

MONDAY MORNING RECAP - May 22, 2023

Last Week

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|-------------------------------------|------------|----------|--------|
| Dow Jones Industrial Average (DJIA) | 33,426.63 | +126.01 | +0.38% |
| S&P 500 Index | 4,191.98 | +67.90 | +1.65% |
| NASDAQ Composite Index | 12,657.90 | +373.15 | +3.04% |
| U.S. 10 yr. Treasury Note Yield | 3.70% | +24 bps | |
| Gold (\$ per troy oz.) | \$1,978.70 | -\$35.80 | -1.78% |
| WTI Oil (\$ per barrel) | \$71.55 | +\$1.51 | +2.16% |

Market Summary

GLOBAL EQUITIES: US equities ended the week higher, as many investors demonstrated optimism for a debt ceiling resolution ahead of the House vote. Concerns over additional rate hikes resurfaced, as initial jobless claims fell more than consensus expected, indicating a still tight labor market. Ultimately, the S&P 500 ended up 1.65%. In Europe, first quarter earnings results printed above consensus expectations, driving the Euro Stoxx 600 and FTSE 100 0.85% and 0.20% higher, respectively.

COMMODITIES: Oil prices rose last week, as the IEA raised its estimate for global oil demand due to increased China consumption. In fact, global oil demand hit the highest level on record in March, rising 3.0 mb/d MoM, driven by rising demand from both China and the US. Ultimately, WTI and Brent crude closed higher at \$71.55 and \$75.58/bbl, respectively.

FIXED INCOME: Last week, US Treasury yields increased on the back of stronger manufacturing data than consensus expected and optimism surrounding US debt ceiling negotiations, both of which contributed to risk-on sentiment. Fed Chairman Powell's comments on whether interest rates need to rise further caused yields to ease, though ultimately the 2- Year and 10-Year US Treasury yields closed the week higher to 3.70% and 4.29%, respectively. This risk-on sentiment also translated across the ocean, with the 10-Year German Bund and UK Gilt yields rising to 2.43% and 4.00%, respectively.

FX: Last week, the US dollar strengthened, appreciating 0.45% against a basket of currencies following optimism a bipartisan deal will be reached to raise the debt ceiling and improving labor market data. In Europe, the euro closed lower at \$1.08 on the back of ECB commentary indicating that tightening is nearing its final stages.

Economic Summary

ACTIVITY: In the US, retail sales increased 0.4% in April, less than consensus expectations. The figure reflected a surprise decline in gasoline sales but was balanced by a larger increase in core retail sales. Meanwhile, industrial production increased 0.5% in April, above consensus expectations as auto production rose. Similarly, housing starts increased by 2.2% in April, against consensus expectations for a 1.4% decline. The composition was strong, as both single-family and multifamily starts increased. Lastly, the Philly Fed manufacturing index increased by more than expected in May, as the new orders and shipments components rose. In China, last week's releases showed softer data in April, after a strong first quarter. Industrial output, investment, and retail sales all missed expectations in April, generally showing weak or negative sequential growth.

LABOR: Initial jobless claims fell by 22k to 242k in the week ended May 13, below consensus expectations. The four-week moving average of claims, which smooths out volatility, fell by 1k to 244k. In the UK, the March labor market report showed further rebalancing in the labor market with the unemployment rate edging up to 3.9%, 0.4 pp above last summer's trough. However, growth in basic pay came in higher at 6.7% suggesting continued wage pressures.

INFLATION: In Japan, Q1 GDP growth estimate came in at +1.6% QoQ annualized, well above the consensus estimate of +0.8%. The positive surprise was primarily driven by consumption and capital expenditures. Additionally, Japan CPI ex. fresh food & energy rose +4.1% YoY in April, adding renewed pressures to the Bank of Japan to normalize currently easy policy.

Key Economic Releases

Monday, May 22:

No economic releases

Tuesday, May 23:

US Services PMI (Cons: 52.6, Prior: 53.6)
Euro area Manufacturing PMI (Cons: 46.2, Prior: 45.8)
Euro area Services PMI (Cons: 55.6, Prior: 56.2)

Wednesday, May 24:

UK CPI (Cons: 8.3%, Prior: 10.1%)

Thursday, May 25:

US GDP (Cons: 1.1%, Prior: 2.6%)
US Initial Jobless Claims (Cons: 250k, Prior: 242k)

Friday, May 26:

US Core PCE (Cons: 0.3%, Prior: 0.3%) US Personal Spending (Cons: 0.4%, Prior: 0.0%) UK Retail Sales (Prior: 0.4%, Prior: -0.9%)

Source: Goldman Sachs Asset Management: "Market Monitor", 5/19/2023

"IEA" refers to the International Energy Agency. "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. "Bps" refers to basis points. "BoE" refers to the Bank of England. "Fed" refers to the Federal Reserve. "Hawkish" refers to less accommodative monetary policy. "ECB" refers to the European Central Bank. "Fed" refers to the Federal Reserve. "Philly Fed Manufacturing Index" refers to the Philadelphia Fed Manufacturing Index. "Core Retail Sales" refers to excluding autos, gasoline and building materials. "GDP" refers to gross domestic product. "QoQ" refers to quarter-over-quarter. "YoY" refers to year-over-year. "CPI" refers to consumer price index.

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