Macro Monday

TD Ameritrade Institutional Trading Services

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December 19 – 23

2022

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 Nasdaq 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 market-turning **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](#).

Source: thinkorswim

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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CONTACT OUR STRATEGY DESK:

inststrategydesk@tdameritrade.com
strategydesk@schwab.com

1-800-227-0816

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