

MONDAY MORNING RECAP - November 1, 2021

Last Week

Dow Jones Industrial Average (DJIA)	35819.56	+142.54	+0.40%
S&P 500 Index	4605.38	+60.48	+1.33%
NASDAQ Composite Index	15498.39	+408.19	+2.70%
U.S. 10 yr. Treasury Note Yield	1.55%	-11 basis points	
Gold (\$ per troy oz.)	\$1783.00	-\$12.70	-0.71%
WTI Oil (\$ per barrel)	\$83.57	-\$0.19	-0.23%

Market Summary

GLOBAL EQUITIES: US equities rallied to new highs last week on the back of strong earnings and falling interest rates. The S&P 500 rose 1.33% as it appears on track to beat consensus expectation of nearly 40% year-over-year (YoY) Q3 Earnings Per Share (EPS) growth. In Europe, stronger-than-expected Gross Domestic Product (GDP) growth and solid earnings helped push the STOXX 600 up 0.80% higher over the week. In the UK, the October Budget pledged additional spending that would result in significant fiscal easing. The FTSE 100 rose 0.47%, with domestic firms leading.

COMMODITIES: Oil prices moderated as potential for additional supply emerged. US inventories showed crude stocks rose more than expected last week, while Iran said talks on rejoining the 2015 nuclear deal may resume in November. With the next OPEC+ meeting on November 4 addressing supply, prices for Brent and WTI ended the week at \$84.38 per barrel and \$83.57 per barrel, respectively.

FIXED INCOME: Last week, sovereign yield curves flattened as markets priced in accelerating central bank tightening, signaling market concerns that less accommodative policies may hamper global growth. The 2-Year US Treasury yield rose while the 10-Year fell, ending at 0.49% and 1.55%, respectively. Yields for both the UK Gilts and German Bunds followed the same pattern, with respective 10-Year yields finishing the week at 1.03% and -0.11%.

FX: The US dollar rose 0.54% last week against a basket of currencies on strong inflation prints and potential for higher US policy rates. The euro slipped to \$1.1559 after the ECB meeting held policy steady. The yen ended last week relatively flat at \$113.92 after the BOJ kept its dovish stance, remaining near yearly lows. The pound sterling finished lower at \$1.3689.

Economic Summary

GROWTH: US Q3 GDP growth slowed to 2.0% from 6.7% in Q2, reflecting drag from supply constraints in manufacturing and Delta variant on service sectors. Euro area economic growth was 2.2% in Q3, slightly higher than the revised Q2 reading of 2.1%. France and Italy experienced a strong rebound, with growth that outstripped expectations at 3% and 2.6% respectively. Gloomier news came in Germany and Spain, where prints were slower than expected at 1.8% and 2%.

SENTIMENT: Germany's Ifo Business Climate index fell to 97.7 in October, suggesting that prolonged supply problems still weigh on business.

INFLATION: The US September core PCE price index increased 0.21% month-over-month (MoM), and the YoY rate rose to 3.64%, reflecting price increases in both goods and services. Euro area headline inflation rose from 3.4% in September to a higher-than-expected 4.1% in October, driven by both energy and core inflation. The core rate only rose from 1.9% to 2.1%.

POLICY: The European Central Bank (ECB), which kept monetary policy unchanged last Thursday, acknowledged that inflation might be stickier than expected in the European Monetary Union while reiterating their view that the price pressure remains temporary.

Key Economic Releases

Monday, November 1:
US ISM Manuf. (Cons: 60.5, Prior: 61.1)

Tuesday, November 2:
No economic data released.

Wednesday, November 3:
US ISM Services (Cons: 62.0, Prior: 61.9)
Euro area unemp. (Cons: 7.4%, Prior: 7.5%)

Thursday, November 4:
US Initial Jobless Claims (Cons: 275k, Prior: 280k)
BoE Bank Rate (Cons: 0.25% Prior: 0.10%)

Friday, November 5:
Nonfarm Payrolls (Cons: 450k, Prior: 194k)
US Unemp. Rate (Cons: 4.7% Prior: 4.8%)

Source: Goldman Sachs Asset Management: "Market Monitor", 10/29/21

1. "Cons." and "Prior" refer to current consensus expectations and the previous data release, respectively.
2. "YoY" refers to Year over Year.
3. "BOJ" refers to the Bank of Japan.
4. "Dovish" refers to an accommodative monetary policy stance.
5. "OPEC+" refers to the Organization of the Petroleum Exporting Countries+.
6. "Crude inventories" refer to the Energy Information Administration's Crude Oil Inventories.
7. "WTI" stands for West Texas Intermediate crude oil, a common US benchmark for oil prices.
8. "Brent" is a global benchmark for oil prices worldwide.
9. "MoM" refers to month over month.
10. "Core PCE" refers to the personal consumption expenditures index, excluding food and energy.
11. "ECB" refers to European Central Bank. the Federal Reserve's Federal Open Market Committee.
12. "Ifo Business Climate Index" refers to the German IFO Business Climate Survey.

Disclosure Statement

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