Macro Monday

TD Ameritrade Institutional Trading Services

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Oct 31 – Nov 4

2022

Key Market Levels:

	Fri 4pm ET	YTD	S&P500 Sector	3 Month
S&P 500	3,901	-18.15%	Communications	-14.12%
NASDAQ COMPOSITE	11,102	-29.04%	Discretionary	-11.78%
DJIA	32,861	-9.57%	Energy	+22.13%
Russell 2000	1,847	-17.74%	Financials	+1.48%
Int'l Developed	1,749	-25.13%	Health Care	+1.07%
VIX	25.75	16.3Lo/38.9Hi	Industrials	-1.56%
Oil	88.19	+16.93%	Materials	-3.06%
Gold	1,648	-10.00%	Real Estate	-15.78%
Bitcoin	20.647	-55.55%	Staples	-1.97%
US 10 yr	4.01%	+250 bps	Technology	-11.86%
US 30 yr	4.13%	+232 bps	Utilities	-9.19%

Recapping Last Week

Despite disappointing **earnings reports** from large-cap technology companies, U.S. equity indexes finished higher after a stronger-than-expected **GDP** report. The **Russell 2000 Index** soared 6%, while the S&P500 added 4% and the Nasdaq Composite rose 2%+. Ten of 11 S&P sectors finished positive, led by industrials, **financials**, consumer staples, and utilities. **Treasury yields** and the U.S. dollar backed off from recent highs but remained in firm uptrends. The latest U.S. **inflation** report showed prices slowing their ascent but still rising, with the Core PCE Index up 0.5% MoM and 5.1% YoY. A modest deceleration in **wage growth** was viewed as a positive but likely won't change the Fed's intended path on rate hikes. Although **Q3 GDP** exceeded forecasts at +2.6%, much of the growth was attributed to the narrowing **trade deficit**, and the underlying picture highlighted slowing economic trends in key areas like **consumer spending** and investment. U.S. flash PMIs revealed a fourth straight month of contracting business activity in October, while September's **durable goods** orders increased less than expected. **Consumer confidence** fell to a 3-month low in October as inflation and the economic outlook weighed. Sharply **rising mortgage rates** have crushed the housing market, as new home sales plunged 11% MoM in September and pending sales sank 10.2%. **Home prices** have started to come down but not nearly enough to offset higher borrowing costs. Internationally, **China's U.S.-listed shares** tumbled on concerns that the policies of President Xi's new leadership team would hamper **private sector growth** in the world's second largest economy. In central bank news, the **ECB** delivered a second straight 75bps hike, while the **Bank of Canada** surprised with a smaller-than-anticipated half-point raise, citing an economy that is likely to stall in upcoming quarters. The **Bank of Japan** maintained its ultra-low rates as expected but announced a massive $200B **stimulus package** to offset rising material costs. In Europe, **Germany's CPI** climbed to 10.4% YoY in September and the flash composite PMI sank to 44.1 as high **energy costs** hurt manufacturing. Finally, Australia's inflation hit a 32-year high last quarter, raising pressure on the **RBA** for more aggressive tightening measures.

The Week Ahead

A busy week looms with the **FOMC** and **Bank of England** set to raise rates and the U.S. **jobs report** due on Friday. A fourth straight 75bps lift from the Fed is priced in, but investors will be watching for how **Chair Powell** might try to lay the ground for a change in pace going forward. The strong labor market is still expected to show **growth** of 200K despite the central bank's tight policy, while the JOLTS and ADP reports will provide additional color. **ISM PMIs** will be released on Tuesday and Thursday, after last week's flash data revealed elevated **recession risks**. Other U.S. events include **non-farm productivity** and factory orders, along with Chicago PMI. Earnings season is winding down, but a handful of key releases will likely confirm **slowing economic conditions**. Overseas, the pound and gilt markets have calmed down after **Rishi Sunak** took over as UK prime minister, and the **BOE** is expected to raise rates by 75bps on Thursday. In Europe, the week kicks off with October's **inflation** numbers and the first look at **Q3 GDP**, followed by final PMI updates. In the Asia-Pacific region, Australia's central bank is anticipated to take a **cautious approach** with a 25bps hike, given concerns about the rapid slowdown in **China**, their largest trading partner.

Chart of the Week: Rates Release Pressure

Last week brought some **relief** to skyrocketing interest rates. The 30-Year Treasury Index (TYX) broke above important **technical resistance** at 40 (4.0% yield) two weeks ago, which was also the high print from the prior 10 years. Last week a small **retracement** dropped the rate from 4.4% back to 4.1%, which is larger than it sounds. **Long-term** rates are still above the important 4.0% mark, so will the new potential **support** hold, or does the **correction** continue? Click here to view chart.

Source: thinkorswim

Monday:

China PMIs
49.9/50.2 exp, 50.1/50.6 prior

EU CPI Flash Estimate y/y
9.9% exp, 10.0% prior

U.S. Chicago PMI
47.8 exp, 45.7 prior

Australia RBA Rate Statement

Tuesday:

U.S. ISM Manufacturing PMI
50.0 exp, 50.9 prior

U.S. JOLTS Job Openings
9.75M exp, 10.05M prior

Japan Monetary Policy Mtg Minutes

Earnings: UBER, PFE, LLY, AMD

Wednesday:

U.S. FOMC Statement

U.S. ADP Employment Change
200K exp, 208K prior

China Caixin Services PMI
49.2 exp, 49.3 prior

Earnings: CVS, YUM, QCOM, ZG

Thursday:

UK BOE Monetary Policy Report

U.S. ISM Services PMI
55.5 exp, 56.7 prior

U.S. Prelim Non-Farm Prod. q/q
-0.1% exp, -4.1% prior

U.S. Factory Orders m/m
0.4% exp, 0.0% prior

Earnings: PTON, COP, SBUX, K, PYPL

Friday:

U.S. Non-Farm Employment Change
200K exp, 263K prior

EU German Factory Orders m/m
-0.5% exp, -2.4% prior

Canada Employment Change
21.1K prior

Source: forexfactory.com

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