

MONDAY MORNING RECAP - January 23, 2023

Last Week

Dow Jones Industrial Average (DJIA)	33,375.49	-927.12	-2.70%
S&P 500 Index	3,972.61	-26.48	-0.66%
NASDAQ Composite Index	11,140.43	+61.28	+0.55%
U.S. 10 yr. Treasury Note Yield	3.48%	-1 bps	
Gold (\$ per troy oz.)	\$1,926.40	+\$8.00	+0.42%
WTI Oil (\$ per barrel)	\$81.31	+\$1.45	+1.82%

Market Summary

GLOBAL EQUITIES: US equities fell last week following weak economic data and hawkish comments from the Fed. The S&P 500 finished the week -0.66% lower after posting its worst day in over a month last Wednesday and having its first back-to-back down days of 2023. In Europe, equities sold off late in the week, ending its longest winning streak since November 2021. The STOXX 600 and FTSE 100 ended down -0.08% and -0.92%, respectively, in line with disappointing earnings reports and fears of a global economic slowdown.

COMMODITIES: Oil prices inched higher last week on the back of improved demand expectations from the International Energy Agency following China's reopening. Brent and WTI ended the week at \$87.63 and \$81.31/bbl, respectively. Gold also edged higher last week, closing at \$1926.40/troy oz, in hopes of slower interest rate hikes from the Fed.

FIXED INCOME: US rates fell broadly across the yield curve, with economic data revealing slower activity and producer-level inflation. The 2-Year and 10-Year US Treasury yields closed at 4.14% and 3.48%, respectively. Still, the spread between the 3-Month US Treasury yield and the 10-Year US Treasury yield reached its deepest inversion level since 1980, reflecting continued growth concerns. Meanwhile, the 10-Year Bund yield rose to 2.18% as the economic outlook brightened.

FX: Major developed market currency movements against the US dollar were mixed last week, even as the US dollar was relatively flat, down -0.13%. The pound sterling appreciated to \$1.23, with early signs of promise on inflation. Similarly, the yen rose to ¥129.55 against the US dollar even though the Bank of Japan's continued dovish policy surprised markets, leading to a slide in Japanese Government Bond yields.

Economic Summary

INFLATION: The US Producer Price Index fell -0.5% in December, led by steep drops in energy and food prices, marking the largest monthly decline since April 2020. Similarly, price pressures eased in Europe last month with YoY inflation falling to 10.5% . In Asia, the Bank of Japan raised its inflation forecasts for FY2022-2024 but maintained its yield curve control, re-emphasizing that current price pressures reflected cost-push factors, with wage growth a better guidepost for BoJ monetary policy.

ACTIVITY: US Retail Sales declined by -1.1% in December after consumer fears of high inflation and a slowing economy made for a lackluster holiday shopping season. While December sales fell more than consensus expectations, November sales were revised lower from -0.6% to -1.0% MoM. In a similar vein, US Housing Starts decreased for the fourth consecutive month and posted its first annual decline since 2009, falling -1.4% in December and -3% in 2022, respectively. Meanwhile, in Europe, UK retail sales declined by -1% MoM in December showing continued weakness in activity despite fiscal support from cost-of-living adjustments and an energy price cap.

GROWTH: China's Q4 GDP posted at 2.9% YoY, taking 2022 full-year growth to 3.0% , the second slowest pace in decades.

LABOR: US weekly jobless claims dropped unexpectedly to 190k for the week ending January 14, reaching its lowest level since September and highlighting the strength of the labor market despite elevated interest rates. In Europe, annual wage growth increased to 6.4% from September to November, indicating a still tight jobs market.

Key Economic Releases

Monday, January 23:

No economic releases

Tuesday, January 24:

German Manufacturing PMI (Cons: 47.8, Prior: 47.1)

Wednesday, January 24:

German Ifo Business Climate Index (Cons: 90.2, Prior: 88.6)
BOC Policy Rate (Cons: 4.50%, Prior: 4.25%)

Thursday, January 26:

US GDP QoQ (Cons: 2.6%, Prior: 3.2%)
US New Home Sales (Cons: 614k, Prior: 640k)
US Initial Jobless Claims (Cons: 205k, Prior: 190k)

Friday, January 27:

US Core PCE MoM (Cons: 0.3%, Prior: 0.2%)
Michigan Consumer Sentiment (Cons: 64.6, Prior: 64.6)
US Pending Home Sales (Cons: -1.0%, Prior: -4.0%)

Source: Goldman Sachs Asset Management: "Market Monitor", 1/20/2023

"Fed" refers to the Federal reserve. "Hawkish" refers to more aggressive monetary policy. "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. "DM currency" refers to developed market currencies. "Dovish" refers to less aggressive monetary policy. "JGB" refers to Japanese government bond. "PPI" refers to the US Producer Price Index. "FY2022-2023" refers to fiscal year 2022-2023. "MoM" refers to month-over-month. "GDP YoY" refers to Gross Domestic Product, year-over-year. "GIR" refers to Goldman Sachs Global Investment Research. "US Initial Jobless Claims" refer

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