

Macro Monday

TD Ameritrade Institutional Trading Services

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Institutional

December 5 – 9
2022

Key Market Levels:

	Fri 4pm ET	YTD	S&P500 Sector	3 Month
S&P 500	4,071	-14.57%	Communications	-6.62%
NASDAQ COMPOSITE	11,461	-26.74%	Discretionary	-11.26%
DJIA	34,430	-5.25%	Energy	+12.05%
Russell 2000	1,893	-15.70%	Financials	+4.57%
Int'l Developed	1,983	-15.10%	Health Care	+7.11%
VIX	19.06	16.3Lo/38.9Hi	Industrials	+7.39%
Oil	80.10	+6.18%	Materials	+7.29%
Gold	1,812	-1.00%	Real Estate	-9.46%
Bitcoin	17,040	-63.31%	Staples	+4.34%
US 10 yr	3.51%	+200 bps	Technology	-1.34%
US 30 yr	3.56%	+175 bps	Utilities	-8.21%

Recapping Last Week

A fierce mid-week rally was somewhat tempered by a hotter-than-expected **jobs report**, leaving U.S. equities moderately higher for the week. The S&P500 and Russell 2000 Indexes rose 1%+, while the Nasdaq Composite managed a 2% gain despite troubling news from **Apple's production facilities** in China. Nine of 11 S&P sectors were green, led by **communications** and consumer discretionary. **Crude oil** jumped 5% after a much bigger-than-expected inventory decline, while **gold** prices gained 3%+. Interest rates declined, giving up a comeback attempt Friday after November's **non-farm payrolls** grew by 263K. The number was well above forecasts despite decreases in private hiring and **job openings**. Higher-than-expected **wage growth** dealt another blow to the Fed's efforts to reduce **inflation**, rising 0.6% MoM and 5.1% YoY. On Wednesday, bond and stock prices had soared after Fed Chair Powell said the pace of **rate hikes** will likely slow in December, but he also warned that the inflation fight is far from over and policy should remain **restrictive** for some time. October's **Core PCE Index** was in line with estimates, revealing that price increases may at least be **stabilizing**, but on the whole, inflation and **employment data** has yet to reflect the Fed's desired outcomes. In other news, **U.S. manufacturing** fell into contraction for the first time since May 2020, and **consumer confidence** slipped on the recent rise in gas prices. The second reading of **Q3 GDP** edged up to 2.9% growth from 2.6% but was mostly attributed to a large **trade deficit drop**, as the broader economy struggled. Better-than-anticipated personal income and spending figures were credited to **compensation gains**, confirming the inflationary environment. Overseas, **Eurozone inflation** slowed slightly in November but remained high at 10% YoY, and ECB President Lagarde said prices have not peaked and the central bank will forge ahead with **additional rate hikes**. North of the border, **Canada's GDP** was flat in October after stronger-than-expected Q3 growth, and November job gains were tepid. Finally, China's U.S.-listed stocks posted huge gains despite the country's ongoing protests, while **factory activity** fell to 8-month lows on new restrictions.

The Week Ahead

A calmer week awaits, at least as far as economic data is concerned. Macro influence begins in the **oil markets**, with OPEC considering deeper output cuts ahead of the **EU's sanctions** on Russian crude exports. Reports indicate the EU is considering a \$60 per barrel cap on purchases rather than an outright ban. There are **central bank** policy decisions this week, with Australia and Canada expected to stick to smaller rate increases like their prior meetings as both countries' **housing markets** show strain. **ECB policymakers** including President Lagarde will deliver speeches ahead of their next meeting on December 15. In the U.S., the main announcements will be **ISM Services PMI** on Tuesday, followed by **producer prices** and consumer sentiment on Friday. PPI and CPI have been rising at a slower pace recently, but the Fed doesn't want to pull back the reigns on rate hikes too quickly. In Europe the calendar features **retail sales** for November along with Germany's **factory orders** and industrial production figures. Lastly, **China's trade numbers** are likely to show worsening conditions as demonstrations against lockdown rules continue to flare. Still, Chinese policymakers appear to be gradually moving towards a **pivot** from zero-Covid policy. Caixin Services PMI and **inflation data** will also be released.

Chart of the Week: Something's Got to Give

The CBOE Volatility Index (VIX) tracks the **implied volatility** of S&P500 Index (SPX) options and generally has an **inverse relationship** with the equity index. After SPX



Source: thinkorswim

topped in early August, VIX bottomed and rose for the next two months, then both indexes **reversed** for the following two months. The interesting part is that VIX has completely **retraced** the climb from August to September, but SPX isn't even 70% back to its August highs. If these benchmarks are to resume their **normal relationship**, either SPX has a climb back to the August high in store, or VIX may find **technical support** and make its way back into the twenties. Click here to view [chart](#).

Monday:

OPEC-JMMC Meetings (Sunday)

EU Retail Sales m/m
-1.6% exp, 0.4% prior

U.S. ISM Services PMI
53.5 exp, 54.4 prior

China Caixin Services PMI
48.0 exp, 48.4 prior

Australia RBA Rate Statement

Tuesday:

EU German Factory Orders m/m
0.2% exp, -4.0% prior

U.S. Trade Balance
-79.4B exp, -73.3B prior

Australia GDP q/q
0.6% exp, 0.9% prior

China Trade Balance
580B exp, 587B prior

Wednesday:

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

Canada BOC Rate Statement

U.S. Consumer Credit m/m
25.0B exp, 25.0B prior

Thursday:

U.S. Unemployment Claims
245K exp, 225K prior

Canada Ivey PMI
51.0 exp, 50.1 prior

China CPI/PPI y/y
1.7/-1.5% exp, 2.1/-1.3% prior

Friday:

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

U.S. Prelim Consumer Sentiment
56.9 exp, 56.8 prior

Source: forexfactory.com

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CONTACT OUR STRATEGY DESK:

✉ inststrategydesk@tdameritrade.com
strategydesk@schwab.com

☎ 1-800-227-0816

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