

MONDAY MORNING RECAP - February 27, 2023

Last Week

Dow Jones Industrial Average (DJIA)	32,816.92	-1009.77	-2.99%
S&P 500 Index	3,970.04	-109.05	-2.67%
NASDAQ Composite Index	11,394.94	-392.33	-3.33%
U.S. 10 yr. Treasury Note Yield	3.95%	+13 bps	
Gold (\$ per troy oz.)	\$1,808.80	-\$31.60	-1.72%
WTI Oil (\$ per barrel)	\$76.32	-\$0.23	-0.30%

Market Summary

GLOBAL EQUITIES: US equities fell last week as investors digested the rise in interest rates, foggy guidance from notable retailers, and a strong inflation print. Ultimately, the S&P 500 finished down -2.67%. Outside the US, the STOXX 600 fell -1.36% as European core inflation was revised higher. Lastly, the Hang Seng index fell -3.43% amid rumors of continued regulatory change in the financial sector.

COMMODITIES: Oil prices continued their recent slide before partially rebounding, with WTI and Brent ultimately closing at \$76.32 and \$83.16/bbl, respectively. Inventories continued building, marking the ninth consecutive weekly increase and the highest level in nearly two years. Overall, recent supply boosts have offset an expected demand recovery. The price of gold nudged lower, closing at \$1808.80/troy oz.

FIXED INCOME: US Treasury yields repriced higher last week following the strong inflation print and the release of the FOMC's February meeting minutes, which suggested additional rate hikes on the horizon. The 10- Year US Treasury yield hit its highest level since November 2022 at 3.95%. Ultimately, the 2-Year and 10-Year US Treasury yields rose 18 bps and 12 bps to 4.80% and 3.95%, respectively. Similarly, the 10-Year German Bund yield rose 10 bps to 2.54% on the back of hawkish ECB commentary. Meanwhile, the 10-Year Japanese Government Bond yield briefly breached its cap, ending at 0.50%.

FX: Last week, the US dollar strengthened, appreciating 1.15% against a basket of currencies after hawkish Fed commentary contributed to higher market pricing of the terminal rate. In Europe, the euro closed lower at \$1.0551, while the pound sterling ended relatively flat at \$1.1944.

Economic Summary

INFLATION: US core PCE came in at 4.7% YoY in January, well above consensus expectations of 4.3%. The print reversed the recent trend of moderation, climbing 0.6% MoM, relative to the prior month's reading of 0.4%. In Japan, national core CPI hit a 41-year high of 4.2% in January, in line with consensus expectations. Recent inflation has primarily been driven by higher raw material costs, now being passed onto consumers. Still, incoming BoJ governor Ueda expressed that the current easing policies are appropriate for the time being.

MONETARY POLICY: The February FOMC Minutes revealed that all participants anticipate that "ongoing" rate hikes would be appropriate going forward.

ACTIVITY: US Composite PMI printed at 50.2 in February, up significantly relative to the month prior of 46.8 and consensus expectations of 47.5. The increase, driven by services, marks the highest reading in eight months. Similar data was seen in the Euro area, where flash composite PMI printed at 52.3, pointing to a growth acceleration as the services sector improved further and manufacturing output exited contractionary territory. The PMI report indicated that businesses experienced moderating input price pressures. However, selling price inflation continued to be high on the back of elevated wage costs.

LABOR: Initial jobless claims edged 3k lower to 192k, below consensus expectations for an increase to 200k.

Key Economic Releases

Monday, February 27:

Japan Retail Sales, month-over-month
(Cons: 0.7%, Prior: 1.1%)
Euro area M3 Money Supply, year-over-year
(Cons: 3.9%, Prior: 4.1%)

Tuesday, February 28:

Caixin Manufacturing PMI (Cons: 51.3,
Prior: 49.2)

Wednesday, March 1:

Institute for Supply Management Manufacturing Index (Cons: 48.0, Prior: 47.4)

Thursday, March 2:

Euro area Consumer Price Index, year-over-year (Cons: 8.2%, Prior: 8.6%)
US Initial Jobless Claims (Cons: 197k, Prior: 192k)

Friday, March 3:

No economic releases

Source: Goldman Sachs Asset Management: "Market Monitor", 2/24/2023

"Core inflation" refers to inflation excluding food and energy. "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. "Oz" refers to ounce. "FOMC" refers to Federal Open Market Committee. "Bps" refers to basis points. "Hawkish" refers to more aggressive monetary policy. "ECB" refers to the European Central Bank. "Fed" refers to the Federal Reserve. "US core PCE YoY" refers to the US Personal Consumption Expenditures Index excluding food and energy, year-over-year. "MoM" refers to month-over-month. "Fed" refers to the Federal Reserve. "Japan national Core CPI" refers to the Japan Consumer Price Index, excluding fresh food and energy, year-over-year. "BoJ" refers to the Bank of Japan. "US Initial Jobless Claims" refers to the number of people filing to receive unemployment insurance benefits for the week ending February 18. "US Composite PMI" refers to S&P Global's US Composite Purchasing Managers Index. "Euro area Composite PMI" refers to S&P Global's Euro area Composite Purchasing Managers Index.

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