

## MONDAY MORNING RECAP - March 6, 2023

### Last Week

|                                     |            |          |        |
|-------------------------------------|------------|----------|--------|
| Dow Jones Industrial Average (DJIA) | 33,390.97  | +574.05  | +1.75% |
| S&P 500 Index                       | 4,045.64   | +75.60   | +1.90% |
| NASDAQ Composite Index              | 11,689.01  | +294.06  | +2.58% |
| U.S. 10 yr. Treasury Note Yield     | 3.97%      | +2 bps   |        |
| Gold (\$ per troy oz.)              | \$1,847.70 | +\$38.50 | +2.13% |
| WTI Oil (\$ per barrel)             | \$79.68    | +\$3.36  | +4.40% |

### Market Summary

**GLOBAL EQUITIES:** US equities closed higher last week as investors digested the prior week's inflation print and its potential impact on monetary policy. The S&P 500 index snapped a streak of three consecutive down weeks, ending 1.90% higher. In China, the Hang Seng index surged 3.07% as manufacturing and services activity reinforced the economic recovery that is underway. In Europe, the STOXX 600 finished up 1.50%, despite several strong inflation prints in the region.

**COMMODITIES:** Oil prices rose last week as strong survey-based activity data in China fueled investor expectations for increased demand, despite indication from the EIA of rising crude inventories for the tenth consecutive week. Ultimately, WTI and Brent closed at \$79.68 and \$85.83/bbl, respectively. The price of gold rose to \$1847.70/troy oz.

**FIXED INCOME:** Global bond yields continued their move higher last week. Hawkish commentary from Fed officials and an increase in US exports both signaled a higher-for-longer rate environment. The 10-Year US Treasury yield breached 4.00% for the first time since November 2022 before falling back to 3.97%. In Europe, Quantitative Tightening (QT) began as the ECB prioritizes taming inflation. Ultimately, the 10-Year German Bund yield closed 6 bps higher to 2.71%.

**FX:** The US dollar fell slightly against a basket of major currencies last week as the magnitude of US rate re-pricing lagged that of other sovereign yields. Ultimately, the US dollar index closed -0.47% lower. The euro appreciated to \$1.063 as the market anticipated a steeper policy path in the ECB hiking cycle in the months ahead.

## **Economic Summary**

**ACTIVITY:** The US ISM manufacturing PMI rose in February for the first time since May 2022. Still, the below-consensus print of 47.7 marked four consecutive months of contractionary readings. Meanwhile in China, the composite PMI reached an all-time high in February of 54.6, as factory activity increased at the fastest pace in over a decade. Similarly in the Euro area, the composite PMI in February improved for the fourth straight month to an eight-month high of 52.0. These figures reinforced the improving growth backdrop in global economies.

**HOUSING:** US housing data were mixed last week. Pending home sales increased by 8.1% in January, above consensus expectations for a 1.0% increase, as a decline in mortgage rates encouraged home purchases in the month. Conversely, home prices fell -0.8% in December, marking their sixth consecutive monthly decline.

**INFLATION:** Euro area headline HICP moderated in February, however core inflation continued to set fresh highs, rising 0.3 pp to 5.6% year-over-year.

**MONETARY POLICY:** Central bank officials globally continued to prioritize taming inflation. In the US, Governor Christopher Waller cited strong labor market and consumption data as support for ongoing rate hikes. Futures markets have priced a terminal rate of 5.25-5.50% to be reached in June. Similarly, ECB Governing Council member Pierre Wunsch noted that market pricing of a 4.00% terminal rate may come to fruition.



## Key Economic Releases

**Monday, March 6:**

Euro area Retail Sales YoY (Cons: -1.8%, Prior: -2.8%)

**Tuesday, March 7:**

No economic releases

**Wednesday, March 8:**

US ADP Nonfarm Employment Change (Cons: 195k, Prior: 106k)  
US JOLTs Job Openings (Cons: 10.600M, Prior: 11.012M)

**Thursday, March 9:**

BoJ Interest Rate Decision (Cons: -0.10%, Prior: -0.10%)  
US Initial Jobless Claims (Cons: 195k, Prior: 190k)

**Friday, March 10:**

UK GDP MoM (Cons: -0.1%, Prior: -0.5%)  
US Average Hourly Earnings YoY (Cons: 4.7%, Prior: 4.4%)  
US Nonfarm Payrolls (Cons: 200k, Prior: 517k)

Source: Goldman Sachs Asset Management: "Market Monitor", 3/3/2023

"EIA" refers to Energy Information Administration. "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. "Hawkish" refers to more aggressive monetary policy. "Fed" refers to the Federal Reserve. "Bps" refers to basis points. "QT" refers to quantitative tightening. "ECB" refers to the European Central Bank. "ISM manufacturing PMI" refers to the Institute for Supply Management Manufacturing Purchasing Managers Index. "Composite PMI" refers to the National Bureau of Statistics of China Composite Purchasing Managers Index and Eurozone S&P Global Composite Purchasing Managers Index. "Home prices" refers to the S&P CoreLogic Case-Shiller US National Home Price index. "Pending home sales" refers to the National Association of Realtors' Pending Home Sales index. "HICP" refers to the Euro area's Harmonised Index of Consumer Prices. "pp" refers to percentage points.

### **Disclosure Statement**

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