

Weekly Newsletter

August 16th, 2024

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Musings

"A man who makes \$10,000 may be just as happy as a man who makes \$100,000, but not if the other man is his neighbor."

H.L. Mencken

Last week in the markets

	Closing level	Weekly change	YTD change
S&P 500	5,554.25	3.93%	16.45%
Nasdaq Composite	17,631.72	5.29%	17.46%
10Y UST Yield	3.885	-1.55%	0.11%
Crude oil	75.49	-1.94%	5.83%
Gold	2,508.14	3.29%	21.58%
DXY	102.4	-0.71%	1.06%
USD/INR	83.86	-0.10%	0.82%
Euro STOXX 50	4,840.52	3.53%	7.05%
India (Nifty)	24,541.15	1.76%	12.93%
Japan (Nikkei)	38,062.67	8.67%	13.74%
China (SSE)	2,879.43	0.60%	-3.21%
Saudi (TASI)	11,915.02	1.53%	-2.35%
Abu Dhabi (ADX)	9286.03	-0.21%	-3.05%
Dubai (DFM)	4243.14	1.14%	4.49%

News from the markets

US stocks had their best week since November 2023, as markets recovered sharply from the sell-off in the earlier week.

A closely watched report on US inflation showed that consumer price increases came in line with estimates during the month of July. The Consumer Price Index (CPI) rose 0.2% over the previous month, an uptick from June's 0.1% decline. **The index increased 2.9% over the prior year in July, the lowest annual reading since spring 2021.** "Core CPI", which strips out the more volatile costs of food and gas, climbed 0.2% over the prior month and 3.2% over last year – matching economist expectations.

Advance estimates of U.S. retail and food services sales for July 2024 were \$709.7 billion, an increase of 1.0% from the previous month, and up 2.7 percent from July 2023. Total sales for the May 2024 through July 2024 period were up 2.4 percent from the same period a year ago.

WalMart reported results for the three-month period ending July 31, which beat forecasts for revenue (\$169.3 billion sales vs. analyst estimates of \$168.6 billion) and profit (\$0.67 earnings per share vs. estimates of \$0.65). **The company indicated it expects the good times to continue, upping its outlook for full-year sales growth from a range of 3%-4% to 3.75%-4.75% and guiding for earnings growth of 6%-9%.**

According to DA Davidson analyst Michael Baker “**value has become more important**” to consumers. That assertion helps explain the continued slump for retail stocks tied to companies offering more discretionary products, with shares of athletic wear giants Lululemon and Nike down more than 25% apiece year-to-date.

The number of people claiming unemployment benefits in the US fell by 7,000 to 227,000 on the week ending August 10th, contrasting with market expectations of a slight increase to 235,000 and marking the second consecutive weekly decline since reaching a near-one-year high of 250,000 in late July.

Per the CME FedWatch tool, **markets are pricing in a nearly 100% chance that the Federal Reserve will cut interest rates at its upcoming September meeting.** However, the odds of a 50 basis point cut or a 25 basis point cut are now split roughly 25/75.

The latest University of Michigan consumer sentiment survey came in at 67.8 in August, up from 66.4 in July and above the 66.9 economists had expected. Consumer sentiment rebounded for the first time in five months.

Gold prices surged above \$2,500 an ounce for the first time on Friday.

Japan's Nikkei 225 had its best week in more than four years. It was a strong rebound from its sharp losses the week before, which included the worst day for the Japanese stock market since the Black Monday crash of 1987. **Global investors were net buyers of Japanese stocks, underscoring overseas investors' strong appetite for Japanese equities** even after the unwinding of yen-funded carry trades sent shock waves through broader markets.

