26%, further supported by the Federal Reserve (the Fed's) signals of increased flexibility around its inflation target. European equities lagged the US slightly, with the Eurostoxx 600 ending up 1.04%.

COMMODITIES: Oil prices rose slightly last week after US producers in the Gulf of Mexico shut down in preparation for Hurricane Laura, although the hurricane ended up passing through without causing major damage to refineries. Pandemic-related headwinds to global demand kept prices contained, as WTI and Brent crude oil prices ended the week up 1.49% and 1.58%, respectively.

FIXED INCOME: Sovereign yields jumped last week amid risk-on sentiment, generally supportive economic data, and monetary policy developments. In the US, rates responded to the Fed's announcement differently across the curve, which ultimately steepened as some market participants may have been disappointed by the noncommittal (versus formulaic) version of flexible average inflation targeting. The 2-Year Treasury yield ended the week at 0.14%, the 10-Year yield was up 10 basis points (bps) to 0.74%, and the 30-Year yield was up 17 bps to 1.52%. German Bund and UK Gilt 10-Year yields both rose 10 bps as well.

FX: The US dollar weakened against most major currencies last week with the US dollar index down -1.09%. The Japanese yen rose 0.37% against the US dollar after news of Prime Minister Abe's resignation made investors cautious on the potential shift away from "Abenomics" expansionary policy.

Economic Summary

CONSUMER: US consumer income and spending were stronger than expected in July, rising 0.4% and 1.9% from June, respectively. July marked the first increase in personal income since the influx of stimulus payments in April. However, August's 6.9pt decline in consumer confidence to 84.8, the lowest since 2009, suggests the US recovery may be decelerating.

SENTIMENT: The German Ifo business survey continued to improve in August, rising to 92.6. The stronger-than-expected print was reassuring after PMIs suggested that the European recovery may be stalling amid the sharp rise in new COVID-19 cases.

POLICY: The Fed announced the results of its monetary policy framework review last week. Under the new approach, the Federal Open Market Commission will use a flexible form of average inflation targeting around 2% and will respond only to shortfalls in employment across a broad range of indicators. Overall the developments represent a dovish long-term shift for the Fed, but one roughly in line with market expectations.

INFLATION: US Core PCE inflation in July rose 1.25% on a year-over-year basis, firming from under 1% levels in the months prior, in-line with market expectations.



Key Economic Releases

Monday, August 31:

Japan IP (Cons: 5.0%, Prior: 1.9%)
China Caixin Manuf. (Cons: 52.5, Prior: 52.8)

Tuesday, September 1:

US ISM Manuf. (Cons: 54.5, Prior: 54.2)

Wednesday, September 2:

China Caixin Serv. (Cons: 54.0, Prior: 54.1)

Thursday, September 3:

US Jobless Claims (Cons: 978k, Prior: 1006k)
US ISM Serv. (Cons: 57.0, Prior: 58.1)

Friday, September 3:

Nonfarm Payrolls (Cons: 1350k, Prior: 1763k)
US Unemp. (Cons: 9.8%, Prior: 10.2%)

Source: Goldman Sachs Asset Management, "Market Monitor", 8/28/20

1. "Cons." and "Prior" refer to current consensus expectations and the previous data release, respectively.
2. "WTI" stands for West Texas Intermediate crude oil, a common US benchmark for oil prices. "Brent" is a global benchmark for oil prices worldwide.
3. "FDA" refers to the Food and Drug Administration.
4. "Dovish" refers to an accommodative policy position.

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