

MONDAY MORNING RECAP - January 10, 2021

Last Week

Dow Jones Industrial Average (DJIA)	36231.66	-106.64	-0.29%
S&P 500 Index	4677.03	-89.15	-1.87%
NASDAQ Composite Index	14935.90	-709.07	-4.53%
U.S. 10 yr. Treasury Note Yield	1.76%	+24 basis points	
Gold (\$ per troy oz.)	\$1797.00	-\$30.50	-1.67%
WTI Oil (\$ per barrel)	\$78.90	+\$3.69	+4.91%

Market Summary

GLOBAL EQUITIES: Global equities tumbled last week following continued COVID-19 contagion and Fed guidance for a quicker pace of US monetary policy normalization. In the US, the prospect of more aggressive policy tightening and earlier balance sheet runoff, alongside Omicron-related employment impact, drove the S&P 500 -1.87% lower. Similarly, European equities reversed earlier gains as US rate worries weakened sentiment, with the STOXX 600 falling by -0.30% while the FTSE 100 ultimately ended the week up 1.37%.

COMMODITIES: Oil prices rallied into the new year as December global production levels fell short of OPEC+ supply. Social unrest in Kazakhstan and outages in Libya continued to raise supply-side concerns, despite OPEC+'s commitment to increasing output by 400k barrels per day starting in February. WTI and Brent prices ended higher at \$78.90 and \$81.75 per barrel, respectively.

FIXED INCOME: US Treasury yields jumped last week as markets assessed the FOMC's hawkish December meeting minutes. Expectations of accelerated tapering and rate hikes beginning as early as March pushed US 10-Year yields up 26 bp in the first week of 2022 to 1.76%, a new pandemic high. The 2-Year yield also hit a 22-month high before finishing at 0.87%. European yields followed suit, with the 10-Year UK Gilt and German Bund yields ending the week at 1.18% and -0.04%, respectively.

FX: The US dollar appreciated on expectations for higher US policy rates and tight labor market prints, rising 0.18% against a basket of peers. The euro ended last week down -0.20% against the US dollar. Meanwhile, the pound sterling hit a two-month high before slipping to \$1.3597 as the US dollar strengthened and COVID-19 fears eased.

Economic Summary

LABOR: US Initial Jobless Claims rose 7k to 207k for the week ending January 1, above consensus expectations but below pre-pandemic levels. Job openings declined to 10.6mn and quits surged to a record 4.5mn in November. The healthcare industry posted its highest quits rate to date. Meanwhile, US unemployment fell to 3.9%, and US non-farm payrolls added 199k jobs, missing consensus estimates of 400k. The unexpected slowdown in hiring suggested that limited labor supply remains a constraint on employment growth. Workforce participation remained 2.3mn below pre-pandemic levels.

MANUFACTURING: The US ISM Manufacturing Index printed below consensus expectations at 58.7 MoM, its lowest reading since last January but still expansionary. In China, the Caixin composite PMI rose to 53.0 in December. The print reflected strong demand and easing supply chain pressures, conditions that may evolve following the Omicron surge.

INFLATION: Euro area flash CPI increased to a record 5.0% YoY in December driven by elevated volatility in energy, food, and alcohol & tobacco categories. However, core CPI remained unchanged from November's 2.6% print.

Key Economic Releases

Monday, January 10:

Euro area Unempl. (Cons: 7.2%, Prior: 7.3%)

Tuesday, January 11:

UK Manuf. Prod. (Cons: -, Prior: 0.1%)
China PPI YoY (Cons: -, Prior: 12.9%)
China CPI YoY (Cons: -, Prior: 2.3%)

Wednesday, January 12:

Euro Ind. Prod (Cons: 0.7%, Prior: 1.1%)
US Core CPI YoY (Cons: 4.9%, Prior: 4.9%)

Thursday, January 13:

US PPI YoY (Cons: -, Prior: 9.6%)
Japan PPI (Cons: 0.3%, Prior: 0.6%)

Friday, January 14:

US Retail Sales MoM (Cons: 0.3%, Prior: 0.3%)
US Ind. Prod. (Cons: 0.4%, Prior: 0.5%)
UMich Cons. Sentiment (Cons: 70.6, Prior: 70.6)

Source: Goldman Sachs Asset Management: "Market Monitor", 1/7/22

1. "Cons." and "Prior" refer to current consensus expectations and the previous data release, respectively.
2. "Fed" refers to the Federal Reserve.
3. "OPEC+" refers to the Organization of the Petroleum Exporting Countries and its allies.
4. "WTI" stands for West Texas Intermediate crude oil, a common US benchmark for oil prices.
5. "Brent" is a global benchmark for oil prices worldwide.
6. "FOMC" refers to the Federal Reserve's Federal Open Market Committee.
7. "Hawkish" refers to less accommodative policy.
8. "Tapering" refers to the gradual winding down of the Federal Reserve's large-scale asset purchases.
9. "Mn" refers to millions.
10. "US ISM Manufacturing Index" refers to the US Institute for Supply Management's Manufacturing Index.
11. "MoM" refers to month-over-month.
12. "Caixin composite PMI" refers to the official China Caixin Manufacturing Purchasing Managers' Index.
13. "Euro area flash CPI" refers to the Euro area flash Consumer Price Index.
14. "YoY" refers to year-over-year.
15. "Core CPI" refers to the Euro area core Consumer Price Index.

Disclosure Statement

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