# Macro Monday

TD Ameritrade Institutional Trading Services

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## October 10 – 14
2022

## Key Market Levels:

| | Fri 4pm ET | YTD | S&P500 Sector | 3 Month |
|---|---|---|---|---|
| S&P 500 | 3,640 | -23.64% | Communications | -12.06% |
| NASDAQ COMPOSITE | 10,652 | -31.91% | Discretionary | -2.89% |
| DJIA | 29,297 | -19.38% | Energy | +19.26% |
| Russell 2000 | 1,702 | -24.19% | Financials | -2.80% |
| Int'l Developed | 1,694 | -27.50% | Health Care | -5.82% |
| VIX | 31.36 | 16.3Lo/38.9Hi | Industrials | -1.93% |
| Oil | 92.70 | +22.98% | Materials | -3.58% |
| Gold | 1,670 | -8.80% | Real Estate | -15.78% |
| Bitcoin | 19,457 | -58.11% | Staples | -8.83% |
| US 10 yr | 3.88% | +237 bps | Technology | -8.77% |
| US 30 yr | 3.84% | +194 bps | Utilities | -8.60% |

## Recapping Last Week

U.S. equities gave back most of their weekly gains with a **sharp Friday selloff** after the stronger-than-expected **jobs report**. The Russell 2000 Index rose 2%+, while the S&P500 gained 1.5% and the Nasdaq Composite added 0.75%. S&P500 sector breadth tilted positive, dominated by a huge leap in energy shares. **Crude oil** spiked 16% after **OPEC** announced nominal **production cuts** of 2M barrels a day, the biggest since the pandemic's start. The **U.S. dollar** and **Treasury yields** rose sharply as the resilient labor market and hawkish Fed rhetoric kept another large **rate hike** probable in 4 weeks' time. U.S. non-farm employment increased 263K in September, with **private payrolls** accounting for all the gains. The unemployment rate fell to 3.5%, largely due to a drop in the participation rate, and **wages** rose 0.3%, signaling persistent **inflation** pressures and in turn probable rate hikes. Stock indexes tumbled 3-4% following the release. Job openings did fall to a yearly low in August, but the ratio of **openings** per unemployed worker remained well above pre-pandemic levels. In other news, U.S. **manufacturing** activity grew at the slowest pace since May 2020 as new orders contracted, while demand on the services side kept **prices elevated**. Internationally, Australia's central bank became the first to institute a smaller-than-anticipated rate hike, opting for just a quarter point raise after acknowledging the **risks** of going too far, too fast. The **RBA's** move buoyed risk assets early in the week, but the positive sentiment proved to be short-lived. In the UK, **Prime Minister Truss** pulled back the most controversial elements of her new economic plan, but the **pound** and **gilts** remained under pressure as investors' skepticism endured. The EU saw retail sales fall in August as **producer prices** soared 5% MoM and a whopping 43% YoY. Factory orders and industrial production plunged in Germany, and the country's leading economic institutes forecasted **2023 GDP shrinking** by 0.4%. Despite the gloomy outlook, minutes from the recent ECB meeting showed little debate that large **rate hikes** are needed to tame inflation.

## The Week Ahead

The Fed finds itself in a real quandary now. **Rising interest rates** have failed to stymie the **labor market,** while both shelter and wage inflation persist. Additionally, the Atlanta Fed GDPNow model implies that **economic growth** accelerated in Q3, potentially reversing two straight negative quarters. Without some hard evidence that their actions have influenced anything but the struggling **equity markets**, the Fed cannot begin to think about a **pivot** in its restrictive policy. This week's focus turns from jobs to the U.S. **inflation data**, with the PPI release Wednesday followed by **CPI** on Thursday. Expectations are for increases of 0.2% MoM and 8.1% YoY for consumer prices, numbers that would only bolster the central bank's case. Wednesday will also see the release of the **minutes** from the last FOMC meeting, and it's another busy week of committee member appearances to parse. The U.S. calendar concludes with **retail sales** and consumer sentiment on Friday, along with the beginning of **Q3 earnings** season. Many of the large banks will report, and investors will be keen to see how the surging **U.S. dollar** has impacted corporate profits and CEO outlooks. The overseas calendar is light, with the UK reporting employment figures and monthly GDP while the **Bank of England's** gilt buying intervention is set to expire at week's end. In China, stimulus measures have proven to be little help against harsh **lockdowns**, which will likely keep inflation readings tame and **imports data** weak.

## Chart of the Week: OPEC Changes a Trend

**Crude oil futures** (/CL) finally broke out of the downward channel it's been stuck in since the June high, pushed by the 2M barrel per day production cut from **OPEC**. The tide had already started to turn, as the prior week's low produced a bullish **MACD divergence**. From there prices advanced every day last week, breaking above both the 20- and 50- day exponential moving averages (EMAs) and the **channel's resistance**. Those EMAs turned higher, and crude closed the week right at its **200-day EMA**. A further advance this week would likely send the MACD trend **positive** for the first time since June. Click here to view chart.

*Source: thinkorswim*

### Monday:

EU Sentix Investor Confidence
-34.9 exp, -31.8 prior

IMF Meetings (all week)

### Tuesday:

UK Claimant Count Change
4.2K exp, 6.3K prior

U.S. NFIB Small Business Index
91.2 exp, 91.8 prior

### Wednesday:

UK GDP m/m
0.0% exp, 0.2% prior

U.S. PPI m/m
0.2% exp, -0.1% prior

U.S. FOMC Meeting Minutes

EU Industrial Production m/m
0.6% exp, -2.3% prior

U.S. 10-y Note Auction
3.33 b/c, 2.4% WI prior

### Thursday:

U.S. CPI m/m
0.2% exp, 0.1% prior

U.S. Unemployment Claims
225K exp, 219K prior

China CPI/PPI y/y
2.8/1.1% exp, 2.5/2.3% prior

China Trade Balance
580B exp, 536B prior

**Earnings: TSM, DAL, BLK, DPZ**

### Friday:

U.S. Retail Sales m/m
0.2% exp, 0.3% prior

U.S. Prelim Consumer Sentiment
59.1 exp, 58.6 prior

U.S. Import Prices m/m
-1.1% exp, -1.0% prior

**Earnings: C, JPM, MS, WFC, UNH**

*Source: forexfactory.com*


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