

Macro Monday

TD Ameritrade Institutional Trading Services

TD Ameritrade
Institutional

March 21 - 25
2022

Key Market Levels:

	Fri 4pm ET	YTD	S&P500 Sector	3 Month
S&P 500	4,463	-6.36%	Communications	-12.65%
NASDAQ COMPOSITE	13,894	-11.19%	Discretionary	-10.49%
DJIA	34,755	-4.36%	Energy	+34.57%
Russell 2000	2,086	-7.09%	Financials	+0.46%
Int'l Emerging	1,122	-8.94%	Health Care	-1.66%
VIX	24.00	16.3Lo/38.9Hi	Industrials	-1.04%
Oil	102.91	+36.39%	Materials	-2.50%
Gold	1,921	+4.90%	Real Estate	-5.39%
Bitcoin	42,243	-9.05%	Staples	-1.41%
US 10 yr	2.15%	+64 bps	Technology	-10.33%
US 30 yr	2.42%	+51 bps	Utilities	+1.56%

Recapping Last Week

U.S. equities posted strong gains in a **broad-based rally** despite ongoing concerns over the war in Ukraine, interest rate hikes, and pandemic-related lockdowns in China. The **Nasdaq Composite Index** soared 8%+, while the S&P500 and Russell 2000 jumped 5-6%. Ten of 11 S&P500 sectors finished higher, led by consumer discretionary, financials and **technology**. **Crude oil** fell nearly 6% but remained above \$100 per barrel in volatile trading as OPEC's February output fell short of targets, exacerbating supply fears. U.S. Treasury yields leapt to 3-year highs after the **FOMC** raised rates by 25bps and signaled 6 more hikes in 2022. The Fed's updated economic projections reflected much higher inflation and lower GDP growth, with this year's **core PCE** expected to expand by 4.1% versus December's 2.7% estimate. GDP was sliced to 2.8% from 4% on the potential impact from the war. Elsewhere, **U.S. PPI** was up 0.8% MoM and 10% YoY in February, largely fueled by the spike in gasoline prices. U.S. **retail sales** grew less than forecasts in February as consumers slowed spending after a torrid start to the year. **Manufacturing** activity declined in the New York region but rose more than expected in the Philadelphia area, even as the prices paid component reached a 43-year high. **Industrial production** increased in-line with expectations as capacity utilization inched up to 77.6%. The U.S. housing market remained hot, with February's **housing starts** and permits above consensus, while existing home sales dropped as tight supply and strong demand continued to push prices higher. Internationally, the **Bank of England** raised rates for a third straight meeting but conveyed a more dovish tone, citing recession risks. The war and economic sanctions hit **Eurozone investor sentiment** hard, with Germany's ZEW index plunging a record amount in March. In China, stocks initially plummeted but rebounded sharply after the government pledged to **support capital markets** in the face of Covid lockdowns. The country also reported better-than-expected retail sales and industrial production growth to start the year. Finally, **Canada's CPI** increased 5.7% YoY in February, levels not seen since 1991.

The Week Ahead

With the **FOMC** in the rearview mirror and a much lighter economic calendar, the potential for stocks to build on gains will depend on several factors. There was a faint glimmer of hope that a **ceasefire** might emerge in eastern Europe, which faded by last week's end. Oil prices and fresh Covid outbreaks will be closely monitored. The S&P500 regained some important ground but more work is needed (see tweet [here](#)). **Flash PMIs** from across the globe are the main event on the schedule, and the numbers from Europe may offer clues to **economic downturn** risks given the inflationary effects of the region's dependency on Russian oil and gas. In the UK, Wednesday's **CPI** release is expected to show a YoY increase nearing 6%, and the **BOE** anticipates inflation peaking at 7.25% by April. But that's not even considering the additional recent swell in **commodity prices**, which could push the number towards 10% by summer. U.S. **durable goods** orders will drop with PMIs on Thursday, and new and pending home sales round out a limited domestic agenda. Other announcements of note include **German PPI** today and UK retail sales on Friday.

Chart of the Week: Volatility Retreats

Volatility has been elevated in 2022, with the **VIX** at 30 or higher on half of the trading days so far. That's not surprising given war in Europe, supply chain issues, and resurging **Covid** in some countries. Last week VIX closed below 25 for the first time in a month. Two technical studies may help to identify when volatility levels have reached an **extreme**. First, **Bollinger Bands** extended to 3 standard deviations around the 20-day moving average highlight the spike on February 24, crossing through the upper band. Second, comparing 3-month volatility (VIX3M) to VIX reveals an **inversion** to the normal relationship. These two signals have historically represented stretched volatility levels and a potential VIX **retacement**. Concerns linger, but the initial shock may have passed. Click here to view [chart](#).



Source: thinkorswim

Monday:

EU German PPI m/m
1.8% exp, 2.2% prior
EU German Buba Monthly Report

Tuesday:

U.S. Richmond Manufacturing Index
2.0 exp, 1.0 prior
EU Current Account
24.3B exp, 22.6B prior
Japan BOJ Core CPI y/y
0.8% exp, 0.8% prior

Wednesday:

UK CPI y/y
6.0% exp, 5.5% prior

U.S. New Home Sales
815K exp, 801K prior

Australia Flash Manufacturing PMI
57.0 prior

Australia Flash Services PMI
57.4 prior

Thursday:

EU German Flash PMIs
55.9/54.3 e, 58.4/55.8 p

UK Flash PMIs
57.0/58.0 e, 58.0/60.5 p

U.S. Flash Manufacturing PMI
56.6 exp, 57.3 prior

U.S. Flash Services PMI
56.0 exp, 56.5 prior

U.S. Durable Goods Orders m/m
-0.5% exp, 1.6% prior

U.S. Unemployment Claims
210K exp, 214K prior

Friday:

UK Retail Sales m/m
0.6% exp, 1.9% prior

EU German ifo Business Climate
94.2 exp, 98.9 prior

U.S. Pending Home Sales m/m
1.0% exp, -5.7% prior

U.S. Revised UoM Consumer Sent.
59.7 exp, 59.7 prior

Source: forexfactory.com

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