

MONDAY MORNING RECAP - May 1, 2023

Last Week

Dow Jones Industrial Average (DJIA)	34,098.16	+289.20	+0.86%
S&P 500 Index	4,169.48	+35.96	+0.87%
NASDAQ Composite Index	12,226.58	+154.13	+1.28%
U.S. 10 yr. Treasury Note Yield	3.44%	-13 bps	
Gold (\$ per troy oz.)	\$1,990.10	+\$8.80	+0.44%
WTI Oil (\$ per barrel)	\$76.78	-\$1.09	-1.10%

Market Summary

GLOBAL EQUITIES: US equities were volatile last week, starting the week down before recovering on the back of favorable technology sector earnings. Additionally, potential progress on Congressional debt ceiling movements in the US provided some reprieve. Ultimately, the S&P 500 ended up 0.87%. In Europe, the STOXX 600 was largely flat, closing down -0.21% despite a degree of relief in financial sector earnings. Lastly, the Hang Seng Index fell -0.90%, with US-China tensions spooking investor sentiment.

COMMODITIES: Oil prices slid further last week on the back of renewed demand fears amid a soft first quarter US GDP print, at one point eliminating all the gains that followed the surprise OPEC+ production cut announcement in April. Ultimately, WTI and Brent crude closed lower at \$76.78 and \$79.54/bbl, respectively. Meanwhile, gold prices nudged higher to close at \$1990.10/troy oz.

FIXED INCOME: US Treasury yields declined last week as weak economic data outweighed relatively strong earnings results. Ultimately, the 2-Year and 10-Year US Treasury yields ended at 4.06% and 3.44%, respectively, with the combination of sticky inflation data and soft March spending data keeping monetary policy expectations relatively unchanged. Still, the market is recognizing the challenge of materially cooling core inflation without a growth slowdown. Elsewhere, the 10-Year UK Gilt yield finished last week at 3.72%.

FX: The US dollar slightly depreciated against a basket of currencies last week, dropping -0.33% as economic indicators pointed to weaker US output. The euro and pound sterling strengthened against the US dollar to \$1.101 and \$1.256, respectively, with the former reaching its highest level in over a year. The yen depreciated against the US dollar to ¥136.26 as BoJ officials kept policy unchanged.

Economic Summary

GROWTH: US real GDP rose 1.1% annualized in the first quarter, 0.8 pp below consensus expectations. While below expectations on the surface, a deeper look reveals a degree of underlying resiliency. Much of the slowdown can be attributed to an inventory drag, with consumption accelerating 3.7% quarter-over-quarter. In the Euro area, GDP rose by 0.1% in the first quarter, below consensus expectations of a 0.2% increase. The year-over-year growth rates were positive for all countries in the region except for Germany, which contracted by -0.1% . Southern European countries outperformed the most on the back of strong exports and investments.

INFLATION: The Fed's preferred US inflation measure, core PCE, rose 4.6% YoY in March, in line with consensus expectations and slightly below the February print. The core index jumped 0.3% MoM. Employment costs continue to be a sticky point for the print, reinforcing the market's expectation for one additional FOMC rate hike in May.

MONETARY POLICY: Last week, the first BoJ policy meeting with new Governor Ueda ended with monetary policy kept unchanged. However, notable changes included the upward revision of the inflation outlook and the decision to scrap rate guidance. In the press conference, Governor Ueda also mentioned that the risk of premature monetary policy tightening remained greater than the risk of experiencing above-target inflation as a result of delayed tightening.

LABOR: Initial jobless claims declined by 16k to 230k relative to the week prior, below expectations and marking the fewest number of new weekly filers since March.



Key Economic Releases

Monday, May 1:

US Institute for Supply Management Manufacturing Index (Cons: 46.8, Prior: 46.3)

Tuesday, May 2:

US JOLTs Job Openings (Cons: 9725k, Prior: 9931k)
Euro area Consumer Price Index, year-over-year (Cons: 7.0%, Prior: 6.9%)

Wednesday, May 3:

FOMC Rate Decision (Upper Bound) (Cons: 5.25%, Prior: 5.00%)

Thursday, May 4:

ECB Rate Decision (Cons: 3.25%, Prior: 3.00%)
US Initial Jobless Claims (Cons: 240k, Prior: 230k)

Friday, May 5:

US Change in Nonfarm Payrolls (Cons: 180k, Prior: 236k)
US Unemployment Rate (Cons: 3.6%, Prior: 3.5%)

Source: Goldman Sachs Asset Management: "Market Monitor", 4/28/2023

"US GDP" refers to US Gross Domestic Product, quarter-over-quarter. "OPEC+" refers to the Organization of the Petroleum Exporting Countries and its allies. "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, the price per barrel for oil indices. "Oz." refers to ounce. "BoJ" refers to Bank of Japan. "US GDP" refers to US Gross Domestic Product, quarter-over-quarter, annualized. "Pp" refers to percentage point. "Euro area GDP" refers to Euro area Gross Domestic Product, quarter-over-quarter. "Fed" refers to Federal Reserve. "US core PCE YoY" refers to the US Personal Consumption Expenditure, excluding food and energy, year-over-year. "FOMC" refers to Federal Open Market Committee. "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 April 22.

Disclosure Statement

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