

MONDAY MORNING RECAP - December 14, 2020

Last Week

Dow Jones Industrial Average (DJIA)	30046.37	-171.89	-0.57%
S&P 500 Index	3663.46	-35.66	-0.96%
NASDAQ Composite Index	12377.87	-86.36	-0.69%
U.S. 10 yr. Treasury Note Yield	0.90%	-7 Basis Points	
Gold (\$ per troy oz.)	\$1839.80	+\$3.90	+0.21%
WTI Oil (\$ per barrel)	\$46.57	+\$0.31	+0.67%

Market Summary

GLOBAL EQUITIES: Markets fell this past week as increased odds of a no-deal Brexit and unresolved sticking points from the US fiscal stimulus talks dominated headline news. The US and European equity markets initially rose following the FDA vaccine advisory board's positive recommendation for Pfizer, but finished off erasing earlier gains. Weaker clinical trial results from other vaccine candidates and rising US jobless claims dampened the market outlook. The S&P 500 and Stoxx 600 dropped -0.96% and -0.97%, respectively, while the FTSE 100 ended relatively flat.

COMMODITIES: Brent and WTI crude oil soared to their highest prices since March, closing at \$49.97 per barrel (bbl) and \$46.57/bbl. Prices rose on the back of anticipated economic resurgence fueled by vaccine and stimulus confidence, despite a growing domestic stockpile. Gold prices also gained 0.20%.

FIXED INCOME: Government bond yields slipped last week as investors turned more cautious in the face of rising COVID-19 cases, deteriorating economic data, and stalled politics. In the US, where Congress delayed the government funding package and made little progress on a stimulus bill, the 10-Year Treasury yield fell 7 bps. Meanwhile in Europe, the deadline for Brexit negotiations was extended but the European Commission published contingency measures if the UK and EU do not reach a deal before the transition period ends on January 1. The 10-Year UK Gilt and German Bund yields fell 18 bps and 9 bps, respectively.

FX: The US dollar recovered last week, gaining 0.34% against a basket of peers as investors eyed worsening COVID-19 situations globally. Unsuccessful Brexit talks also weighed on both the pound and euro. The EUR/USD fell to \$1.21, but has still gained 7.86% on the year.

Economic Summary

INFLATION: November's US core CPI rose +1.65% yoy, boosted by a strong monthly print of 0.22%. Pricing strength from transportation and lodging lifted the overall measure, while shelter and health care reversed gains. In China, CPI dropped to -0.50% yoy, missing consensus and reflecting the first negative print since 2009. However, the slowdown may be short-lived given the concentrated drag from pork prices.

SENTIMENT: University of Michigan consumer sentiment posted above consensus at 81.4, with improved economic conditions and limited inflationary pressures as main drivers for the solid print.

POLICY: The ECB announced a multi-pronged package of easing measures, including an increase in pandemic emergency purchase programme (PEPP) by EUR 500bn to EUR 1.85trn, and an extension of net asset purchases through March 2022.

LABOR: US initial jobless claims increased to 853k, exceeding consensus estimate of 725k. The surge in claims was broad-based and revealed labor market pressures as more authorities renewed restrictions on businesses.

Key Economic Releases

Monday, December 14:

US Industrial Prod. (Cons: 2.0%, Prior: -0.4%)

Tuesday, December 15:

US Industrial Prod. (Cons: 0.3%, Prior: 1.1%)

Wednesday, December 16:

Euro area Manuf. PMI (Cons: 53.0, Prior: 53.8)

Euro area Services PMI (Cons: 41.9, Prior: 41.7)

Thursday, December 17:

FOMC Rate Decision US Housing Starts (Cons: 1533, Prior: 1530)

US Jobless Claims (Cons: 823k, Prior: 853k)

Philly Fed Survey (Cons: 20.0, Prior: 26.3)

Friday, December 18:

Germany Ifo Business (Cons: 90.0, Prior: 90.7)

Source: Goldman Sachs Asset Management, "Market Monitor", 12/11/20

1. "Cons." and "Prior" refer to current consensus expectations and the previous data release, respectively.
2. "FDA" stands for Food and Drug Administration.
3. "WTI" stands for West Texas Intermediate crude oil, a common US benchmark for oil prices.
4. "Brent" is a global benchmark for oil prices worldwide.
5. "ECB" refers to the European Central Bank.
6. "US Core CPI YoY" refers to the US Consumer Price Index excluding food and energy, year-over-year.
7. "China CPI YoY" refers to the Chinese Consumer Price Index, year-over-year.
8. "US Jobless Claims" refers to the number of people filing to receive unemployment insurance benefits for the week ending December 4.
9. "UMich Cons. Sentiment" refers to the University of Michigan Consumer Sentiment Index. "YoY" stands for year-over-year.

Disclosure Statement

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