Benefit Financial Services Group

MONDAY MORNING RECAP - December 13, 2021

Last Week

Dow Jones Industrial Average (DJIA)	35970.99	+1390.91	+4.02%
S&P 500 Index	4712.02	+173.59	+3.82%
NASDAQ Composite Index	15630.60	+545.13	+3.61%
U.S. 10 yr. Treasury Note Yield	1.48%	+13 basis points	
Gold ($ per troy oz.)	$1782.90	+$0.90	+0.05%
WTI Oil ($ per barrel)	$71.67	+$5.41	+8.16%

Market Summary

GLOBAL EQUITIES: Equities moved higher as market concerns about the Omicron variant eased after reports of potentially promising vaccine data. The week continued a stretch of large daily moves in both directions, demonstrating the multitude of factors driving markets, from monetary and fiscal policy transition to pandemic uncertainty. Ultimately, the S&P 500 rose 3.82%. Similar tailwinds propelled non-US equities, with the STOXX 600 and FTSE 100 increasing by 2.76% and 2.38%, respectively.

COMMODITIES: Oil prices rebounded last week after steep declines the week before. The market continued pricing reopening, strong demand recovery, and supply deficits, despite OPEC+'s announced 400,000 barrel per day increase of monthly output. Crude stockpiles rose by 2.3 million barrels at the biggest US storage hub, the most since February. Even still, WTI and Brent rose 8.16% and 7.54%, respectively.

FIXED INCOME: US Treasury yields jumped last week as virus concerns abated and economic data came in strong, suggesting that the Federal Reserve may consider a more accelerated withdrawal of policy support. The 2-Year Treasury yield rose 8bps to 0.67%, while the 10-Year yield increased to 1.48%. In Europe, potential activity restrictions moderated the sovereign bond sell-off. The 10-Year German bund yield ended the week up at -0.35%. Meanwhile disappointing economic data in the UK kept 10-Year Gilt yields flat at 0.74%.

FX: The US dollar faltered last week despite economic differentials seeming to widen between the US and its global peers. The US dollar index decreased -0.11% with the euro holding at $1.1311 and the pound down to $1.3257. The Chinese yuan ended the week down -0.07% after the People's Bank of China (PBOC) raised FX reserve requirements for the second time since June.

Economic Summary

INFLATION: US CPI accelerated to 6.8% YoY in November, up from 6.2% in October. Excluding the volatile food and energy components, core CPI rose to 4.9%. Beyond strong energy prices (+33.3% YoY), the increase was led by transportation (+21.1%) and housing (+4.8%). Meanwhile, China's CPI rose by 2.3% YoY in November, up from 1.5% in October. The pass-through from producer prices to consumer prices remains limited, and we believe this higher print is unlikely to deter the PBoC from loosening policy further if needed.

POLICY: The PBoC unexpectedly announced a 25bps cut to the SME/agriculture sector relending rate and a 50bps cut in the RRR last week, as the government's focus shifted to stabilizing growth.

LABOR: The US labor market continued to show signs of improvement, with initial jobless claims falling to a multi-decade low of 184k for the week ending December 4. However, the decline appears impacted by seasonal factors and claims rose to 281k on a non-adjusted basis. Job openings also beat expectations, increasing by 431k in October, and the quits rate fell to a still-elevated 2.8%.

Key Economic Releases

Monday, December 13: No economic data released.	**Thursday, December 16:** US In. Jobless Claims (Cons: 195k, Prior: 184k) US Manuf. PMI (Cons: 58.5, Prior: 58.3) US Serv. PMI (Cons: 58.7, Prior: 58.0) EA Manuf. PMI (Cons: 57.9, Prior: 58.4)
Tuesday, December 14: No economic data released.	**Friday, December 17:** UK Retail Sales (Cons: 0.8%, Prior: 0.8%)
Wednesday, December 15: US Retail Sales (Cons: 0.8%, Prior: 1.7%) UK CPI (Cons: 4.8%, Prior: 4.2%)	

Source: Goldman Sachs Asset Management: “Market Monitor”, 12/10/21

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.
3. “CPI” refers to the consumer price index.
4. “SME” refers to small and medium enterprises.
5. “RRR” refers to the reserve requirement ratio, a monetary policy lever.