

Macro Monday

TD Ameritrade Institutional Trading Services

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Institutional

November 14 – 18
2022

Key Market Levels:

	Fri 4pm ET	YTD	S&P500 Sector	3 Month
S&P 500	3,992	-16.22%	Communications	-13.30%
NASDAQ COMPOSITE	11,323	-27.62%	Discretionary	-13.39%
DJIA	33,747	-7.13%	Energy	+17.20%
Russell 2000	1,883	-16.15%	Financials	+2.60%
Int'l Developed	1,918	-17.88%	Health Care	+0.16%
VIX	22.52	16.3Lo/38.9Hi	Industrials	+0.70%
Oil	88.98	+17.93%	Materials	+2.63%
Gold	1,770	-3.30%	Real Estate	-13.29%
Bitcoin	16,727	-63.99%	Staples	-4.41%
US 10 yr	3.81%	+230 bps	Technology	-10.11%
US 30 yr	4.06%	+225 bps	Utilities	-12.38%

Recapping Last Week

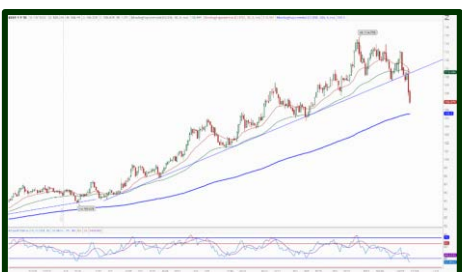
U.S. equities soared after October's **consumer prices** increased less than expected, stoking hopes that **inflation** has peaked. The Nasdaq Composite Index jumped 8%, while the S&P500 and Russell 2000 gained 5-6%. While crude oil stumbled, most other **commodities** spiked higher after the U.S. Dollar Index tumbled 4%, its biggest weekly loss since March 2020. **Gold** and **copper** prices surged 5-6%+. The broad-based rally featured all 11 S&P sectors finishing positive, led by 8-10% gains in **technology**, basic materials, and communications. The U.S. 10-year Treasury yield sank 35bps to 3.81%, but the **yield curve** inverted further as short-term rates held firm. **U.S. CPI** rose 0.4% MoM and 7.7% YoY, the first annual increase below 8% since February. The welcomed news elevated prospects for a **FOMC pivot**, with Fed Funds futures reflecting an **80% probability** of only a half-point advance at the December meeting. In other news, the balance of power in the **U.S. Congress** remained undecided as votes were still being counted in key states. **Consumer sentiment** fell in November, ending a three-month recovery as inflation expectations remained stubbornly high, while small business optimism also faded. The **cryptocurrency** world suffered a devastating blow, as the shocking collapse of exchange FTX Group sent **Bitcoin** and **Ethereum** swooning by 21% and 24%, respectively. Internationally, Britain's economy **contracted** by 0.2% in Q3, better than projected but potentially signaling the beginning of a long **recession** as tax rises and spending cuts loom. The European Commission slashed **growth forecasts** and raised inflation estimates for 2023 despite recent, albeit miniscule, upticks in Eurozone **retail sales**, investor confidence, and German **industrial production**. Finally, Chinese equities continued their revival as the country eased some international travel restrictions. **Producer prices** fell in October and global trade shrank as demand weakened and anti-virus measures hampered consumers.

The Week Ahead

After a much-needed **relief rally** triggered by the soft inflation numbers, U.S. investors will shift their focus to **housing** and manufacturing data, retail sales, and a few impactful **earnings** reports. Producer prices will be revealed on Tuesday along with the New York region's business conditions. Wednesday's **retail sales** report for October is expected to rebound from a flat prior month, while **industrial production** may have cooled. Quarterly results from **Walmart**, Home Depot, and Target, along with tech giants **Nvidia** and Cisco, are set to be released throughout the week. The U.S. calendar concludes with **housing starts** and existing home sales as mortgage rates hover near 7%. Overseas, **UK CPI** may reach 10.5% YoY, and new chancellor Jeremy Hunt tries to restore credibility with the **mini-budget** plans. In Europe, a quiet week brings **Q3 flash GDP**, industrial production figures, and economic sentiment updates. Lastly, the meeting between **President Biden** and Chinese President Xi Jinping is not likely to produce anything tangible, but pundits will assess the leaders' desire to avoid a further **deterioration** in the countries' relationship. China will announce October's **retail sales** and industrial production numbers, while the **PBOC** is likely to keep monetary policy unchanged.

Chart of the Week: Game Over for Greenback?

The **U.S. Dollar Index** (\$DXY) rallied an impressive 28% in 16 months, but last week saw major changes. Thursday's CPI report sent it **crashing** below its **upsloping trendline**, marking the worst single day performance in over 10 years. The dollar



continued falling on Friday and now sits within 1% of its **200-day** exponential moving average, untouched since May 2021. A weakening **RSI** points to more potential downside for this crowded trade, which may provide fuel for additional **commodity** gains. Click here to view [chart](#).

Monday:

- EU Industrial Production m/m
0.1% exp, 1.5% prior
- China Industrial Production y/y
5.1% exp, 6.3% prior
- China Retail Sales y/y
0.8% exp, 2.5% prior

Tuesday:

- U.S. PPI m/m**
0.5% exp, 0.4% prior
- EU Flash GDP q/q
0.2% exp, 0.2% prior

EU German ZEW Econ Sentiment
-54.1 exp, -59.2 prior

U.S. Empire St Manufacturing Index
-5.0 exp, -9.1 prior

Wednesday:

- UK CPI y/y**
10.5% exp, 10.1% prior
- Canada CPI m/m**
0.7% exp, 0.1% prior
- U.S. Retail Sales m/m**
0.9% exp, 0.0% prior

U.S. Industrial Production m/m
0.2% exp, 0.4% prior

Thursday:

U.S. Philly Fed Manufacturing Index
-6.0 exp, -8.7 prior

U.S. Unemployment Claims
220K exp, 225K prior

U.S. Housing Starts
1.42M exp, 1.44M prior

Friday:

UK Retail Sales m/m
0.3% exp, -1.4% prior

U.S. Existing Home Sales
4.37M exp, 4.71M prior

Source: forexfactory.com

Questions or comments?
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