Macro Monday

TD Ameritrade Institutional Trading Services

TD Ameritrade Institutional

September 19 – 23
2022

Key Market Levels:

	Fri 4pm ET	YTD	S&P500 Sector	3 Month
S&P 500	3,873	-18.73%	**Communications**	-8.43%
NASDAQ COMPOSITE	11,448	-26.82%	**Discretionary**	+7.45%
DJIA	30,822	-15.18%	**Energy**	+9.57%
Russell 2000	1,798	-19.91%	**Financials**	+2.23%
Int'l Developed	1,789	-23.44%	**Health Care**	-1.35%
VIX	26.30	16.3Lo/38.9Hi	**Industrials**	+0.44%
Oil	84.94	+12.56%	**Materials**	-4.66%
Gold	1,684	-8.00%	**Real Estate**	-3.49%
Bitcoin	19,666	-57.66%	**Staples**	-2.09%
US 10 yr	3.45%	+194 bps	**Technology**	-3.55%
US 30 yr	3.52%	+162 bps	**Utilities**	+7.91%

Recapping Last Week

A hot inflation report coupled with **global recession fears** sent U.S. equities reeling. The S&P500 and Russell 2000 indexes tumbled 4.5%+, while the Nasdaq Composite plunged 5.5%. Multiple S&P500 sectors shed 6-7%, and although a major rail strike was avoided, **transportation bellwether** FedEx rattled markets on Friday when it withdrew full-year guidance and offered a gloomy economic outlook. The U.S. Treasury yield curve continued to invert by the most in decades, as **2-year yields** spiked to 3.9%+ after Tuesday's CPI release. **Consumer prices** were expected to decrease more than they did in August, as falling energy costs failed to offset rising **food and shelter expenses**. The major indexes nosedived 4%+ on the news, which all but cemented the Fed's need to stay on an **aggressive rate-hiking** path that may curtail growth. Other economic data reflected slowing trends, with **industrial production** slipping in August and regional manufacturing surveys showing **contracting** business conditions. **Retail sales** numbers came in better than expected but were largely attributed to a bump in automobile transactions. **Consumer sentiment** rose slightly in early September, but the longer-term economic view declined modestly. Internationally, **British CPI** dropped for the first time in a year but remained near 10% YoY as economists still expect inflation won't peak until October when new **energy caps** begin. UK retail sales slumped 1.6% in August as the cost-of-living squeeze deepened. In the EU, **economic sentiment** weakened in September to the lowest levels in 30 years as potential **energy shortages** loomed for the upcoming winter months. China's August retail sales and industrial production figures topped estimates even as domestic demand lagged. Finally, **Japan's import prices** soared 42.5% in August as the yen hit a 24-year low versus the U.S. dollar.

The Week Ahead

While three central bank **interest rate** decisions await this week, global investors will focus squarely on Wednesday's **FOMC meeting**. Amid last week's rumors of a 100bps hike, traders are pricing in 75bps and indications that further **substantial increases** are coming. Yes, annual inflation did decrease from 8.5% to 8.3% last month, but it remains miles away from the Fed's intended 2% target. While supply chain disinflation is finally emerging, the U.S. **labor market** is still far too tight to bring demand growth and thus inflationary pressures down quickly enough. After delaying its decision by a week, the **Bank of England** is expected to raise by 50bps but may consider more after prime minister Truss announced a supportive package to cap household energy bills. The **Bank of Japan** may be considering a policy shift after conducting a rate check last week, which is widely interpreted as a potential **currency intervention** to prop up the sinking yen. But experts see raising the cap on 10-year government bond yields more likely than the BOJ raising short-term rates, as **inflation** still hovers near just 2.5%. The other main event this week is Friday's **global PMIs**, with updates on supply and demand conditions for the manufacturing and services sectors amid **recession** concerns. Other releases of note include U.S. **housing starts** and existing home sales, Canada's August CPI, and EU **consumer confidence**.

Chart of the Week: Two Year Tumbles

Bonds had a major reaction to the hotter than expected **CPI** numbers. The 2-Year U.S. Treasury Note Futures (/ZT), which move inversely to yield, clearly broke through an important potential **support** level at the June lows, sending yields to levels not seen since 2007. Prior levels of demand often may become **supply zones**, working as price **resistance** with the potential for continuing downtrends. With the FOMC policy statement and **economic projection** due for release Wednesday, the area near 103'24 may be one to watch for short-term rates. Click here to view chart.

Source: thinkorswim

Monday:

US NAHB Housing Index
47 exp, 49 prior

Australia Monetary Policy Minutes

Tuesday:

EU German PPI m/m
2.1% exp, 5.3% prior

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

U.S. Housing Starts
1.45M exp, 1.45M prior

Wednesday:

U.S. FOMC Statement

U.S. Existing Home Sales
4.69M exp, 4.81M prior

Japan Monetary Policy Statement

Japan BOJ Core CPI y/y
1.9% exp, 1.8% prior

Thursday:

UK BOE Monetary Policy Summary

U.S. Unemployment Claims
220K exp, 213K prior

EU Consumer Confidence
-26 exp, -25 prior

Australia Flash PMIs
53.8/50.2 prior

Friday:

EU German Flash PMIs
48.3/47.2 exp, 49.1/47.7 prior

UK Flash PMIs
47.4/50.3 exp, 47.3/50.9 prior

U.S. Flash PMIs
51.3/45.0 exp, 51.5/43.7 prior

U.S. Fed Chair Powell Speaks

Canada Retail Sales m/m
-2.0% exp, 1.1% prior

Source: forexfactory.com

Questions or comments? Want to subscribe?

Contact our Strategy Desk:

inststrategydesk@tdameritrade.com
strategydesk@schwab.com

1-800-227-0816

Hungry for more?

- Follow us on Twitter !
  @MikeTurvey_TDA ››
  @MFollett_TDA ››
- Earn CE credits at our **weekly webcasts ››**