

MONDAY MORNING RECAP - February 13, 2023

Last Week

Dow Jones Industrial Average (DJIA)	33,869.27	-56.74	-0.17%
S&P 500 Index	4,090.46	-46.02	-1.11%
NASDAQ Composite Index	11,718.12	-288.83	-2.41%
U.S. 10 yr. Treasury Note Yield	3.74%	+21 bps	
Gold (\$ per troy oz.)	\$1,862.80	-\$0.10	-0.01%
WTI Oil (\$ per barrel)	\$79.72	+\$6.33	+8.63%

Market Summary

GLOBAL EQUITIES: Last week, US equity markets continued to digest the implications of monetary policy commentary, resilient economic data, and mixed corporate earnings. The S&P 500 ultimately fell -1.11% but not before experiencing intraday reversals of 1+% six times and 2+% two times. In Europe, the STOXX 600 touched a new 52-week high on positive earnings results but still ended -0.60% lower. The FTSE 100 also touched a new 52-week high but ended -0.24% lower last week.

COMMODITIES: Oil prices surged last week on concerns that the earthquakes in Turkey and Syria materially damaged oil infrastructure in the region and that a Russian production cut would exacerbate supply issues. That said, oil prices pared back as it became clearer that infrastructure escaped serious damage and as US crude oil inventories continued to build. Ultimately, WTI and Brent crude closed higher at \$79.72 and \$86.39/bbl, respectively.

FIXED INCOME: US Treasury yields initially fell as Fed Chairman Jerome Powell indicated progress towards disinflation but ultimately ended higher as further commentary reflected the potential of higher rates. The 10- Year US Treasury yield climbed to 3.74%, and the 2-Year yield hit a two-month high, closing higher at 4.50%. The 2s10s spread touched its lowest level since the 1980s, remaining deeply inverted at -0.76%. Similarly, the 10-Year German Bund yield reached a one-month high, rising to 2.36%, supported by hawkish post-meeting ECB comments.

FX: Last week, the US dollar traded higher against a basket of currencies, appreciating 0.85% following renewed hawkish tones from US policymakers and a strong labor market. Meanwhile, the euro ended the week lower against the US dollar at \$1.067, while the yen fell slightly against the US dollar to \$131.51 despite the BoJ governor nomination of Kazuo Ueda.

Economic Summary

MONETARY POLICY: Last week, Fed Chairman Powell reiterated that continued interest rate increases will be appropriate, despite the disinflationary process already underway. He repeated a focus on making decisions one meeting at a time while acknowledging the January labor report was strong. Still, New York Fed president John Williams made a hawkish reminder: if financial conditions loosen, higher rates may be needed.

GROWTH: In the UK, 4Q GDP growth printed at 0% QoQ. However, December data indicated a contraction of -0.5% MoM, driven by a drop in services activity. In light of this weaker data, Goldman Sachs Global Investment Research revised down their 2023 annual growth projection to -0.6% YoY (from -0.5% YoY previously). In line with moderating growth among other European economies, Germany experienced a sharp decline in industrial production of -3.1% MoM in December.

INFLATION: University of Michigan 1-Year Inflation Expectations increased to 4.2% from 3.9%, while the 5-Year Inflation Expectations stayed flat relative to the prior month at 2.9%. Commentary from the survey suggested that uncertainty remains elevated for both inflation expectations measures. In Europe, Germany saw lower HICP inflation in January of 9.2% YoY, down from 9.6% the prior month, consistent with inflation trending lower across developed economies. In Asia, inflationary pressures continued to rise with Japan nominal cash wage growth accelerating to 4.8% YoY in December, its strongest increase since 1997.

CONSUMER: The University of Michigan Consumer Sentiment Index increased for the third consecutive month, printing at 66.4 in February, up from 64.9 the prior month and beating consensus of 65.1. Still, commentary from the survey suggested consumer concerns over rising unemployment.



Key Economic Releases

Monday, February 13:

No economic releases

Tuesday, February 14:

Euro Area GDP (Cons: 2.1%, Prior: 1.9%)

US CPI (Cons: 6.2%, Prior: 6.5%)

US Core CPI (Cons: 5.5%, Prior: 5.7%)

Wednesday, February 15:

UK CPI (Cons: 10.5%, Prior: 10.5%)

US Retail Sales (Cons: 0.9%, Prior: -1.1%)

US Industrial Production (Cons: 0.4%, Prior: -0.7%)

Thursday, February 16:

No economic releases

Friday, February 17:

No economic releases

Source: Goldman Sachs Asset Management: "Market Monitor", 2/10/2023

"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, and the price per barrel for oil indices. "Fed" refers to the Federal Reserve. "2s10s spread" refers to the difference between the 10-Year Treasury yield and the 2-Year Treasury yield. "ECB" refers to the European Central Bank. "BoJ" refers to the Bank of Japan. "Fed" refers to the Federal Reserve. "4Q GDP" refers to fourth quarter UK Gross Domestic Product. "QoQ" refers to quarter-over-quarter. "MoM" refers to month-over-month. "Survey" refers to the University of Michigan's Survey of Consumers. "HICP" refers to Harmonized Index of Consumer Prices. "YoY" refers to year-over-year. "CPI" refers to Consumer Price Index.

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