Macro Monday

TD Ameritrade Institutional Trading Services

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September 26 – 30

2022

Key Market Levels:

	Fri 4pm ET	YTD	S&P500 Sector	3 Month
S&P 500	3,693	-22.51%	**Communications**	-10.42%
NASDAQ COMPOSITE	10,868	-30.53%	**Discretionary**	+4.58%
DJIA	29,590	-18.57%	**Energy**	-2.89%
Russell 2000	1,680	-25.20%	**Financials**	-2.60%
Int'l Developed	1,688	-27.74%	**Health Care**	-5.36%
VIX	29.92	16.3Lo/38.9Hi	**Industrials**	-3.80%
Oil	79.09	+4.82%	**Materials**	-7.68%
Gold	1,652	-9.80%	**Real Estate**	-9.98%
Bitcoin	18,868	-59.38%	**Staples**	-5.24%
US 10 yr	3.70%	+219 bps	**Technology**	-2.88%
US 30 yr	3.61%	+171 bps	**Utilities**	-0.13%

Recapping Last Week

U.S. equities sank under the weight of the FOMC's third straight **75bps rate hike**, as investors braced for an economic **hard landing**. Major indexes probed the year's lows, with the S&P500 and Nasdaq Composite sliding 4.5-5%, while the Russell 2000 plunged 6.5%. Friday's broad-based selling drove breadth momentum to its weakest level since March 2020, registering a Major Distribution Day with 90%+ down volume. **U.S. Treasury yields** soared, with the 2-year note reaching 15-year highs at 4.2%+. Dismal S&P500 sector performance saw **energy** tumble 10%+ along with 6-7%+ losses in consumer discretionary, basic materials, financials, and real estate. With **recession fears** in focus and the U.S. dollar spiking to 20-year highs, **crude oil** prices sank 7% to close below $80 per barrel for the first time since January. The Fed pledged to **stay aggressive** in their fight against inflation and expects short-term rates to reach 4.4% by year end, up from a 3.4% projection at the June meeting. Most U.S. economic data reflected **slowing conditions**, with flash PMIs contracting for a third straight month in September, although new orders grew and **input prices** moderated. Homebuilder sentiment fell to the lowest level since May 2014 as skyrocketing **mortgage rates** and persistently high home prices stifled housing demand. Existing home sales were down 20% YoY in August. Overseas, the **pound** weakened further despite a 50bps hike from the Bank of England. Traders dumped stocks and gilts after the government announced a sweeping program of **tax cuts** to boost economic growth amid rising rates and likely increased debt from supportive policy to limit household **energy costs**. Global PMIs echoed U.S. results, with the downturn in business activity particularly worrisome in Germany. The EU's largest economy saw **producer prices** surge 45.8% YoY in August as energy costs continued to climb. European consumer confidence has fallen to a record low. In Japan, the **BOJ** left interest rates unchanged but intervened to **support the yen** for the first time since 1998. The faltering currency has sent import prices rising, and core **consumer inflation** accelerated to 2.8% in August, the fastest pace in 8 years. Finally, China's central bank reduced short-term borrowing costs and **injected cash** to increase liquidity for the struggling economy.

The Week Ahead

The past two weeks have laid bare the brutal realities of **rising rates**, stubbornly high inflation, and a **slowing economy**. Investors are left to wonder when and where the pain will stop, as the S&P500 is on the verge of making **new lows** after recovering more than half its losses from earlier in the year, which would be a historic first occurrence. Although the economic calendar lacks the punch of recent weeks, there is plenty to keep an eye on in this **elevated volatility** environment. The Fed's **quiet period** has ended, so there will be numerous appearances by FOMC members to scrutinize. Will they pour gasoline on the hawkish fire, or attempt to quell some of the negativity? The headline U.S. event will be the **Core PCE Price Index** on Friday, which has been declining since the 5.3% peak in February but is expected to tick back up from July's 4.6% reading. Other U.S. releases include **consumer confidence**, durable goods orders, new and pending homes sales, **personal spending** figures, and trade updates. Overseas, the EU will issue its **CPI flash estimate** for September, anticipated to jump to another record high. Germany also publishes CPI data along with business and **consumer confidence**. Finally, **China's PMIs** are expected to fall for a fourth straight month as **lockdowns** continue to plague multiple cities.

Chart of the Week: All About the Benjamins

The **U.S. Dollar Index** ($DXY) rose nearly 3% last week after another oversized rate hike and continued **hawkish Fed**. The inverse head and shoulders **technical pattern** that developed in late 2020 and early 2021 broke out one year ago, and it's been nearly straight up ever since with a **20% rise**. This is a staggering move for any currency and has sent the euro, pound, and yen to **multi-decade lows**. The index is nearing levels not seen since 2002 when it peaked near $120. Another impressive feat is the **weekly RSI**, which hasn't dropped below 50 since the breakout. A move below the upsloping **support** line could be an initial sign of weakness but without a **Fed pivot** seems far off. Click here to view chart.

Source: thinkorswim

Monday:

EU German ifo Business Climate
87.5 exp, 88.5 prior

ECB President Lagarde Speaks

Tuesday:

U.S. Durable Goods Orders m/m
-0.1% exp, -0.1% prior

U.S. CB Consumer Confidence
104.5 exp, 103.2 prior

U.S. New Home Sales
500K exp, 511K prior

Wednesday:

EU German GfK Consumer Climate
-38.9 exp, -36.5 prior

U.S. Pending Home Sales m/m
-0.4% exp, -1.0% prior

U.S. Goods Trade Balance
-88.0B exp, -90.2B prior

U.S. Prelim Wholesale Inventories
0.4% exp, 0.6% prior

Thursday:

EU German Prelim CPI m/m
1.6% exp, 0.3% prior

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

U.S. Final GDP q/q
-0.6% exp, -0.6% prior

China PMIs
49.4/52.6 exp, 49.4/52.6 prior

Friday:

EU CPI Flash Estimate y/y
9.7% exp, 9.1% prior

U.S. Core PCE Price Index m/m
0.5% exp, 0.1% prior

U.S. Personal Income/Spending
0.3/0.2% exp, 0.2/0.1% prior

U.S. Revised UoM Consumer Sent
59.5 exp, 59.5 prior

Source: forexfactory.com

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