

MONDAY MORNING RECAP - May 8, 2023

Last Week

Dow Jones Industrial Average (DJIA)	33,674.38	-423.78	-1.24%
S&P 500 Index	4,136.25	-33.23	-0.80%
NASDAQ Composite Index	12,235.41	+8.83	+0.07%
U.S. 10 yr. Treasury Note Yield	3.44%	No Change	
Gold (\$ per troy oz.)	\$2,017.40	+\$27.30	+1.37%
WTI Oil (\$ per barrel)	\$71.34	-\$5.44	-7.09%

Market Summary

GLOBAL EQUITIES: Global equities broadly fell last week as the Fed and ECB delivered hawkish signaling alongside additional rate hikes. Ultimately, the S&P 500 fell -0.80% over the week. Moreover, continued US bank stress and concern over US debt ceiling negotiations contributed to a pick-up in volatility, with the VIX spiking 8.94% on the week. Meanwhile in Europe, the STOXX 600 fell -0.11%.

COMMODITIES: Oil prices fell sharply last week as slowing manufacturing activity from the world's largest importer, China, overshadowed significant inventory drawdowns. WTI and Brent crude ultimately closed lower at \$71.34 and \$75.30/bbl, respectively, as global growth concerns continued to build. Meanwhile, gold prices touched an all-time high last week on the back of lower interest rates, eventually closing at \$2017.40/troy oz.

FIXED INCOME: The spread between the 3-Month and 10-Year US Treasury yields deepened last week amid investor expectations of a pause from the Fed in June. The 3-Month US Treasury yield hit a multidecade high before closing at 5.20% as the debt ceiling stalemate drove uncertainty amongst investors. Meanwhile, the 2-Year US Treasury yield fell to 3.92% and the 10-Year US Treasury yield remained flat at 3.44%, as futures markets continued to price cuts from the Fed later this year. In Europe, the 10-Year German Bund yield closed lower at 2.29%.

FX: The US dollar depreciated against a basket of currencies last week as the FOMC's statement removed reference to "anticipating" future monetary policy firming. Additionally, US job openings came in softer than forecasters anticipated. Ultimately, the US dollar index closed the week down -0.24%. Elsewhere, the euro hit a 13-month high before closing at \$1.102, as the ECB signaled a longer rate hiking cycle.

Economic Summary

MONETARY POLICY: The FOMC raised the target range for the federal funds rate by 25 bps to 5.00 – 5.25%. Messaging in the statement was balanced, suggesting a pause in June but maintaining a hawkish bias. Additionally, commentary reiterated the expected lag from tighter credit conditions moving forward but emphasized that the US banking system is “sound and resilient.” Similarly, the ECB delivered a 25 bp hike this week, noting that past rate increases are now being transmitted forcefully into financial conditions. President Lagarde reiterated that risks to the inflation outlook remain skewed to the upside and that the Governing Council had “more ground to cover.”

LABOR: US labor market data was firm last week. Job openings moderated faster than consensus expected in March to 9.59mn, its lowest level since May 2021. However, nonfarm payrolls grew faster than consensus expected in April to 253k and the unemployment rate fell to 3.4%. As a result, the jobs-workers gap fell to 3.8mn as the labor market continued to show signs of a healthy rebalancing.

ACTIVITY: US activity data showed marginal improvement in April, with the ISM manufacturing and services indices increasing to 47.1 and 51.9, respectively. Commentary from each report did not suggest any impact from recent stresses in the banking sector. Meanwhile in Europe, an increase in services activity more than offset a sharp decline in manufacturing activity. As such, the composite PMI rose to 54.1.

INFLATION: Euro area Core HICP fell slightly to 5.60% year-over-year in April, in line with consensus expectations, but the level of sequential services inflation remained elevated.

Key Economic Releases

Monday, May 8:

No economic releases

Tuesday, May 9:

No economic releases

Wednesday, May 10:

US Core CPI year-over-year (Cons: 5.5%, Prior: 5.6%)

Thursday, May 11:

BoE Rate Decision (Cons: 4.50%, Prior: 4.25%)

US Core PPI year-over-year (Cons: 3.3%, Prior: 3.4%)

US Initial Jobless Claims (Cons: 243k, Prior: 242k)

Friday, May 12:

UK GDP year-over-year (Cons: 0.2%, Prior: 0.6%)

U. Mich. Consumer Sentiment (Cons: 63.0, Prior: 63.5)

Source: Goldman Sachs Asset Management: "Market Monitor", 5/5/2023

"Fed" refers to the Federal Reserve. "ECB" refers to the European Central Bank. "VIX" refers to the Chicago Board Options Exchange Volatility Index. "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. "Troy Oz" refers to troy ounce and is a measure for precious metals. "FOMC" refers to the Federal Open Market Committee. "FOMC" refers to Federal Open Market Committee. "Hawkish" refers to less accommodative monetary policy. "ECB" refers to the European Central Bank. "GIR" refers to Goldman Sachs Global Investment Research. "Nonfarm Payrolls" refers to the change in the number of people employed. "Jobs-Workers Gap" refers to the difference between the total number of jobs in the US economy and the size of the workforce. "ISM Manufacturing and Services Indices" refers to the Institute for Supply Management Purchasing Managers Indexes. "Composite PMI" refers to the Euro area composite Purchasing Managers Index. "Core HICP" refers to the Harmonized Index of Consumer Prices, excluding food and energy prices.

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