

Weekly Newsletter

28th June, 2024

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Musings

" In three words I can sum up everything I've learned about life: it goes on."

– Robert Frost

Last week in the markets

	Closing level	Weekly change	YTD change
S&P 500	5,460.48	-0.08%	+14.48%
Nasdaq Composite	17,732.60	+0.24%	+18.13%
10Y UST Yield	4.402	+3.41%	+13.43%
Crude oil	81.46	+1.08%	+14.20%
Gold	2,336.90	+0.09%	+12.80%
DXY	105.87	+0.07%	+4.47%
USD/INR	83.37	-0.24%	+0.22%
Euro STOXX 50	4,894.02	-0.27%	+8.24%
India (Nifty)	24,010.60	+2.17%	+10.49%
Japan (Nikkei)	39,583.08	+2.56%	+18.28%
China (SSE)	2,967.40	-1.03%	-0.25%
Saudi (TASI)	11,729.62	+0.72%	-3.87%
Abu Dhabi (ADX)	9,060.73	+0.53%	-5.40%
Dubai (DFM)	4,030.00	+0.44%	-0.76%

News from the markets

Much like last week, US markets ended almost flat. The action in developed markets seems to have shifted to the political arena.

Biden delivered a shaky, faltering performance at the Presidential debate on June 27th, while Trump battered him with a series of often false attacks. **Biden's poor showing rattled his fellow Democrats, and will likely deepen voter concerns that he is too old to serve another four-year term.** Presidential debates typically have limited influence on voters, but Biden and Trump are in a tight race and the election will likely be decided by just thousands of votes in a handful of swing states. Both candidates need to win over the relatively small number of voters who have not yet decided who to vote for.

Voters across mainland France began casting ballots Sunday in the first round of an exceptional parliamentary election that could put France's government in the hands of nationalist, far-right parties for the first time since the Nazi era. **The outcome of the two-round election, which will wrap up July 7, could impact European financial markets, Western support for Ukraine and how France's nuclear arsenal and global military forces are managed.**

In data released on June 28th, no increase in prices was seen in the PCE price index for May. The core PCE, which strips out particularly volatile items such as food and energy, rose 0.1% last month - matching the smallest increase in seven months as the 12-month rates of inflation and core inflation also eased.

Despite this, yields on long-term U.S. government debt finished at more than two-week highs amid a round of selling that may have been driven by traders moving to close out month- and quarter-end positions. Uncertainty around the U.S. presidential election as well as the imminent French legislative elections also likely contributed.

In foreign exchange markets U.S. yields have supported the dollar, which touched a two-month high of 106.13 against a basket of currencies on June 26th. The dollar index is up 1.3% for the month and almost 1.5% for the quarter as expectations for rate cuts in the U.S. have been pushed back by stubborn inflation and strong economic data. The Japanese Yen, which has been particularly weak, touched a 38-year low of 160.89 to the US dollar.

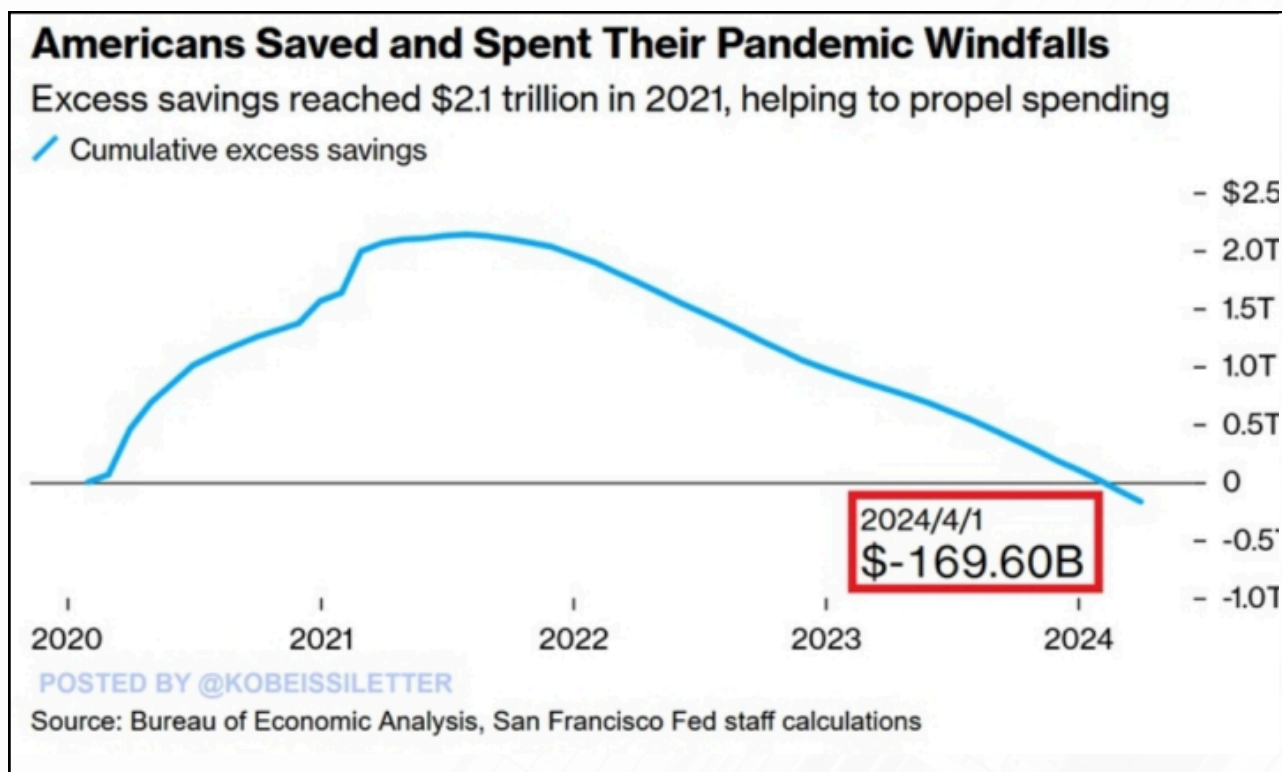
Shares in bellwether chipmaker Micron Technology slid 8% in U.S. after-hours trade as it met rather than topped lofty revenue expectations.

Japan's stock markets rose over the week, with the Nikkei 225 Index gaining 2.6% and the broader TOPIX Index up 3.1%, as historic weakness in the yen continued to support the country's export-heavy industries.

Foreign institutional investors have bought Indian stocks worth about Rs 26,565 crore (~\$3.2 bn) in June – before the Union Budget and India's inclusion in JP Morgan's bond index. After being net sellers in the last two months, a U-turn by FIIs comes amid expectations that reforms will continue after the elections. Improved GDP growth forecast and solid earnings by India Inc has also increased the appeal.

Finally, **the Indian Cricket team won the T20 World Cup on June 29th**, beating South Africa in a nail-biting finish and unleashing a wave of celebrations across the country and among Indian diaspora worldwide. This is India's fourth World Cup in different formats of the game.

Chart of the Week



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