

## MONDAY MORNING RECAP - December 19, 2022

### Last Week

Dow Jones Industrial Average (DJIA)	32,920.46	-556.00	-1.66%
S&P 500 Index	3,852.36	-82.02	-2.08%
NASDAQ Composite Index	10,705.41	-299.20	-2.72%
U.S. 10 yr. Treasury Note Yield	3.48%	-9 bps	
Gold (\$ per troy oz.)	\$1,790.00	-\$8.10	-0.45%
WTI Oil (\$ per barrel)	\$74.29	+\$3.27	+4.60%

### Market Summary

**GLOBAL EQUITIES:** Last week, monetary policy contributed to equity market volatility. The S&P 500 ended -2.08% lower on the back of the latest Fed hike and disappointing activity data, despite a cooler-than-expected CPI print sparking a mid-week rally. In Europe, the STOXX 600 fell -3.26% following the ECB's rate hike and ECB commentary signaling significant rate increases to come. Similarly, the FTSE 100 fell -1.92% following the BoE's rate hike.

**COMMODITIES:** Oil prices rose last week on the back of OPEC and IEA forecasts for resilient oil demand growth next year, despite headwinds from a reported 10.2 million barrel increase in US crude oil inventories putting current inventory above 5-year averages. Ultimately, WTI and Brent crude closed higher at \$74.29 and \$79.04/bbl, respectively. Gold prices ended lower last week at \$1,790/troy oz.

**FIXED INCOME:** US Treasury yields extended their recent slide as market concerns continued to transition from inflation to growth. The lower-than-expected November US inflation print marginally softened consensus expectations for monetary policy tightening in the year ahead, with market-implied pricing now favoring a 25bp hike in February, versus an earlier-priced 50bp hike. Ultimately, the 2-Year and 10-Year Treasury yields closed lower at 4.18% and 3.48%, respectively. Outside the US, the UK 10-Year Gilt yield edged up to 3.33% as the BoE continued hiking.

**FX:** Currency markets continued their recent trend, broadly centered around a pullback in the US dollar from historically strong levels. The US dollar fell -0.10% against a basket of currencies last week, with economic data coming in weaker than consensus expected. On the other hand, the euro rose 0.51% against the US dollar to \$1.0600 amid broader risk-on sentiment.

## **Economic Summary**

**INFLATION:** US inflation continued to trend lower last month. The Consumer Price Index (CPI) rose 7.1% year-on-year (YoY) in November, running below consensus expectations of 7.3%. Core CPI, which excludes food and energy, rose 6.0% YoY, also coming in under consensus expectations of 5.1%. Although a favorable top-line print, the underlying composition was mixed, with airfare prices dropping but shelter inflation rebounding.

**ACTIVITY:** US retail sales decreased -0.6% in November, much lower than consensus expectations for only a -0.2% drop. Industrial production also declined -0.2% versus flat consensus expectations. For the Euro area, December flash PMI came in at a four-month high of 48.8, beating consensus expectations.

**MONETARY POLICY:** The FOMC delivered a 50bp rate hike for December, a smaller increment than in past meetings, but raised its projection for the peak Fed Funds rate by 50bp to 5.00-5.25%. The FOMC also suggested slightly larger cuts in 2024 from the new projected peak but indicated that the committee will only cut when it is confident that inflation is moving down "in a sustained way." Similarly, the ECB stepped down its hiking increment from 75bp to 50bp to bring the deposit rate to 2%. ECB officials signaled that interest rates will still have to rise more than expected, suggesting 50bp hikes for a period of time. In the UK, the BoE's MPC also slowed down the pace of hiking, raising interest rates 50bp to 3.5%. The MPC mentioned current tightness in the labor market and persistence in domestic price pressures as key concerns, suggesting further hikes ahead.

## **Key Economic Releases**

**Monday, December 19:**  
No economic releases

**Tuesday, December 20:**  
Bank of Japan Rate Decision (Cons: -0.10%, Prior: -0.10%)

**Wednesday, December 21:**  
US Conference Board Consumer Confidence (Cons: 100.0, Prior: 100.2)

**Thursday, December 22:**  
No economic releases

**Friday, December 23:**  
US PCE (Cons: -, Prior: 6.0%)  
US Core PCE (Cons: 5.0%, Prior: 5.0%)  
US U. Mich. Cons. Sentiment (Cons: 55.0, Prior: 59.1)

Source: Goldman Sachs Asset Management: "Market Monitor", 12/16/2022

"Fed" refers to the Federal Reserve. "CPI" refers to the Consumer Price Index. "ECB" refers to the European Central Bank. "BoE" refers to the Bank of England. "OPEC" refers to the Organization of Petroleum Exporting Countries. "IEA" refers to the International Energy Agency. "WTI" refers to West Texas Intermediate crude oil, a common US benchmark for oil prices. "Brent" refers to a global benchmark for oil prices worldwide. "bbl" refers to barrel. "bp" refers to basis points, which are one hundredth of a percent. "PMI" refers to the Purchasing Managers' Index. "FOMC" refers to the Federal Open Market Committee. "bp" refers to basis points, which are one hundredth of a percent. "ECB" refers to the European Central Bank. "BoE" refers to the Bank of England. "MPC" refers to the Monetary Policy Committee.

### **Disclosure Statement**

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