

Fundamentals:

U.S. markets ended Monday lower, as investors spooked by better-than-expected data from the services sector re-evaluated whether the Federal Reserve could hike interest rates for longer, while shares of Tesla slid on reports of a production cut in China.

The electric-vehicle maker slumped 6.4% on plans to cut December output of the Model Y at its Shanghai plant by more than 20% from the previous month.

This weighed on the Nasdaq, where Tesla was one of the biggest fallers, pulling the tech-heavy index to its second straight decline.

Broadly, indexes suffered as data showed U.S. services industry activity unexpectedly picked up in November, with employment rebounding, offering more evidence of underlying momentum in the economy.

The data came on the heels of a survey last week that showed stronger-than-expected job and wage growth in November, challenging hopes that the Fed might slow the pace and intensity of its rate hikes amid recent signs of ebbing inflation.

Investors see an 89% chance that the U.S. central bank will increase interest rates by 50 basis points next week to 4.25%-4.50%, with the rates peaking at 4.984% in May 2023.

The rate-setting Federal Open Market Committee meets on Dec. 13-14, the final meeting in a volatile year, which saw the central bank attempt to arrest a multi-decade rise in inflation with record interest rate hikes.

The aggressive policy tightening has also triggered worries of an economic downturn, with JPMorgan, Citigroup and BlackRock among those that believe a recession is likely in 2023.

The Dow Jones Industrial Average fell 482.78 points, or 1.4%, to close at 33,947.1, the S&P 500 lost 72.86 points, or 1.79%, to end on 3,998.84, and the Nasdaq Composite dropped 221.56 points, or 1.93%, to finish on 11,239.94.

In other economic data this week, investors will also monitor weekly jobless claims, producer prices and the University of Michigan's consumer sentiment survey for more clues on the health of the U.S. economy.

Energy was among the biggest S&P sectoral losers, dropping 2.9%. It was weighed by U.S. natural gas futures slumping more than 10% on Monday, as the outlook dimmed due to forecasts for milder weather and the delayed restart of the Freeport liquefied natural gas (LNG) export plant.

EQT Corp, one of the largest U.S. natural gas producers, was the steepest faller on the energy index, closing 7.2% lower.

Financials were also hit hard, slipping 2.5%. Although bank profits are typically boosted by rising interest rates, they are also sensitive to concerns about bad loans or slowing loan growth amid an economic downturn.

Meanwhile, apparel maker VF Corp dropped 11.2% - its largest one-day decline since March 2020 - after announcing the sudden retirement of CEO Steve Rendle. The firm, which owns names including outdoor wear brand The North Face and sneaker maker Vans, also cut its full-year sales and profit forecasts, blaming weaker-than-anticipated consumer demand.

U.S. Treasury yields rose on Monday as strong data on the services and manufacturing sectors, coming on the heels of a solid non-farm payrolls report, reinforced expectations the Federal Reserve will continue to raise interest rates well into 2023.

The U.S. two-year/10-year yield curve deepened its inversion from last Friday. The gap between the two notes' yields widened to as much as -81.20 basis points (bps), the most in two weeks, and was last at -78.5 bps.

The inversion of this curve typically precedes recession.

U.S. yields extended gains after Monday's slew of data showed continued expansion in the world's largest economy.

U.S. services industry activity unexpectedly picked up in November, with employment rebounding. The Institute for Supply Management (ISM) said on Monday its non-manufacturing PMI increased to 56.5 last month from 54.4 in October, which was the lowest reading since May 2020.

U.S. factory activity also showed a 1% gain for October, as did orders for durable goods.

U.S. yields initially jumped on Friday after nonfarm payrolls increased by 263,000 jobs last month, which was higher than expected, with the data for October also revised higher.

The rate futures market on Monday had priced in a peak fed funds rate of 4.95%, seen hitting at the July meeting. That was down from about 5.1% before Fed Chair Powell said last week that the U.S. central bank will likely slow the pace of interest rate hikes as soon as this month.

