

MONDAY MORNING RECAP - November 8, 2021

Last Week

Dow Jones Industrial Average (DJIA)	36327.95	+508.39	+1.42%
S&P 500 Index	4697.53	+92.15	+2.00%
NASDAQ Composite Index	15971.59	+473.20	+3.05%
U.S. 10 yr. Treasury Note Yield	1.45%	-10 basis points	
Gold (\$ per troy oz.)	\$1816.40	+\$33.40	+1.87%
WTI Oil (\$ per barrel)	\$81.27	-\$2.30	-2.75%

Market Summary

GLOBAL EQUITIES: Global equities rallied last week, despite inflation fears and supply chain concerns. In the US, the S&P 500 marked its 64th new high of the year, ending the week up 2.00% on strong earnings, positive labor market readings, and the Federal Reserve's wholly expected taper announcement. Meanwhile, in Europe, the FTSE 100 rose 0.97% following the Bank of England's unexpected decision to keep rates unchanged. The TOPIX also rose 2.01% last week.

COMMODITIES: Oil prices fell sharply last week, despite OPEC's decision to maintain its current production plans and to ignore political pressure from other nations to pump more crude. With a large buildup in US crude oil inventories and the potential lifting of Iranian sanctions as nuclear talks set to resume, Brent and WTI ended last week at \$82.74 and \$81.27 per barrel, respectively. Gold prices were flat at \$1819 per troy ounce.

FIXED INCOME: US Treasury yields fell as markets digested the Federal Reserve's announcement that it will begin tapering later this month. Last Friday's strong labor report only contributed to the yield decline, with the 2-Year and 10-Year Treasury yields ending lower at 0.40% and 1.45%, respectively. The 10-Year German Bund and 10-Year Gilt yields also fell to -0.28% and 0.84%, respectively, following the Bank of England's unexpectedly dovish decision to keep rates on hold.

FX: The US dollar rose as the Fed reiterated its transitory view of inflation and central banks scaled back rate hike expectations. The strong labor print that lowered Treasury yields supported then slightly dragged the greenback in its 0.09% rise against a basket of currencies. Meanwhile, the pound sterling fell to \$1.3481 following the BoE's vote to keep rates steady. The euro ended the week lower at \$1.1550.

Economic Summary

POLICY: The FOMC made an unanimous yet unsurprising decision to start its taper during the November meeting last week at a pace of \$15B per month, putting it on track to finish tapering in mid-June 2022. Expectations for lift-off thus moved forward to the summer of 2022, despite the Fed's dovish tone surrounding the announcement. Meanwhile, the BoE's MPC maintained the Bank Rate at 0.1% and decided to continue with its existing asset purchases program, surprising investors. Regardless, the MPC implied a rate hike would be necessary over coming months to return inflation to their 2% target.

LABOR: US unemployment fell from 4.8% to 4.6% after adding 531k jobs in October, representing the first full month of hiring after enhanced unemployment benefits expired. In the Euro area, unemployment fell from 7.5% to 7.4% after a MoM decrease of 255k in the number of jobless people.

PRODUCTION: The US ISM Manufacturing index declined slightly to 60.8 in October, while the US ISM Services index rose to an all-time high of 66.7. In the Euro area, the final composite PMI for October was revised down by 0.1pt from the flash reading of 54.3 after growth in Southern economies moderated.

Key Economic Releases

Monday, November 8:

No economic data released.

Tuesday, November 9:

China CPI YoY (Cons: 1.4%, Prior: 0.7%)
US Core PPI MoM (Cons: 0.5%, Prior: 0.2%)

Wednesday, November 10:

US CPI YoY (Cons: 5.8%, Prior: 5.4%)

Thursday, November 11:

UK GDP QoQ (Cons: 1.5%, Prior: 5.5%)

Friday, November 12:

US JOLTS (Cons: 10.925M, Prior: 10.439M)
U Mich Sentiment (Cons: 72.5, Prior: 71.7)

Source: Goldman Sachs Asset Management: "Market Monitor", 11/5/21

1. "Cons." and "Prior" refer to current consensus expectations and the previous data release, respectively.
2. "Taper" refers to a central bank's gradual reduction in asset purchases.
3. "OPEC" refers to the Organization of the Petroleum Exporting Countries.
4. "Crude inventories" refer to the Energy Information Administration's Crude Oil Inventories.
5. "WTI" stands for West Texas Intermediate crude oil, a common US benchmark for oil prices.
6. "Brent" is a global benchmark for oil prices worldwide. "Fed" refers to the Federal Reserve.
7. "BoE" refers to the Bank of England.
8. "FOMC" refers to the Federal Reserve's Open Market Committee.
9. "Lift-off" refers to a central bank's first policy rate hike after a period of no rate hikes.
10. "Dovish" refers to a central bank's accommodative stance.
11. "MPC" refers to the Bank of England's Monetary Policy Committee.
12. "MoM" refers to month over month.
13. "ISM Manufacturing" refers to the US ISM Manufacturing Index.
14. "ISM Services" refers to the US ISM Services Index.

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