

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

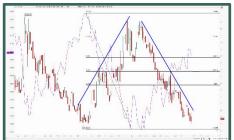
A fierce mid-week rally was somewhat tempered by a hotter-than-expected jobs report, leaving U.S. equities moderately higher for the week. The S&P500 and Russell 2000 Indexes rose 1%+, while the Nasdaq Composite managed a 2% gain despite troubling news from Apple's production facilities in China. Nine 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



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**.



December 5 - 9

2022

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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