In afternoon trading, the yield on 10-year Treasury notes was up 9.6 bps at 3.599%, posting its largest daily gain in roughly two weeks.

The yield on the 30-year Treasury bond was up 5.8 bps at 3.618%.

On the shorter-end of the curve, the two-year U.S. Treasury yield, which typically moves in step with interest rate expectations, was up 10.9 bps at 4.390%. The two-year's yield rise was the largest daily gain since Nov. 18.

(Source: Reuters)

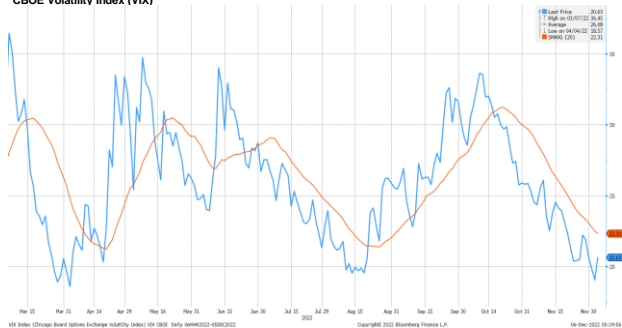
Contract	Close	Change	High	Low
E-Mini Dow DEC 22	33,986.00	-458.00	34,463.00	33,883.00
E-Mini S&P DEC 22	4,003.25	-71.00	4,075.75	3,987.25
E-Mini NASDAQ DEC 22	11,805.75	-205.75	12,015.75	11,745.50
Micro Russell 2K JUN 22	1842.2	-52.2	1895	1834.6
USD Nikkei MAR 23	27,655.0	-30.0	27,835.00	27,605.00
Euro Dollar DEC 22	95.18	0.003	95.19	95.15
US Dollar Index	105.31	0.760	105.40	104.11
DJIA	33,947.10	-482.780	34,335.73	33,846.81
S&P 500	3,998.84	-72.860	4,052.45	3,984.49
NASDAQ	11,239.94	-221.560	11,425.51	11,193.02
Nikkei 225	27,820.40	42.500	27,854.11	27,700.86
Hang Seng	19,518.29	842.940	19,539.60	19,035.14
Straits Times	3,267.54	8.400	3,283.17	3,256.45
DAX	14,447.61	-81.780	14,507.16	14,394.37
CAC	6,696.96	-45.290	6,738.97	6,685.52
FTSE100	7,567.54	11.310	7,598.21	7,547.76

Historical Volatility	10 Days	30 Days	60 Days	90 Days
E-Mini Dow Futures	18.26	19.49	23.06	21.03
E-Mini S&P Futures	22.99	25.93	27.43	24.90
E-Mini Nasdaq Futures	14.41	13.84	16.12	15.27

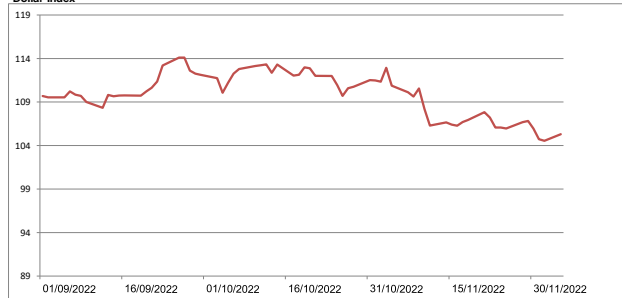
U.S. Government Treasuries Yield



CBOE Volatility Index (VIX)



