

MONDAY MORNING RECAP - August 28, 2023

Last Week

Dow Jones Industrial Average (DJIA)	34,346.90	-153.76	-0.45%
S&P 500 Index	4,405.71	+36.00	+0.82%
NASDAQ Composite Index	13,590.65	+299.87	+2.26%
U.S. 10 yr. Treasury Note Yield	4.25%	-1 Basis Point	
Gold (\$ per troy oz.)	\$1,911.10	+\$25.00	+1.33%
WTI Oil (\$ per barrel)	\$79.83	-\$0.83	-1.03%

Market Summary

GLOBAL EQUITIES: Global equities rose early last week but broadly pared gains mid-week as sentiment turned negative. The S&P 500 closed more than 1% higher or lower on consecutive days for the first time since March as the index rallied on favorable tech earnings. Ultimately, the S&P 500 ended last week up 0.82%.

COMMODITIES: Oil prices declined last week as ongoing worries over China and mixed macro news in the US spurred global demand concerns. WTI and Brent crude finished last week lower at \$79.83 and \$84.48/bbl, respectively, despite another larger-than-consensus drawdown in US crude inventories. Conversely, gold prices broke a streak of nine consecutive days of declines, ending last week higher at \$1911.10/troy oz.

FIXED INCOME: US Treasury yields rose last week as Fed Chairman Powell signaled firm intention to reach a 2% inflation target. Mid-week, the 10-Year US Treasury yield reached its highest level since November 2007, as investors digested manufacturing and services prints that point to a resilient US economy. Ultimately, the 2-Year and 10-Year US Treasury yields ended the week higher at 5.05% and 4.25%, respectively. Meanwhile, in the UK, the 10-Year Gilt yield reversed gains from the week prior, falling to 4.44% as retail sales printed weaker than consensus expected.

FX: The US dollar appreciated against a basket of currencies last week, rising 0.84% as Powell signaled that policymakers have not yet concluded that the benchmark rate is high enough. Consequently, the euro depreciated to \$1.08. Elsewhere, Japanese yen appreciated to ¥146.34 against the dollar.

Economic Summary

MONETARY POLICY: In the US, Fed Chairman Powell communicated that the FOMC is “attentive to signs that the economy may not be cooling as expected” but balanced the message by noting that they will “proceed carefully” when deciding whether to hike or hold the policy rate constant at future meetings. In China, the PBOC cut the 1-year Loan Prime Rate (LPR) by –10bp to 3.45% and left the 5-year LPR unchanged at 4.20%, to support a sputtering recovery. That said, the cuts were smaller than expected, highlighting authorities’ reluctance to take more forceful measures to reverse the slowdown.

ACTIVITY: In the US, service sector business activity growth printed below consensus expectations at 51.0, erasing growth in the second quarter. Similarly, existing home sales declined by –2.2%, below consensus expectations for a smaller decline, driven by weaker sales for single-family units, condos, and co-ops.

MANUFACTURING: The US Manufacturing PMI fell deeper into contractionary territory in July, declining more than consensus expected to 47.0 from 49.0. The fall reflects the fourth consecutive month of contraction and demonstrates a more tepid image of the economy. In the Euro area, composite flash PMI decreased by –1.6 pts to 47.0, below consensus expectations, as the region’s downturn spread further from manufacturing to services sectors. Despite weakening activity, underlying price pressures appear to be persistent, suggesting that the ECB’s tightening cycle may have further to go. In the UK, the composite flash PMI also decreased by –2.9 pts to 47.9, below consensus expectations.

Key Economic Releases

Monday, August 28:

No economic releases

Tuesday, August 29:

US JOLTs Job Openings (Cons: 9.8M, Prior: 9.6M)

Wednesday, August 30:

US Real GDP (Cons: 2.4%, Prior: 2.0%)
 German CPI (Cons: 6.0%, Prior: 6.2%)
 China Manuf. PMI (Cons: 49.5, Prior: 49.3)

Thursday, August 31:

US Core PCE (Cons: 4.2%, Prior: 4.1%)
 US Chicago PMI (Cons: -, Prior: 42.8)
 Euro area CPI (Cons: 5.1%, Prior: 5.3%)
 Euro area Unempl. Rate (Cons: 6.4%, Prior: 6.4%)

Friday, September 1:

US Nonfarm Payrolls (Cons: 170K, Prior: 187K)
 US Unemployment Rate (Cons: 3.5%, Prior: 3.5%)
 US ISM Manuf. PMI (Cons: 46.4, Prior: 46.4)

Source: Goldman Sachs Asset Management: "Market Monitor", 8/25/2023

"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. "Fed" refers to Federal Reserve. "MoM" refers to month-over-month. "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. "PMI" refers to Purchasing Managers' Index.

Disclosure Statement

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