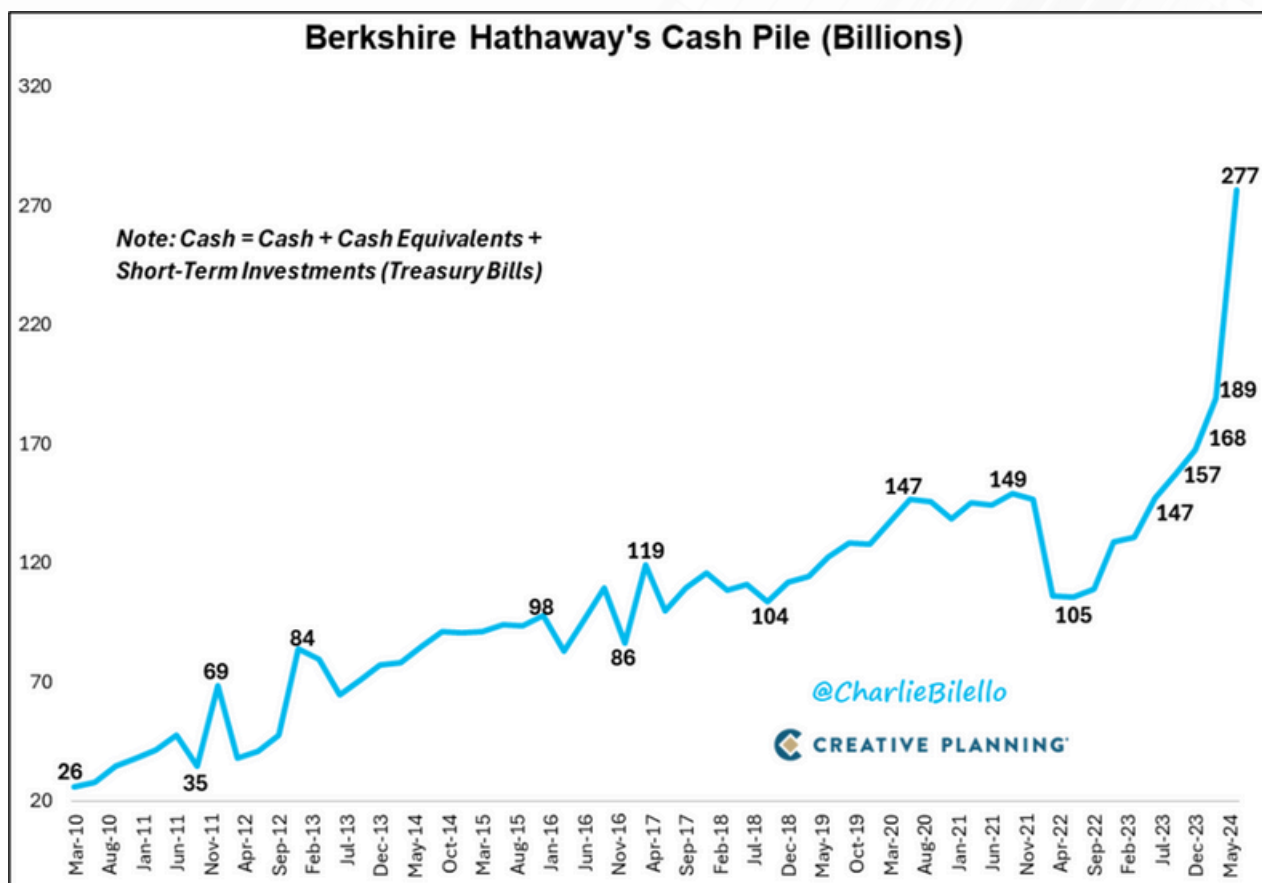
In China, data from the National Bureau of Statistics indicated that government incentives to spur domestic spending through equipment and home appliance upgrades had not yielded desired results. JD.com, Tencent and Alibaba reported results for the three months ended June that pointed to a steady pick-up in consumer spending in that quarter, but with less clarity on whether that growth has continued. By some analysts' estimates, the economy grew by about 4% year on year in July, short of the 5 per cent annual target and lower than the pace that was maintained in the first half. Private investment in the January-July period was flat compared with a year earlier, and investment in the property sector fell 10.2 per cent year on year. The soft macroeconomic data and the subsequent downside risks have fueled expectations among analysts of more monetary easing and fiscal support.

The pan-European Stoxx 600 recorded a weekly gain of 2.4%, with auto stocks showing the biggest sectoral gain.

U.K. retail sales showed a rebound from a 0.9% decline in June to 0.5% growth in July, in line with expectations in a Reuters poll. Sales volumes were up 1.1% in the three months to July. U.K. inflation showed an uptick to 2.2% in July, a lower increase than expected, while the economy expanded by 0.6% in the second quarter.

In passing, we note that **the World Health Organization has declared a global health emergency for mpox**, formerly known as monkeypox, as concerns mount over the spread of a more contagious form of the virus that has fueled a surge of cases in Africa.

Chart of the Week



Berkshire's cash holding has almost doubled in the last one year; **Its holdings of US Treasuries exceed that of the Federal Reserve**

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