

Macro Monday

TD Ameritrade Institutional Trading Services

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Institutional

Nov 28 – Dec 2
2022

Key Market Levels:

	Fri 4pm ET	YTD	S&P500 Sector	3 Month
S&P 500	4,026	-15.53%	Communications	-6.76%
NASDAQ COMPOSITE	11,226	-28.24%	Discretionary	-8.27%
DJIA	34,347	-5.48%	Energy	+14.89%
Russell 2000	1,869	-16.75%	Financials	+9.79%
Int'l Developed	1,963	-15.97%	Health Care	+9.73%
VIX	20.50	16.3Lo/38.9Hi	Industrials	+9.92%
Oil	76.55	+1.46%	Materials	+10.79%
Gold	1,770	-4.10%	Real Estate	-6.01%
Bitcoin	16,505	-64.46%	Staples	+5.09%
US 10 yr	3.69%	+218 bps	Technology	+0.56%
US 30 yr	3.75%	+194 bps	Utilities	-4.91%

Recapping Last Week

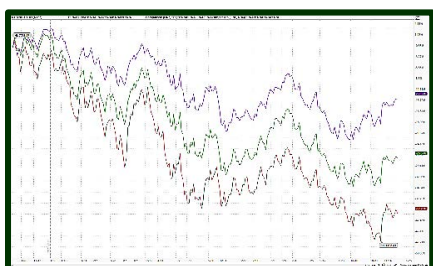
U.S. equities finished **moderately higher** in a shortened week after minutes from the latest FOMC meeting confirmed that the pace of **interest rate hikes** is likely to slow. The S&P500 Index gained 1.5%, while the Russell 2000 advanced 1% and the Nasdaq Composite added 0.7%. **Volatility** plunged to a 3-month low, with the VIX settling at 20.50. All 11 **S&P sectors** ended positive, led by 3% gains in **basic materials** and utilities. **Crude oil** slid another 4.5%, nearly reaching new 2022 lows as rumors of an OPEC **output increase** circulated. **U.S. Treasury yields** fell, but the Fed minutes reminded investors that the **terminal funds rate** could exceed 5%, up from 4.6% at the prior meeting. U.S. economic data reflected the strains of **higher inflation** and interest rates, as **flash PMIs** fell to 2.5-year lows and remained in contraction territory for the fifth straight month. **Jobless claims** rose to a 3-month high and continuing claims climbed, signs of some labor market cooling. **Durable goods** orders rebounded in October, while **new home sales**, which are volatile month-to-month, jumped unexpectedly despite high prices. The **U.S. consumer** stayed resilient, as early Black Friday results showed a record \$9.12B spent online, up 2.3% YoY. Flexible **payment plans** were a big driver of sales, consistent with recent reports of rising consumer credit. Overseas, Germany's **producer prices** dropped in October, but YOY PPI remained high at 34.5%. Business activity improved slightly in the Eurozone's largest economy, and **consumer sentiment** stabilized after the German government finally agreed on legislation to cap household gas bills. Elsewhere, accounts of the October **ECB meeting** revealed no surprises. On Friday, **China's central bank** cut the reserve requirement for the second time this year, freeing up long-term liquidity for banks to aid the **weakening economy**. Lastly, **core CPI** in Japan rose 2.7% MoM in October, rising even faster in Tokyo as power bills and food prices combined with surging **import costs**. Despite the data, the **BOJ** is unlikely to deviate from its ultra-loose monetary policy.

The Week Ahead

A full slate of action is scheduled for this post-holiday week, highlighted by the **U.S. jobs report** and another inflation update. The trend towards **layoffs** has picked up steam recently, but with almost two openings per job seeker, the data is likely to take time to filter into the official employment report. The Fed will be watching for any material changes in Friday's report, as well as the preceding **JOLTS** and **ADP** releases. **FOMC Chair Powell** speaks Wednesday at the Brookings Institution, with the focus on the economic outlook and **labor market**. Slightly hawkish commentary in line with November's FOMC remarks are likely but should not move the fed funds futures curve much. On Thursday, the Fed's preferred measure of inflation, the **Core PCE Price Index**, is anticipated to ease slightly but remain elevated despite how much **growth** has stalled. Other U.S. events of note include **consumer confidence**, the second estimate of Q3 GDP, pending home sales, and ISM Manufacturing PMI. Additionally, investors hope that holiday supply chains aren't derailed by a potential **railway strike**, as union leaders try to reach a deal before December 9. On the international calendar, Europe's **November CPI** may reveal some signs of improvement as energy prices have come down, while **China's PMIs** are expected to linger in contraction as **protests** erupt across the country because of lockdown restrictions.

Chart of the Week: A Rough Year for Big Tech

The NYSE FANG Index (NYFANG) **represents** 10 of the largest **technology growth stocks** in the market and had an **impressive recovery** after the initial pandemic drop, tripling in value from low to high. For comparison, the Nasdaq-100 Index rallied 100%



Source: thinkorswim

over the same period, while the S&P500 advanced 50%. When **tougher market conditions** arrived the FANG stocks had quite a fall, currently down 40% in the past year while other indexes fared much better. Hopes of a **renewed bull market** will likely need FANG stocks to make up some ground to stay alive. Click here to view [chart](#).

Monday:

EU ECB President Lagarde Speaks

Japan Retail Sales y/y
5.0% exp, 4.5% prior

Tuesday:

EU German Prelim CPI m/m
-0.2% exp, 0.9 prior

Canada GDP m/m
0.2% exp, 0.1% prior

U.S. CB Consumer Confidence
100.0 exp, 102.5 prior

China PMIs
49.2/48 exp, 49.2/48.7 prior

Wednesday:

EU CPI Flash Estimate y/y
10.4% exp, 10.6% prior

U.S. Prelim GDP q/q
2.8% exp, 2.6% prior

U.S. Fed Chair Powell Speaks

U.S. ADP Non-Farm Employment
200K exp, 239K prior

U.S. JOLTS Job Openings
10.36M exp, 10.72M prior

U.S. Pending Home Sales m/m
-5.0% exp, -10.2% prior

Thursday:

U.S. Core PCE Price Index m/m
0.3% exp, 0.5% prior

U.S. ISM Manufacturing PMI
49.8 exp, 50.2 prior

U.S. Personal Income/Spending
0.4/0.4% exp, 0.8/0.6% prior

Friday:

U.S. Non-Farm Employment Change
200K exp, 261K prior

Canada Employment Change
10.5K exp, 108.3K prior

Source: forexfactory.com

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CONTACT OUR STRATEGY DESK:

✉ inststrategydesk@tdameritrade.com
strategydesk@schwab.com

☎ 1-800-227-0816

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