Macro Monday

TD Ameritrade Institutional Trading Services

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May 23 - 27

2022

Key Market Levels:

	Thurs 4pm ET	YTD	S&P500 Sector	3 Month
S&P 500	3,901	-18.14%	**Communications**	-15.34%
NASDAQ COMPOSITE	11,355	-27.42%	**Discretionary**	-20.31%
DJIA	31,262	-13.97%	**Energy**	+18.71%
Russell 2000	1,773	-21.02%	**Financials**	-15.81%
Int'l Emerging	1,035	-15.97%	**Health Care**	-0.89%
VIX	29.43	16.3Lo/38.9Hi	**Industrials**	-9.47%
Oil	110.60	+46.61%	**Materials**	-2.28%
Gold	1,844	+0.70%	**Real Estate**	-7.65%
Bitcoin	29,290	-37.00%	**Staples**	-6.86%
US 10 yr	2.79%	+128 bps	**Technology**	-15.09%
US 30 yr	2.99%	+108 bps	**Utilities**	+6.16%

Recapping Last Week

Recession fears sent U.S. equities reeling to a **seventh straight weekly loss**, as the selloff broadened despite a late Friday rally. The Nasdaq Composite Index plunged 4%, while the S&P500 lost 3% and the Russell 2000 slid 1%. Eight of 11 S&P500 sectors were negative, with **consumer staples and discretionary** plummeting 8% after a slew of concerning retail earnings reports. **Treasury yields** edged lower as financial conditions continued to tighten and **credit spreads** widened. U.S. **retail sales** initially buoyed sentiment, as April spending rose 0.9% MoM. But the optimism was short-lived as retail giants Walmart and Target warned that **high inflation** eroded profits, sending shares of both companies tumbling 20-30%. Other retailers noted weaker demand as rising prices strained household budgets. In housing news, high **mortgage rates** kept residential starts under wraps, while **existing home sales** fell to the slowest pace since the pandemic started and homebuilder sentiment dropped to a 2-year low. U.S **industrial production** rose for a third straight month in April, with capacity utilization reaching a 15-year high, but Fed surveys from the New York and Philadelphia regions revealed **deteriorating business conditions**. Internationally, **China's central bank** slashed a key interest rate to try to salvage its sinking housing market and avoid a recession. April's retail sales and industrial production came in much worse than expected while **unemployment** jumped. China also reversed course by purchasing cheap oil from Russia after initially cutting back. **Crude oil** gained 0.5% on the week. Across the pond, British inflation soared 9% YoY in April, pressuring the government to add **fiscal measures** on top of central bank actions. A shrinking labor force and flagging retail sales added to UK woes. The European Commission sharply cut its 2022 **growth forecast**, while the **ECB minutes** uncovered divergence on how fast to tighten monetary policy. Finally, skyrocketing energy prices pushed **German PPI** to the biggest increase on record, up 33.5% YoY in April. Even excluding fuel, the index jumped 16.3%.

The Week Ahead

The narrative has quickly shifted from **stagflation** to potential recession. Last week's data clearly demonstrated the extent to which inflation is affecting the U.S. economy and the resilience of **corporate profits**, the latter which was expected to support the market. This week the economic calendar may present additional evidence of fiscal anxieties, beginning with May **U.S. and global flash PMIs** on Tuesday. Forecasts for slight monthly decreases in the manufacturing and services sectors may prove to be overly optimistic. On Wednesday **minutes from the recent Fed meeting** merit attention but may have a muted impact, given the multitude of recent speeches by FOMC members confirming a likely **half-point rate increase** in June. The second estimate of **U.S. Q1 GDP** on Thursday is not expected to change materially. Friday's busy docket include the **PCE Price Index**, as investors search for any sign of peak inflation. Other U.S. events include new and pending home sales, **durable goods orders**, personal income and spending, and the trade balance. Overseas, Australian elections over the weekend may influence the **Asian market open**. The rest of the international calendar is relatively quiet outside of the previously mentioned PMIs.

Chart of the Week: Fibonacci Confluence

The **S&P500 Index** (SPX) has fallen for 7 straight weeks, totaling over 15% in declines after last week's drop. The trend is bearish and hasn't shown any signs of turning around. However, there are a few **technical indicators** getting stretched, suggesting at least a **temporary bounce**. The weekly MACD and RSI closed Friday at -112 and 29, respectively. At the 2020 lows, the MACD bottomed at -119, while the RSI sank to 21.5. A pair of **Fibonacci retracements** from the all-time high in January imply a technical **support confluence** near $3,800, close to Friday's intraday low. Will that level hold this week? Click here to view chart.

Source: thinkorswim

Monday:

EU German ifo Business Climate
91.5 exp, 91.8 prior

UK BOE Gov Bailey Speaks

Australia Flash PMIs
58.8/56.1 prior

Tuesday:

EU German Flash PMIs
54.1/57.3 ex, 54.6/57.6 pr

U.S. Flash PMIs
57.9/55.8 ex, 59.2/55.6 pr

UK Flash PMIs
55.2/57.4 ex, 55.8/58.9 pr

U.S. New Home Sales
750K exp, 763K prior

Wednesday:

U.S. FOMC Minutes

ECB Financial Stability Review

U.S. Durable Goods Orders m/m
0.6% exp, 1.1% prior

Thursday:

U.S. Prelim GDP q/q
-1.3% exp, -1.4% prior

U.S. Pending Home Sales m/m
-1.9% exp, -1.2% prior

Canada Retail Sales m/m
0.1% prior

Friday:

U.S. Core PCE Price Index m/m
0.3% exp, 0.3% prior

U.S. Goods Trade Balance
-114.8B exp, -127.1B prior

U.S. Personal Income/Spending
0.5%/0.6% ex, 0.5%/1.1% pr

U.S Prelim Wholesale Inventories
2.0% exp, 2.3% prior

U.S. Revised UoM Consumer Sent
59.1 exp, 59.1 prior

Source: forexfactory.com

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