

May 6, 2022

Market Movers

Extreme ups and downs. After a strong rally following Wednesday's Federal Open Market Committee meeting (FOMC), the Nasdaq 100 turned and fell 5% on Thursday, ending the week down just over 1%. The rally and its subsequent drop were both the largest swings since 2020. The broader S&P 500 finished the week down less than 1%. Elsewhere, European equities ended down almost 5%, while the Hang Seng fell by a more modest 1%.

Everyone's Trading Funds. Amid Thursday's pullback, ETF-dollar-volume turnover breached \$300 billion, more than 30% above the year-to-date average. Monday marked the highest ETF-volume day so far in 2022 as a share of the total market at 40%.

Feeling of mutual concern. On Wednesday, the FOMC raised interest rates by the consensus 50 basis points, sending 10-year Treasuries sharply higher, and widening the spread between the 2- and 10-year yields. Fed Chair Jerome Powell temporarily shelved the possibility of an incremental hike higher than the current 50 basis points, already the highest hike since 2000.

Scarcity. WTI Crude Oil moved higher this week as the EU continued its plans to phase out imports of Russian oil. WTI rose 5%, while natural gas prices shot up 10% this week on supply constraints and warmer-than-expected weather bolstering demand.

Macro

Non-farm payrolls. Non-farm payrolls rose to 428k versus market consensus of 380k, while the unemployment rate stayed the same at 3.6%, suggesting demand for labor remains strong.

Russia-Ukraine update. Chinese tech companies have started quietly curtailing shipments to Russia on the back of pressure from business partners and U.S. sanctions. Exports to Russia decreased sharply from March to February, with smartphones down 66% and telecom stations down 98%. The Chinese government has not made any public statements.

Covid-zero. Beijing continues to ramp up its Covid-19 restrictions in a bid to avoid the explosion of cases in Shanghai, shutting down all non-essential services in its biggest district.

Micro

Faith renewed. After tumbling at the start of April, the renewable energy sector climbed 3% this week on positive private-sector investment news. Renewable sources facilitated nearly the entirety (99.8%) of California's power demand for the first time ever this week, yet overall, traditional energy prices still remain at decade-highs

Options abound. S&P 500 volatility remains high, with the market's trusty volatility index the VIX trading above 36 this week. However, prices of protective put options have fallen recently, especially in relation to their call option counterparts

Tech titans in turmoil. It was a brutal week for tech stocks as inflation and recession concerns spooked Wall Street. A GS basket of non-profitable tech stocks fell 10% on the week

Checklist for next week

Major economic events in the U.S. include: CPI, Initial Jobless Claims, MBA Mortgage Applications, University of Michigan Sentiment, Wholesale Inventories

Major events around the world include: China Trade Balance and Import/Exports, Italy Industrial Production, Mexico CPI, Norway Industrial Production

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