Macro Monday

TD Ameritrade Institutional Trading Services

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March 14 - 18
2022

Key Market Levels:

	Fri 4pm ET	YTD	S&P500 Sector	3 Month
S&P 500	4,204	-11.79%	**Communications**	-15.83%
NASDAQ COMPOSITE	12,844	-17.90%	**Discretionary**	-14.63%
DJIA	32,944	-9.34%	**Energy**	+41.35%
Russell 2000	1,980	-11.83%	**Financials**	-5.68%
Int'l Emerging	1,086	-11.88%	**Health Care**	-6.51%
VIX	30.75	16.3Lo/38.9Hi	**Industrials**	-4.39%
Oil	109.19	+44.72%	**Materials**	-6.63%
Gold	1,991	+8.80%	**Real Estate**	-8.35%
Bitcoin	38,877	-16.30%	**Staples**	-5.00%
US 10 yr	2.00%	+49 bps	**Technology**	-14.19%
US 30 yr	2.36%	+45 bps	**Utilities**	+0.60%

Recapping Last Week

U.S. equities attempted to rally Friday as **Russian President Putin** claimed some progress in talks with Ukraine but finished near the lows, now declining 4 of the past 5 weeks. **Commodity prices** paused their parabolic rise, easing a bit of pressure on risk assets. The S&P500 and Nasdaq Composite indexes fell 3%+, while the Russell 2000 slipped 1%. **Breadth** was negative, with 10 of 11 S&P500 sectors fading, led by a 6% drop in consumer staples. **Crude oil** futures soared above $130 before settling near $109 after **OPEC** member UAE said it would support boosting supply. Wheat prices dropped precipitously, while **gold** ended little changed after spiking above $2,075. U.S. Treasury yields jumped after **February CPI** increased 7.9% YoY, a fresh 40-year high, as price pressures became more ingrained. **Inflation** expectations continued to pummel **consumer sentiment**, with the March UoM index sinking to the lowest level since 2011. Consumers anticipate prices to rise a further 5.4% over the next year. Small business optimism also slid to a one-year low. In other news, the **U.S. trade balance** widened to a record $89.7B in January and is again likely to be a drag on Q1 GDP. **Consumer credit** missed the mark by a wide margin in January, expanding by only $6.84B versus estimates of $23.8B. The **labor** market remained tight, as job openings outnumbered available workers by almost 5M in January, with total openings falling slightly to 11.26M according to the **JOLTS** report. Internationally, the **ECB** surprisingly stated it would curtail asset purchases in Q3, faster than planned, as it monitors the economic impact from the conflict in eastern Europe. Earlier in the week the **EU** announced a joint fund-raising plan for energy and defense spending. The Eurozone economy continued to show improvement, with German **factory orders**, retail sales, and industrial production all increasing in January. **UK GDP** grew by 0.8% MoM and now sits above its pre-pandemic levels. In China, popular stocks like Alibaba plunged after the U.S. SEC announced potential **delisting** of some Chinese companies for inadequate disclosures. **China's PPI** slowed to +8.8% YoY but is expected to accelerate from the surge in commodity prices, while CPI remained in-line with forecasts. Finally, Australia's central bank shifted to a more **data-dependent** approach as it considers potential rate hikes later this year.

The Week Ahead

Months of anticipation will culminate in the **FOMC's interest rate decision** this week. The Fed finds itself in a **quandary**. Surging inflation is largely attributable to supply-side challenges, yet the FOMC firmly believes their current policy is **too loose**. Investors must contemplate to what extent the FOMC is willing to destroy **demand** to curtail inflation. Most experts agree the Fed's hiking path is likely to be slower and shallower than previously expected considering the geopolitical environment, with a **25bps rise** priced in for Wednesday. The U.S. economy has been resilient, but Goldman Sachs sees risk of a **U.S. recession** as high as 35% over the next year given the **flattening yield curve** and other dangers. Chair Powell's tone and the Fed's updated economic forecasts will be closely scrutinized. In the UK, the **BOE** is expected to hike another 25bps on Thursday, but that may do little to stem the pound's recent slide. Elsewhere in the U.S., **February's PPI** will be released on Tuesday, and Wednesday's **retail sales** report will reveal recent consumer spending behavior in the face of soaring inflation. Also on the U.S. calendar are regional **manufacturing reports** from New York and Philadelphia, industrial production numbers and existing home sales. Overseas, **China's retail sales** and industrial production figures will drop late today, along with minutes from the most recent **RBA** meeting. Tuesday brings **economic sentiment** updates from Germany and the Eurozone. Other highlights include Canada's **CPI** and retail sales and the **Bank of Japan's** monetary policy meeting.

Chart of the Week: Small Caps Coiling

War and sanctions are driving equity, commodity, and bond prices to high **volatility**, but consolidation in the Russell 2000 Index (RUT) is flying under the radar. Following a significant **support** break in early January, the index has wrapped into a coiling formation, also known by technicians as a **symmetrical triangle**. These patterns often indicate pressure building, like a compressed spring, and may signal an **impending breakout**. Due to the prevailing bearish trend, it could mean more **downside** for small caps, but coils may also lead to a **trend reversal**. It bears watching which way it breaks. Click here to view chart.

Source: thinkorswim

Monday:

EU German WPI m/m
0.9% exp, 2.3% prior

China Retail Sales y/y
3.0% exp, 1.7% prior

China Industrial Production y/y
4.0% exp, 4.3% prior

Australia Monetary Policy Minutes

Tuesday:

EU German ZEW Economic Sentiment
5.2 exp, 54.3 prior

EU ZEW Economic Sentiment
10.3 exp, 48.6 prior

U.S. PPI m/m
1.0% exp, 1.0% prior

U.S. Empire St Manufacturing Index
6.9 exp, 3.1 prior

Wednesday:

Canada CPI m/m
0.9% exp, 0.9% prior

U.S. Retail Sales m/m
0.4% exp, 3.8% prior

U.S. FOMC Statement

Australia Employment Change
40.3K exp, 12.9K prior

Thursday:

UK Monetary Policy Summary

U.S. Philly Fed Manufacturing
15.1 exp, 16.0 prior

U.S. Unemployment Claims
221K exp, 227K prior

U.S. Industrial Production m/m
0.6% exp, 1.4% prior

Japan Monetary Policy Statement

Friday:

U.S. Existing Home Sales
6.10M exp, 6.50M prior

Canada Retail Sales m/m
2.4% exp, -1.8% prior

Source: forexfactory.com

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