

Key Market Levels:

	Fri 4pm ET	YTD	S&P500 Sector	3 Month
S&P 500	3,852	-19.18%	Communications	-2.16%
NASDAQ COMPOSITE	10,705	-31.57%	Discretionary	-8.54%
DJIA	32,920	-9.41%	Energy	+19.69%
Russell 2000	1,763	-21.46%	Financials	+8.53%
Int'l Developed	1,935	-17.16%	Health Care	+10.43%
VIX	22.63	16.3Lo/38.9Hi	Industrials	+15.75%
Oil	74.47	-1.30%	Materials	+15.56%
Gold	1,803	-1.50%	Real Estate	+0.11%
Bitcoin	16,893	-63.63%	Staples	+7.90%
US 10 yr	3.48%	+197 bps	Technology	+3.02%
US 30 yr	3.53%	+172 bps	Utilities	-1.78%

Recapping Last Week

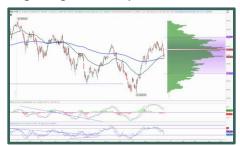
U.S. equities lost ground despite some positive news on inflation, as the specter of additional interest rate increases kept recession concerns on the front burner. The Nasdag Composite Index fell 2.75%, while the S&P500 and Russell 2000 slipped 2%. All 11 S&P sectors were lower for the week, with consumer discretionary, basic materials, and communications leading the slide. Crude oil managed a 4% weekly gain but remained in a technical downtrend as global economic prospects diminished. U.S. Treasury yields ended mostly flat after the FOMC downshifted to a 50bps rate raise, following four straight 75bps hikes earlier this year. However, in its Summary of Economic Projections, the FOMC signaled at least another 75bps of rate rises in 2023, along with much lower GDP forecasts and higher inflation expectations. On Tuesday, markets initially soared when November CPI rose less than expected at 0.1% MoM and 7.1% YoY, but the gains evaporated by end of day. Other economic indicators revealed signs of a sharp slowdown in activity. U.S. retail sales plunged in November, while regional manufacturing surveys showed severe contraction for new orders. Friday's U.S. PMIs suggested that the Fed's actions are cooling prices, but that recession risks are rising with restrictive policy. Business input costs gained at the slowest pace since October 2020, but activity fell at the fastest rate since May 2020. The Composite Output Index slumped to 44.6 in December, a four-month low. Internationally, the Bank of England raised rates by 50bps and portended more tightening, as November's inflation reading was slightly below expectations but remained high at 10.7% YoY. Wage growth persisted, and British retail sales dropped 0.4% MoM in November. The European Central Bank opted for a smaller 50bps rate hike but struck a hawkish tone with a definitive start date in March 2023 for beginning its balance sheet reduction. A pullback in energy prices improved Eurozone PMIs for a second straight month, but the manufacturing and services sectors stayed in contraction territory. Lastly, China's retail sales and industrial production releases for November both missed the mark as Covid-related controls hampered growth.

The Week Ahead

The last full trading week of the year features a number of **second tier data** points, but investors expect Friday's **PCE Price Index** to be the week's highlight. The Fed's preferred inflation gauge fell in October, and further easing may help determine the **scale** of future rate increases. **FOMC members** are once again free to speak to the press following last week's meeting, which could influence this week's macro flows. The **technical setup** for U.S. stocks is not ideal heading into year-end (see tweet **here**). In the U.S. there's a deluge of **housing data** along with consumer confidence, **durable goods** orders, and personal income and spending figures. Also keep an eye out for earnings announcements from **Fedex** and **Nike**, each considered bellwethers in their respective industries. Overseas, the **Bank of Japan** meets later today, and while the U.S. dollar's swoon has taken some pressure off the **weak yen**, the central bank is not likely to take any action. In Europe, **German producer prices** are expected to diminish further, while consumer and **business sentiment** reports round out the region's light calendar. Monthly **Canadian CPI** and GDP updates are also on the international docket.

Chart of the Week: The Dow Breaks Support

The **Dow Jones Industrial Average** (\$DJI) is the only major index that rallied above the August highs, and early last week was down less than 5% YTD. Yet **momentum** seemed



to be waning even before the marketturning Fed meeting, since last week's high coincided with a second consecutive MACD divergence. The RSI also flashed a divergence right before price fell through its volume Point of Control support and down to the 200-day exponential moving average. Although it seems the next

leg down has begun, the Dow is still 14% higher than its **yearly low**, while no other major index is above 10%. Click here to view **chart**.



December 19 - 23

2022

Monday

EU German ifo Business Climate 87.6 exp, 86.3 prior

U.S. NAHB Housing Market Index 34 exp, 33 prior

Japan BOJ Monetary Policy Statement

Tuesday:

EU German PPI m/m -1.7% exp, -4.2% prior

Canada Retail Sales m/m 1.5% exp, -0.5% prior

U.S. Housing Starts 1.40M exp, 1.43M prior

EU Consumer Confidence -22 exp, -24 prior

Wednesday:

Canada CPI m/m -0.1% exp, 0.7% prior

U.S. CB Consumer Confidence 101.0 exp, 100.2 prior

EU German GfK Consumer Climate -38.0 exp, -40.2 prior

U.S. Existing Home Sales 4.20M exp, 4.43M prior

Thursday:

U.S. Final GDP q/q 2.9% exp, 2.9% prior

U.S. Unemployment Claims 224K exp, 211K prior

Japan National Core CPI y/y 3.7% exp, 3.6% prior

Friday:

U.S. Core PCE Price Index m/m 0.2% exp, 0.2% prior

Canada GDP m/m 0.1% exp, 0.1% prior

U.S. Durable Goods Orders m/m -0.9% exp, 1.0% prior

U.S. New Home Sales m/m 600K exp, 632K prior

U.S. Personal Income/Spending m/m 0.3/0.2% exp, 0.7/0.8% prior

Source: forexfactory.com

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