

MONDAY MORNING RECAP - September 18, 2023

Last Week

Dow Jones Industrial Average (DJIA)	34,618.24	+41.65	+0.12%
S&P 500 Index	4,450.32	-7.17	-0.16%
NASDAQ Composite Index	13,708.33	-53.19	-0.39%
U.S. 10 yr. Treasury Note Yield	4.33%	+7 Basis Points	
Gold (\$ per troy oz.)	\$1,923.70	+\$5.30	+0.28%
WTI Oil (\$ per barrel)	\$90.77	+\$3.26	+3.73%

Market Summary

GLOBAL EQUITIES: Last week, the S&P 500 drifted lower in anticipation of the CPI print, rallied after strong retail sales data, but then pared gains on Friday following auto worker strikes and higher volatility. The S&P 500 ultimately finished -0.16% lower. In Europe, the STOXX 600 and FTSE 100 rose 1.60% and 3.12%, respectively, despite an ECB rate hike, suggesting markets may now have higher conviction that the ECB has concluded its hiking campaign.

COMMODITIES: Oil prices rose last week as markets continued to price the impact of Saudi Arabia and Russia's extension of production cuts through year-end. The IEA also predicted such cuts would result in a market deficit through 4Q 2023, underscoring concerns over tight supply. Ultimately, WTI and Brent crude ended higher at \$90.77 and \$93.93/bbl, respectively, the former closing above \$90 for the first time in 2023.

FIXED INCOME: Global interest rate movements were modest last week despite meaningful data releases in the US and a widely-scrutinized ECB meeting in Europe. On the former, the 10-Year US Treasury yield increased to 4.33% following a firm CPI print and retail sales rising more than consensus expected. On the latter, the 10-Year German Bund yield rose to 2.68% following a 25 bp hike by the ECB, with the Governing Council pledging that rates will be set at sufficiently restrictive levels for as long as needed.

FX: The US dollar strengthened against a basket of currencies last week, hitting its highest level since December 2022, closing 0.25% higher on the back of firm US inflation and strong consumption data. In Europe, the euro weakened against the greenback despite a move higher in the ECB's policy rate, ultimately falling to \$1.066 following a notable downgrade in the ECB's near-term growth projection.

Economic Summary

CONSUMER: US retail sales rose 0.6% month-over-month in August, beating consensus expectations for a 0.1% increase. Core retail sales rose 0.1% month-over-month, also beating consensus expectations for a -0.1% decrease. These prints were strong, especially considering the high hurdle from the 1.5% boost in non-store sales from record sales on Amazon Prime Day in the prior month. Meanwhile, University of Michigan's index of consumer sentiment decreased -1.8 pts to 67.7 in September, below consensus expectations for a 69.0 print.

INFLATION: Headline US CPI accelerated from 3.2% in July to 3.7% in August, against consensus expectations for a slightly lower increase, on the back of higher energy prices. Meanwhile, core CPI decelerated from 4.7% in July to 4.3% in August, in line with consensus expectations, though rent, healthcare, and car insurance prices remained firm.

MONETARY POLICY: Last Thursday, the ECB hiked key policy rates by 25 bps to 4.00%. While its inflation forecasts were revised down slightly, the ECB forecasted that core inflation will remain above 2% through the end of 2025. Furthermore, the ECB downgraded its near-term growth projections due to weaker activity data and signs of stronger policy transmission.

LABOR: In the UK, the labor backdrop continued to be mixed. On one hand, the unemployment rate increased by 0.1pp to 4.3% in July, in line with consensus expectations, suggesting labor market rebalancing at a faster pace than the BoE's projections. On the other hand, basic pay growth remained above the BoE's projections, coming in at 7.8% year-over-year in July.

Key Economic Releases

Monday, September 18:

No economic releases

Tuesday, September 19:

Euro Area CPI (Cons: 5.3%, Prior: 5.3%)

Wednesday, September 20:

FOMC Meeting (Cons: 5.50%, Prior: 5.50%)

UK CPI (Cons: 7.0%, Prior: 6.8%)

Thursday, September 21:

BoE Meeting (Cons: 5.50%, Prior: 5.25%)

BoJ Meeting (Cons: -0.10%, Prior: -0.10%)

Friday, September 22:

US Manufacturing PMI (Cons: 47.9, Prior: 47.9)

Euro Area Manufacturing PMI (Cons: 43.7, Prior: 43.5)

Source: Goldman Sachs Asset Management: "Market Monitor", 9/15/2023

"CPI" refers to Consumer Price Index. "ECB" refers to European Central Bank. "IEA" refers to 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. "Bp" refers to basis points. Page "Pts" refers to points. "Core CPI" refers to Consumer Price Index, year-over-year, excluding food and energy. "ECB" refers to European Central Bank. "BoE" refers to Bank of England.

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