

MONDAY MORNING RECAP - May 15, 2023

Last Week

Dow Jones Industrial Average (DJIA)	33,300.62	-373.76	-1.11%
S&P 500 Index	4,124.08	-12.17	-0.29%
NASDAQ Composite Index	12,284.74	+49.33	+0.40%
U.S. 10 yr. Treasury Note Yield	3.46%	+2 bps	
Gold (\$ per troy oz.)	\$2,014.50	-\$2.90	-0.14%
WTI Oil (\$ per barrel)	\$70.04	-\$1.30	-1.82%

Market Summary

GLOBAL EQUITIES: US equities were mostly flat last week, though gains continued to be led by the largest names in the technology sector. A core US inflation print that was slightly stronger than consensus expected did not materially move the market, with US earnings releases and debt ceiling negotiations continuing to drive increasingly bearish investor sentiment. Ultimately, the S&P 500 ended down – 0.29%. In Japan, the TOPIX ended up 1.01% on the back of favorable earnings, signaling domestic manufacturing resiliency.

COMMODITIES: Oil prices slid further last week, with growing stockpiles in Cushing, Oklahoma and demand concerns contributing to price weakness. Overall, WTI and Brent crude closed lower at \$70.04 and \$74.17/bbl, respectively. Gold prices continued to hover just above the \$2000/troy oz mark, closing at \$2014.50/troy oz.

FIXED INCOME: Global sovereign yields edged higher last week as markets continued to digest the impact of central bank tightening cycles on growth. In the US, the 2-Year and 10-Year US Treasury yields rose 8 bps and 2 bps, respectively, on the back of a sticky inflation print suggesting a higher-for-longer path of US policy rates. In the UK, the 10- Year Gilt yield remained stable at 3.78% despite the 12th consecutive rate hike from the BoE.

FX: The US dollar strengthened against a basket of currencies last week as futures market participants priced a lower probability of rate cuts from the Fed this year. Ultimately, the US dollar index closed the week 1.35% higher. In Asia, BoJ Governor Ueda told the Japanese parliament that they will discuss a yield curve control exit strategy at future monetary policy setting meetings if needed. The Yen rose to ¥135.70 against the US dollar.

Economic Summary

INFLATION: US core CPI slightly moderated to 5.52% year-over-year in April, down from 5.59% in March. Importantly, shelter categories sustained their downward trend, reflecting a waning boost from expiring pandemic rent concessions and slowing growth in new rental pricing. Similarly, US core PPI fell to 3.2% in April from 3.4% the month prior. These prints suggest a continued easing of price pressures despite a still-firm labor market. In China, CPI in April came in at 0.1% year-over-year, the 3rd consecutive monthly decline despite evidence of an economic recovery underway.

MONETARY POLICY: The BoE hiked by 25 bps last week, bringing the Bank Rate to 4.50%. The updated economic projections showed notable upgrades to both growth and inflation, with the MPC no longer forecasting a recession. Additionally, the language on the path ahead for monetary policy was kept unchanged.

ACTIVITY: In the US, the Fed's Senior Loan Officer Opinion Survey conducted between March 27th and April 7th showed that lending standards for commercial real estate loans tightened. Specifically, 67% of banks reported tightening standards for nonfarm nonresidential property loans, a 9 pp increase. On net, the report was better than invertors feared but uncertainty regarding the timing of tightening remains high. Meanwhile, UK GDP expanded by 0.1% in Q1 despite a contraction in March. The quarterly expenditure breakdown showed that growth in Q1 was driven by positive contributions from gross capital formation, while government consumption and net exports acted as a drag.

Key Economic Releases

Monday, May 15:

China Industrial Production YoY (Cons: 10.1%, Prior: 3.9%)
China Retail Sales YoY (Cons: 20.1%, Prior: 10.6%)

Tuesday, May 16:

US Retail Sales MoM (Cons: 0.6%, Prior: -0.6%)
NAHB Housing Market Index (Cons: 45, Prior: 45)
US IP MoM (Cons: -0.1%, Prior: 0.4%)

Wednesday, May 17:

Euro area CPI YoY (Cons: 7.0%, Prior: 6.9%)
US Housing Starts (Cons: 1.400M, Prior: 1.420M)

Thursday, May 18:

US Existing Home Sales (Cons: 4.30M, Prior: 4.44M)
US Initial Jobless Claims (Cons: 253k, Prior: 264k)

Friday, May 19:

No economic releases

Source: Goldman Sachs Asset Management: "Market Monitor", 5/12/2023

"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. "Troy Oz" refers to troy ounce and is a measure for precious metals. "Bps" refers to basis points. "BoE" refers to the Bank of England. "Fed" refers to the Federal Reserve. "BoJ" refers to the Bank of Japan. "Core CPI" refers to Consumer Price Index, excluding food and energy. "Core PPI" refers to Producer Price Index, excluding food and energy. "BoE" refers to the Bank of England. "MPC" refers to the Monetary Policy Committee. "PP" refers to percentage points. "GDP" refers to Gross Domestic Product. "GIR" refers to Goldman Sachs Global Investment Research.

Disclosure Statement

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