

# **Key Market Levels:**

	Fri 4pm ET	YTD	S&P500 Sector	3 Month
S&P 500	3,586	-24.77%	Communications	-15.55%
NASDAQ COMPOSITE	10,576	-32.40%	Discretionary	-2.68%
DJIA	28,726	-20.95%	Energy	+1.51%
Russell 2000	1,665	-25.86%	Financials	-5.36%
Int'l Developed	1,661	-29.90%	Health Care	-7.37%
VIX	31.58	16.3Lo/38.9Hi	Industrials	-5.77%
Oil	79.62	+5.53%	Materials	-6.86%
Gold	1,670	-8.80%	Real Estate	-12.66%
Bitcoin	19,431	-58.16%	Staples	-8.46%
US 10 yr	3.80%	+229 bps	Technology	-10.60%
US 30 yr	3.77%	+187 bps	Utilities	-6.17%

# **Recapping Last Week**

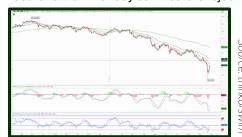
It was another rough week for U.S. equities as the tight U.S. labor market kept inflation pressures elevated in volatile trading. The S&P500 Index dropped 3% to reach a new YTD low, while the Nasdaq Composite fell 2.5%+ as Apple backed off plans to increase iPhone production on soft demand. The Russell 2000 outperformed with a loss of less than 1%. Ten of 11 S&P500 sectors finished lower, as both utilities and real estate plunged 8.5%+ and 4% respectively under the weight of higher interest rates. The U.S. dollar and Treasury yields slowed their parabolic ascents, but Fed policy makers pressed on with hawkish rhetoric despite economic data revealing pockets of worsening conditions. A midweek stock rally was quickly squashed on Thursday when jobless claims came in at 193K, signaling that the employment picture is strengthening even as the Fed tries to cool things off. The resulting inflation stresses reflected in the August Core PCE Price Index, which rose 0.6% MoM and 4.9% YoY, both above estimates and higher than the prior month. Durable goods orders excluding aircraft rose 1.3% in August, but some of the surge was attributed to higher prices. U.S. home prices tumbled in July at the quickest rate in the index's history as nominal pending sales fell to April 2020 levels. The U.S. trade balance narrowed in August, suggesting a tailwind for Q3 GDP, but imports and exports both declined due to the strong dollar, rising inventories, and slowing domestic demand. On the bright side, consumer confidence lifted, supported by rising wages and lower gas prices, as personal income rose 0.3% in August and spending gained 0.4%. Five-year inflation expectations declined to 2.7%, the lowest since July 2021. Internationally, the Bank of **England** suspended its planned gilt-selling program and will instead buy longer-dated bonds to stabilize market conditions. The pound rallied from historic lows after the announced action. On the continent, Eurozone CPI reached 10% YoY in September, and skyrocketing energy prices were further threatened by suspicious leaks discovered in the Nord Stream natural gas pipelines. ECB president Lagarde promised additional rate hikes despite cooling economic activity. Finally, China's official manufacturing PMI turned positive in September, but services slowed and the private Caixin survey showed declining output, new orders, and employment.

## The Week Ahead

This week is filled with more **Fed speak** along with the monthly U.S. **employment data**. Estimates are pointing towards around 250K jobs added for September, and the JOLTS report is expected to show over **11M openings** still available. Unless those figures start to come down or the economy starts to exhibit significant **stress signals**, the Fed is likely to stay on an aggressive hiking path. Today and Tuesday will feature U.S. **ISM PMIs** and factory orders, which are expected to turn positive in August. Overseas, the week kicks off with Australia's **central bank** decision on interest rates. The RBA is anticipated to deliver a fifth straight 50bps hike even as the **housing market** shows signs of slowing. On Wednesday, **OPEC+** meets as the organization considers lowering production by up to 1 million barrels per day to support prices. **Crude oil** has closed below \$80 for two consecutive weeks. In Europe, **final PMIs** will be updated along with producer prices and **retail sales** for the region, while Germany's factory orders and industrial production numbers will shed light on how the **energy crisis** is impacting manufacturing.

#### Chart of the Week: Cable's Rollercoaster

The **British pound**/U.S. dollar currency pair (GBP/USD, also known as "cable") hit a record low on Monday as investors rejected the new government's **tax and spending** 



plans. Cable has been under pressure for some time due to dollar strength, but this poured fuel on the fire, sending the pair down 27% from last May's highs and 23% YTD as of last Monday's low.

Sentiment stretched to extreme levels, allowing a slight rebound the rest of the week, but the struggles are far from over.

The pair's record high since being allowed to float freely in 1971 was \$2.649 a year later. After hitting \$1.03 last week and with analysts expecting **parity by November**, it's had quite the fall from grace. Click here to view **chart**.



# October 3 - 7

2022

#### Monday:

U.S. ISM Manufacturing PMI 52.5 exp, 52.8 prior

Japan Tokyo Core CPI y/y 2.8% exp, 2.6% prior

Australia RBA Rate Statement

#### Tuesday:

EU PPI m/m 4.9% exp, 4.0% prior

U.S. JOLTS Job Openings 11.35M exp, 11.24M prior

U.S. Factory Orders m/m 0.2% exp, -1.0% prior

#### Wednesday:

U.S. ADP Employment Change 200K exp, 132K prior

U.S. ISM Services PMI 56.9 prior

**OPEC-JMMC Meetings** 

#### Thursday:

EU German Factory Orders m/m -0.5% exp, -1.1% prior

EU Retail Sales m/m -0.3% exp, 0.3% prior

**EU ECB Monetary Policy Mtg Minutes** 

U.S. Unemployment Claims 205K exp, 193K prior

#### Friday:

U.S. Non-Farm Employment Change 265K exp, 315K prior

EU German Industrial Prod m/m -0.5% exp, -0.3% prior

U.S. Consumer Credit m/m 25.0B exp, 23.8B prior

Canada Employment Change 22.5K exp, -39.7K prior

China Caixin Services PMI 54.6 exp, 55.0 prior

Source: forexfactory.com

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