

MONDAY MORNING RECAP - December 21, 2020

Last Week

Dow Jones Industrial Average (DJIA)	30179.05	+132.68	+0.44%
S&P 500 Index	3709.41	+45.95	+1.25%
NASDAQ Composite Index	12755.64	+377.77	+3.05%
U.S. 10 yr. Treasury Note Yield	0.95%	+5 Basis Points	
Gold (\$ per troy oz.)	\$1885.70	+\$45.90	+2.49%
WTI Oil (\$ per barrel)	\$49.10	+\$2.53	+5.43%

Market Summary

GLOBAL EQUITIES: Markets rose to record highs this past week as US stimulus and Brexit trade discussions entered their final stretch. The S&P 500 rose 1.25% despite rising jobless claims, with investors instead focused on FDA vaccine approval, the Fed's continued commitment to its asset purchase program, and hopes that stimulus talks will soon come to fruition. The Euro Stoxx 600 declined 0.35% despite the EU stating that "there is a path to an agreement" on the Brexit trade deal. The FTSE 100 meanwhile traded flat this past week.

COMMODITIES: Brent and WTI crude prices rose again this past week, closing at \$52.26 per barrel (bbl) and \$49.10 per bbl, respectively. The rise was attributed to a greater-than-expected drop in US crude stockpiles and progress on stimulus talks. Gold prices also rose to \$1885.70 given a weaker US dollar and the Fed's reaffirmation of its dovish stance.

FIXED INCOME: US Treasury yields remained range-bound as markets digested accommodative Fed policy outlook and disappointing economic data. At the latest FOMC meeting, rates remained unchanged and are projected to remain at near-zero levels through 2023. The Fed reinforced its plans to provide open-ended stimulus (\$120bn+ bond purchases per month) to support the economic recovery. In Europe, extended Brexit trade talks lifted Eurozone government bond yields.

FX: The US dollar continued to weaken given US fiscal and monetary stimulus outlook, falling 1.02% against major peers this past week. Meanwhile, the euro and Sterling pound rallied against the dollar, buoyed by Brexit deal optimism. The pound rose 2.10% against the US dollar after hitting a two-year high of \$1.35 mid-week.

Economic Summary

MANUFACTURING: US industrial production rose 0.4% in November, coming in slightly above consensus. Manufacturing and business equipment drove the increase, although offset by a pullback in utilities. The Euro area flash composite PMI rose to 49.8 in December, significantly above consensus. The improvement was driven by COVID sensitive service sectors, particularly in France and Germany.

HOUSING: The US housing market showed continued strength in November, with housing starts (+1.2% MoM) and building permits (+6.2% MoM) beating consensus, driven by increases in multi-family starts and permits.

JOBS: US initial jobless claims for the week ending Dec 12 spiked to 885k, exceeding consensus estimates of 818k and its highest since the week of Sep 5. The increase came amidst tightened COVID restrictions and continued congressional negotiations over the latest stimulus package.

SENTIMENT: The German Ifo Business Climate Index came in above consensus, rising to 92.1 in December. Both the expectations and the current conditions components rose, reflecting an improvement in German business morale despite the recent tightening of COVID-19 restrictions in the region.

Key Economic Releases

Monday, December 21:

No economic data released.

Tuesday, December 22:

Consumer Confidence (Cons: 97.0, Prior: 96.1)

Wednesday, December 23:

US Jobless Claims (Cons: 875k, Prior: 885k)

US PCE YoY (Cons: 1.2%, Prior: 1.2%)

US Core PCE YoY (Cons: 1.4%, Prior: 1.4%)

US Pers. Spend. MoM (Cons: -0.2%, Prior: 0.5%)

Thursday, December 24:

No economic data released.

Friday, December 25:

US Markets closed in observance of Christmas Day

Source: Goldman Sachs Asset Management, "Market Monitor", 12/18/20

1. "Cons." and "Prior" refer to current consensus expectations and the previous data release, respectively.
2. "FDA" stands for Food and Drug Administration.
3. "Fed" refers to the US Federal Reserve.
4. "EU" stands for European Union.
5. "Dovish" refers to an indication that a central bank may be looking to stimulate the local economy.
6. "WTI" stands for West Texas Intermediate crude oil, a common US benchmark for oil prices.
7. "Brent" is a global benchmark for oil prices worldwide.
8. "FOMC" stands for Federal Open Market Committee.
9. "Fed" refers to the US Federal Reserve.
10. "MoM" stands for month-over-month.
11. "Ifo" refers to the Information and Forschung Institute for Economic Research in Munich, Germany.

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