

MONDAY MORNING RECAP - January 9, 2023

Last Week

Dow Jones Industrial Average (DJIA)	33,630.61	+483.36	+1.46%
S&P 500 Index	3,895.08	+55.58	+1.45%
NASDAQ Composite Index	10,569.29	+102.81	+0.98%
U.S. 10 yr. Treasury Note Yield	3.55%	-33 bps	
Gold (\$ per troy oz.)	\$1,864.20	+\$44.50	+2.45%
WTI Oil (\$ per barrel)	\$73.77	-\$6.49	-8.09%

Market Summary

GLOBAL EQUITIES: US equities rose last week as wage growth, a sticky component of inflation, cooled. Ultimately, the S&P 500 ended up 1.45%. Similarly, European equities rallied after fresh signs of easing inflation and promising euro zone business activity data boosted investor sentiment. The STOXX 600 posted its biggest three-day gain since October and ended up 4.62%, while the FTSE 100 rose 3.33%.

COMMODITIES: Oil prices plummeted early in the week, dropping nearly -10% within two days, as resurgence of COVID-19 cases in China fueled demand concerns and new reports of inventory build increased supply. Brent and WTI both ended the week lower, closing at \$78.57/bbl and \$73.77/bbl, respectively. Meanwhile, Gold prices surged to \$1864.20/troy oz, reaching a six-month high mid-week.

FIXED INCOME: Sovereign yields largely fell in the first week of 2023 amidst further signs that global inflation may have peaked. The 2-year US Treasury and 10-Year US Treasury yields both fell last week to 4.24% and 3.55%, respectively, despite relatively hawkish FOMC minutes. Meanwhile, the 10-year German Bund yield notched a three-day streak of declines for the first time since November, ultimately ending the week at 2.21%, as German inflation came in below consensus expectations.

FX: The US dollar enjoyed modest returns against a basket of currencies, rising 0.50%, on the back of stronger-than-expected labor prints. Elsewhere, the euro dropped to \$1.06 as Euro area headline inflation printed below consensus expectations, and the pound sterling rose slightly to \$1.21. The yen advanced to a six-month high on the back of the BOJ's recent yield curve control shift before ultimately ending the week lower at ¥132.01/dollar.

Economic Summary

LABOR: US Job Openings decreased by 54k to 10.458mn in November, a smaller decline than expected. Following the print, the US jobs-workers gap remained at 4.4mn in November, well below its 5.9mn peak last March. US Initial Jobless Claims declined by 21k to 204k for the week ending December 31, below consensus expectations. The number of initial claims is the lowest since September and is even slightly below the pre-pandemic average of 218k. Nonfarm payrolls rose 223k in December, above consensus expectations for the ninth consecutive time. Finally, the headline unemployment rate declined to 3.5%, down from a revised 3.6% in November, tying a 50-year low. Markets responded well to the better-than-expected labor data across the board partly because even though the labor market remains strong, wage growth is slowing down.

ACTIVITY: The US ISM Manufacturing Index decreased slightly more than expected in December to 48.4, down from 49.0 in November. Additionally, the ISM services index fell much more than expected in December to 49.6, its first reading in contractionary territory since June 2020. Meanwhile, Euro composite PMI was revised up to 49.3 and retail sales beat expectations in December. In China, the Caixin Services PMI rose to 48, however, it remains in contractionary territory, partly due to the surge in COVID-19 cases in December.

INFLATION: Euro area inflation data was mixed last week as headline CPI fell to 9.2%, below consensus expectations, and core CPI rose to 5.2%, above consensus expectations. Although headline figures showed welcome downward momentum driven by energy pressures easing, a fresh high in core CPI will likely keep pressure on the ECB to hike rates.

Key Economic Releases

Monday, January 9:

Euro area Unemployment (Cons: 6.5%, Prior: 6.5%)

Tuesday, January 10:

No economic releases

Wednesday, January 11:

No economic releases

Thursday, January 12:

US Headline CPI (YoY) (Cons: 6.7%, Prior: 7.1%)

US Core CPI (YoY) (Cons: 5.9%, Prior: 6.0%)

US Initial Jobless Claims (Cons: 220k, Prior: 204k)

Friday, January 13:

UMich. Consumer Sent. (Cons: 56.0, Prior: 59.9)

UK GDP (Cons: N/A, Prior: -0.3%)

UK Manuf. Production (Cons: N/A, Prior: 0.7%)

Source: Goldman Sachs Asset Management: "Market Monitor", 1/6/2023

"Brent" refers to a global benchmark for oil prices worldwide. "WTI" refers to West Texas Intermediate crude oil, a common US benchmark for oil prices. "Bbl" refers to barrel, and the price per barrel for oil indices. "Oz" refers to ounce. "Hawkish" refers to more aggressive monetary policy. "FOMC" refers to the Federal Open Market Committee. "G10" refers to the group of 10 countries. "BOJ" refers to the Bank of Japan. "Expected" refers to consensus expectations. "Jobs-workers gap" refers to the difference between the total number of jobs (employment plus openings) less the number of workers. "US Initial Jobless Claims" refers to the number of people filing to receive unemployment insurance benefits for the week ending December 31. "GIR" refers to Goldman Sachs Global Investment Research. "Bps" refers to basis points. "PMI" refers to a purchasing managers index. "CPI" refers to a consumer price index and is a common measure of inflation. "ECB" refers to European Central Bank.

Disclosure Statement

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