Dollar Index



Economic Releases	Period	Survey	Actual	Prior	Revised	
12/05/2022 22:45	S&P Global US Services PMI	Nov F	46.1	46.2	46.1	--
12/05/2022 22:45	S&P Global US Composite PMI	Nov F	46.3	46.4	46.3	--
12/05/2022 23:00	Factory Orders	Oct	0.70%	1.00%	0.30%	0.30%
12/05/2022 23:00	Factory Orders Ex Trans	Oct	--	0.80%	-0.10%	-0.20%
12/05/2022 23:00	Durable Goods Orders	Oct F	1.00%	1.10%	1.00%	--
12/05/2022 23:00	Durables Ex Transportation	Oct F	0.50%	0.50%	0.50%	--
12/05/2022 23:00	Cap Goods Orders Nondel Ex Air	Oct F	--	0.60%	0.70%	--
12/05/2022 23:00	Cap Goods Ship Nondel Ex Air	Oct F	--	1.50%	1.30%	--
12/05/2022 23:00	ISM Services Index	Nov	53.5	56.5	54.4	--
12/06/2022 21:30	Trade Balance	Oct	-\$80.0b	--	-\$73.3b	--
12/07/2022 20:00	MBA Mortgage Applications	Dec-02	--	--	-0.80%	--
12/07/2022 21:30	Nonfarm Productivity	3Q F	0.60%	--	0.30%	--
12/07/2022 21:30	Unit Labor Costs	3Q F	3.10%	--	3.50%	--
12/08/2022 04:00	Consumer Credit	Oct	\$28.000b	--	\$24.976b	--
12/08/2022 21:30	Initial Jobless Claims	Dec-03	230k	--	225k	--
12/08/2022 21:30	Continuing Claims	Nov-26	1618k	--	1608k	--

E-Mini Dow Index Futures Daily Chart



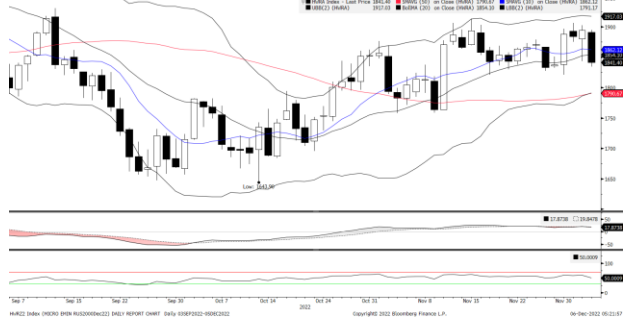
E-Mini S&P 500 Index Futures Daily Chart



E-Mini NASDAQ 100 Index Futures Daily Chart



Micro E-Mini Russell 2000 Index Futures Daily Chart



Technical Analysis

Dow				S&P				Nasdaq				Micro Russell			
1st Resistance:	34496	2nd Resistance:	35006	1st Resistance:	4063.30	2nd Resistance:	4123.35	1st Resistance:	11982.84	2nd Resistance:	12159.92	1st Resistance:	1869.83	2nd Resistance:	1897.47
1st Support:	33476	2nd Resistance:	32966	1st Support:	3943.20	2nd Resistance:	3883.15	1st Support:	11628.66	2nd Resistance:	11451.58	1st Support:	1814.57	2nd Resistance:	1786.93
MACD:	619.210			MACD:	57.257137			MACD:	137.570			MACD:	17.935		
MACD DIFF:	-57.277			MACD DIFF:	1.807318			MACD DIFF:	25.748			MACD DIFF:	-1.922		
RSI:	58.666			RSI:	54.984241			RSI:	53.501			RSI:	50.122		

Strategy

	Long:	Profit target:	Stop-loss:	Long:	Profit target:	Stop-loss:	Short:	Profit target:	Stop-loss:	Short:	Profit target:	Stop-loss:
Dow	33476	33811	33309	32966	33296	32802	34496	34151	34668	35006	34656	35181
S&P	3943.20	3982.63	3923.49	3883.15	3921.98	3863.74	4063.30	4022.67	4083.62	4123.35	4082.11	4143.96
Nasdaq	11628.66	11744.95	11570.52	11451.58	11566.09	11394.32	11982.84	11863.01	12042.75	12159.92	12038.32	12220.72
Micro Russell	1814.57	1832.71	1805.49	1786.93	1804.80	1778.00	1869.833	1851.13	1879.18	1897.466	1878.49	1906.95

Source: Bloomberg

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