

MONDAY MORNING RECAP - December 20, 2021

Last Week

Dow Jones Industrial Average (DJIA)	35365.44	-605.55	-1.68%
S&P 500 Index	4620.64	-91.38	-1.94%
NASDAQ Composite Index	15169.68	-460.92	-2.95%
U.S. 10 yr. Treasury Note Yield	1.41%	-7 basis points	
Gold (\$ per troy oz.)	\$1803.80	+\$20.90	+1.17%
WTI Oil (\$ per barrel)	\$70.86	-\$0.81	-1.13%

Market Summary

GLOBAL EQUITIES: Global equities performance was mixed last week. In the US, the S&P 500 saw volatile trading going into last week's FOMC meeting, ultimately ending -1.94% lower amidst tech weakness. In Europe, the STOXX 600 fell -0.34% as the European Central Bank's (ECB) continued dovish policy, although the FTSE 100 in particular fell -0.29%. Meanwhile, the TOPIX rose 0.46% last week.

COMMODITIES: Oil prices fell last week, with supply-demand mechanics overcoming a weaker US dollar. The Omicron variant cases and concerns have weighed on oil demand, even as OPEC remains optimistic about eventual recovery. Meanwhile, US crude inventories drew down 4.58 million barrels. In total, Brent and WTI ended last week at \$73.52 and \$70.86 per barrel, respectively. Gold prices were up slightly at \$1,804 per troy ounce.

FIXED INCOME: Monetary policy was at the forefront of economic news last week with major central banks taking increasingly divergent paths. Bifurcation was not just limited to banks, but also to maturities. 2-Year Treasuries and 2-Year Gilts stayed relatively flat, finishing at 0.66% and 0.51%, respectively, reflecting monetary policy tightening. Longer-dated maturities dipped, with 10-Year Treasuries ending at 1.41%, down -7 bps. The move to safety reflects fears about slowing long-term growth driven by an extended pandemic and a higher inflation-baseline.

FX: The US dollar lost some of its recent momentum, with a moderated past week. The foreign exchange market largely anticipated the Fed's hawkish evolution, while appearing more surprised by the Bank of England's (BoE) rate hike. Ultimately, the US dollar index finished up 0.49% and the pound finished at \$1.33.

Economic Summary

POLICY: The Fed doubled its tapering pace, reflecting the growing pull of price stability within its dual-mandate. It was broadly in line with consensus, as was their dot plot showing multiple rate hikes in 2022. While the UK has tightened restrictions in response to the Omicron variant, the BoE raised the Bank Rate to 0.25%. In contrast, the ECB kept rates unchanged, but announced a reduction in PEPP purchases, ultimately to end in March. The new staff projections still point to a 2024 baseline for the first rate hike, despite significant upward revisions to inflation.

INFLATION: US PPI rose 9.6% YoY in November, the most on record, and above consensus of 9.2%. Core PPI also hit a record of 7.7% YoY, suggesting that higher input prices such as crude materials may be passed onto consumers. Meanwhile, November's UK CPI print of 5.1% YoY was above consensus, and the highest level since September 2011.

LABOR: Progress in the US labor market slowed, with initial jobless claims rising up to 206k for the week ending December 11, from 184k the week prior. That said, the four-week moving average reached a five-decade low of 204k.

Key Economic Releases

Monday, December 20:

No economic data released.

Tuesday, December 21:

GfK Consumer Confidence (Cons: -2.7, Prior: -1.6)

Wednesday, December 22:

No economic data released.

Thursday, December 23:

US Personal Income (Cons: 0.5%, Prior: 0.5%)

US Jobless Claims (Cons: 205k, Prior: 206k)

US Core PCE YoY (Cons: 4.5%, Prior: 4.1%)

Friday, December 24:

Markets Closed in Observance of Christmas

Source: Goldman Sachs Asset Management: "Market Monitor", 12/17/21

1. "Cons." and "Prior" refer to current consensus expectations and the previous data release, respectively.
2. FOMC" refers to the Federal Reserve's Open Market Committee.
3. "OPEC" refers to the Organization of the Petroleum Exporting Countries.
4. "US Crude inventories" refer to the Energy Information Administration's Crude Oil Inventories.
5. "Brent" is a global benchmark for oil prices worldwide.
6. "WTI" stands for West Texas Intermediate crude oil, a common US benchmark for oil prices.
7. "Hawkish" refers to less accommodative policy.
8. "Tapering" refers to the gradual winding down of the Federal Reserve's largescale asset purchases.
9. "PEPP" refers to the Pandemic emergency purchase program.
10. "PPI" refers to the US producer price index, year-over year.
11. "Core PPI" refers to the US producer price index, excluding food and energy, year-over year.
12. "UK CPI" refers to UK consumer price index, year-over-year.
13. "Initial Jobless Claims" refers to the number of people filing to receive unemployment insurance benefits for the week ending December 4.

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