

MONDAY MORNING RECAP - August 21, 2023

Last Week

Dow Jones Industrial Average (DJIA)	34,500.66	-780.74	-2.21%
S&P 500 Index	4,369.71	-94.34	-2.11%
NASDAQ Composite Index	13,290.78	-354.07	-2.59%
U.S. 10 yr. Treasury Note Yield	4.26%	+10 Basis Points	
Gold (\$ per troy oz.)	\$1,886.10	-\$26.80	-1.40%
WTI Oil (\$ per barrel)	\$81.25	-\$1.94	-2.33%

Market Summary

GLOBAL EQUITIES: US equities tumbled last week on the back of higher interest rates, potential rating downgrades in the financial sector, and concerning China growth signals. Ultimately, the S&P 500 fell -2.11%. In Europe, the STOXX 600 and FTSE 100 declined -2.30% and -3.38%, respectively, as a selloff in bonds caused European bond yields to spike and weigh on equity valuations. In Asia, the Hang Seng also fell -5.89%.

COMMODITIES: Oil prices declined last week following the release of disappointing economic data in China and a decline in US demand for gasoline and diesel fuel. Despite a sharp drawdown in US crude inventories, WTI and Brent crude closed lower at \$81.25 and \$84.80/bbl, respectively. Meanwhile, gold prices fell to a five-month low of \$1886.10/troy oz. on the back of higher interest rates and a stronger US dollar.

FIXED INCOME: Global sovereign yields rose last week as hawkish central banks on both sides of the Atlantic fueled investor fears that rates may need to remain higher for longer. In the US, the 2-Year and 10-Year US Treasury yields rose to 4.94% and 4.26%, respectively, with the latter reaching its highest level since 2007. Similarly, in Europe, the 10-Year UK Gilt yield rose to 4.67%, its highest level since 2008, and the 10-Year German Bund yield stayed at 2.62%, still its highest level since 2011.

FX: The US dollar appreciated to a near two-month high against a basket of currencies last week, ultimately rising 0.57% alongside much stronger-than-consensus US retail sales data. Consequently, the euro fell to \$1.087. Elsewhere, the yen depreciated to ¥145.31 against the dollar, its lowest level since November 2022. The BoJ has previously intervened at these levels to support the value of the yen.

Economic Summary

RETAIL SALES: US retail sales rose 0.7% MoM in July, higher than consensus expectations for a 0.4% increase and representative of an acceleration from a 0.3% increase in June. Even stronger were core retail sales, which rose 1.0% in July, against consensus expectations for a 0.4% change. A 1.9% jump in non-store category sales contributed to the strong print and came on the back of record Amazon Prime Day sales. In China, nominal retail sales growth disappointed in July, coming in at 2.5% YoY against consensus expectations for a 4.5% increase.

ACTIVITY : US industrial production rose 1.0% in July, above consensus expectations for a 0.3% increase, with capacity utilization increasing 0.7 pp to 79.3%. The Philadelphia Fed Manufacturing Index also increased by more than expected in August, jumping 25.5 pts back into expansionary territory at 12.0 pts. In China, industrial production rose 3.7% YoY, below consensus expectations for a 4.4% increase.

LABOR: The UK labor market loosened as the unemployment rate increased 0.2 pp in June to 4.2%. However, wage growth came in at 7.8% YoY, well above consensus expectations, which were at 7.4%.

MONETARY POLICY: The July FOMC meeting minutes noted that “almost all” participants supported a 25 bp hike in July and that “a couple” of participants preferred no hike. “Most” participants continued to see significant upside risks to inflation, though they acknowledged tentative signs of easing price pressures. Fed staff also no longer expect the US to enter a recession given stronger-than-expected activity data since mid-March’s banking stress. In Japan, national new core CPI accelerated 0.1 pp in June to rise 4.3% YoY in July, likely putting additional pressure on the BoJ to normalize monetary policy.



Key Economic Releases

Monday, August 21:

No economic releases

Tuesday, August 22:

US Existing Home Sales (Cons: 4.15m, Prior: 4.16m)

Wednesday, August 23:

US Manufacturing PMI (Cons: 49.0, Prior: 49.0) US Services PMI (Cons: 52.0, Prior: 52.3) Euro Area Manufacturing PMI (Cons: 42.6, Prior: 42.7)

Thursday, August 24:

Japan Tokyo Core CPI (Cons: 2.9%, Prior: 3.0%)

Friday, August 25:

US U. Mich. Cons. Sentiment (Cons: 71.2, Prior: 71.2)

Source: Goldman Sachs Asset Management: "Market Monitor", 8/18/2023

"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. "Oz" refers to ounce. "Hawkish" refers to less accommodative monetary policy. "BoJ" refers to Bank of Japan. "MoM" refers to month-over-month. "Core retail sales" refer to US retail sales, excluding automobiles, gas, building materials, and food services. "YoY" refers to year-over-year. "Pp" refer to percentage points. "Pts" refers to points. "FOMC" refers to Federal Open Market Committee. "Bps" refers to basis points. "Fed" refers to Federal Reserve. "National new core CPI" refers to Japan National Consumer Price Index, excluding fresh food and energy.

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