

Key Market Levels:

	Fri 4pm ET	YTD	S&P500 Sector	3 Month
S&P 500	4,543	-4.68%	Communications	-10.94%
NASDAQ COMPOSITE	14,169	-9.43%	Discretionary	-10.31%
DJIA	34,861	-4.06%	Energy	+41.89%
Russell 2000	2,078	-7.45%	Financials	+1.20%
Int'l Emerging	1,125	-8.68%	Health Care	-3.28%
VIX	20.81	16.3Lo/38.9Hi	Industrials	-1.98%
Oil	112.55	+49.17%	Materials	-1.46%
Gold	1,954	+6.70%	Real Estate	-9.03%
Bitcoin	44,488	-4.22%	Staples	-2.68%
US 10 yr	2.49%	+98 bps	Technology	-9.00%
US 30 yr	2.60%	+69 bps	Utilities	+1.68%

Recapping Last Week

U.S. equities rose modestly, as **strong economic data** was checked by geopolitical tensions. The Nasdaq Composite Index lifted 2%, while the S&P500 added 1.8% and the Russell 2000 slipped 0.4%. Nine of 11 S&P500 sectors gained ground, with **energy** (+6.5%) and **basic materials** (+3.7%) fueling the commodity-led rally. **Crude oil** faded after the EU showed reluctance in banning Russian oil imports, but still added 9%+ for the week to close above \$112 per barrel. The U.S. **10-year Treasury yield** soared 34bps to 2.50% after Fed chair Powell promised tough action on inflation that may necessitate more **aggressive rate hikes**. Futures markets are pricing in a 70% probability of a 50bps increase at the May 4 FOMC meeting. The **labor market** remained strong, with initial jobless claims falling to the lowest level since September 1969. U.S. business activity jumped to an 8-month high in March, although the ongoing war in Ukraine dented sentiment. **Flash composite PMI** rose to 58.5, the highest reading since last July, as supply chain disruptions and coronavirus cases eased. **Durable goods** orders dropped 2.2% in February, but the decline was largely attributed to the volatile planes and autos categories. In housing news, the average **30-year fixed mortgage** rate reached a 3-year high of 4.5%, squeezing out some buyers as new and pending home sales fell in February. Inventory remained extremely limited, keeping asking prices high. Overseas, the war’s effects started to become evident in the economic figures coming from the UK and Eurozone. **UK CPI** registered an annual 6.2% rate in February and jumped 0.8% MoM on spiking energy costs, while in Germany **producer prices** skyrocketed nearly 26% YoY. **Business sentiment** declined sharply in March as the Bundesbank warned of higher prices and weaker growth. Flash PMIs reflected a softening expansion on the **manufacturing** side. Finally, **UK retail sales** missed expectations in February, sliding 0.3% as consumer confidence levels tumbled due to accelerating **inflation**.

The Week Ahead

As the war in Ukraine enters its second month, and with negotiations seemingly at a stalemate, investors’ attention will be focused this week on **inflation and jobs** data. The Fed is betting on a **soft landing** for the economy, but the outcome is far from certain. The labor market is tight, and this week brings a slew of related releases culminating in **NFP** on Friday. The **JOLTS** report will drop on Tuesday along with consumer confidence, followed by ADP on Wednesday. The Fed’s preferred inflation measurement, the **Core PCE Price Index**, is the main event on Thursday, while **ISM Manufacturing PMI** joins a busy end of the week. Other U.S. news of note includes wholesale inventories, trade balance figures, the third and final reading of Q4 GDP, Chicago PMI, and **personal income** and spending numbers. The international calendar lacks first-tier data, but **China’s PMIs** will be closely watched as prior readings teetered close to the dividing line between expansion and **contraction**. Just how much are lockdowns impacting the Chinese economy? In Europe, Germany will publish **preliminary CPI** for March along with monthly retail sales and **consumer confidence**, which has turned pessimistic given the Russia-Ukraine conflict. Canada’s monthly GDP update and Australian retail sales round out the agenda.

Chart of the Week: **Fear the Yield Curve?**

As **interest rate hike** expectations get pushed forward, short-term Treasury yields have risen more quickly than longer-term rates. The spread between **2- and 10-year yields** has fallen steadily to now around 20bps, igniting debate around a potential **recession** on the horizon. **Inverted yield curves** have frequently preceded recessions, but the last time the 2-10 curve inverted, in August 2019, the economy was in relatively good shape – until of course the **pandemic** struck six months later. Some experts are downplaying the usual negative ramifications, but the current situation highlights the **risk** the Fed faces of potentially stunting growth in trying to fight **inflation**. Click here to view [chart](#).



Source: thinkorswim

Monday:

U.S. Goods Trade Balance
-106.0B exp, -107.6B prior

U.S. Prelim Wholesale Inventories m/m
1.3% exp, 0.8% prior

Australia Retail Sales m/m
0.8% exp, 1.8% prior

Tuesday:

EU German GfK Consumer Climate
-12.0 exp, -8.1 prior

U.S. JOLTS Job Openings
11.00M exp, 11.26M prior

U.S. CB Consumer Confidence
107.9 exp, 110.5 prior

Wednesday:

EU German Prelim CPI m/m
1.3% exp, 0.9% prior

U.S. ADP Employment Change
413K exp, 475K prior

U.S. Final GDP q/q
7.1% exp, 7.0% prior

China Manufacturing/Services PMI
50.0/50.7 e, 50.2/51.6 p

Thursday:

U.S. Core PCE Price Index m/m
0.4% exp, 0.5% prior

EU German Retail Sales m/m
0.7% exp, 1.4% prior

Canada GDP m/m
0.4% exp, 0.0% prior

U.S. Chicago PMI
57.2 exp, 56.3 prior

U.S. Personal Income/Spending m/m
0.5%/0.5% e, 0.0%/2.1% p

China Caixin Manufacturing PMI
50.0 exp, 50.4 prior

Friday:

U.S Non-Farm Employment Change
450K exp, 678K prior

U.S. Unemployment Rate
3.7% exp, 3.8% prior

U.S. ISM Manufacturing PMI
58.3 exp, 58.6 prior

Source: forexfactory.com

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