

Weekly Newsletter

Jan 12th, 2024

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Musings

“The first principle is that you must not fool yourself—and you are the easiest person to fool.”

– Pippa Malmgren

Last week in the markets

	Closing level	Weekly change	YTD change
S&P 500	4,783.83	+1.84%	+0.29%
Nasdaq Composite	14,972.76	+3.09%	-0.26%
10Y UST Yield	3.944	-2.20%	+1.60%
Crude oil	72.69	+2.50%	+1.91%
Gold	2,051.60	+0.09%	-0.97%
DXY	102.41	+0.20%	+1.06%
USD/INR	82.88	-0.20%	-0.37%
Euro STOXX 50	4,480.02	+0.37%	-0.92%
India (Nifty)	21,894.55	+1.77%	+0.75%
China (SSE)	2,881.98	-1.60%	-3.10%
Saudi (TASI)	12,116.09	-0.24%	+1.24%
Abu Dhabi (ADX)	9,791.16	+1.35%	+2.23%
Dubai (DFM)	4,104.10	+0.39%	+1.09%

News from the markets

US and UK forces struck over 60 targets in Yemen on January 11th against Houthi forces after the Iran-backed group attacked commercial shipping in the Red Sea. More than 100 precision-guided munitions were used in the strikes on command and control nodes, munitions depots, production facilities and air defense radar systems, according to a US Air Force commander. There were follow-up strikes on January 12th as well.

There have been at least 27 Houthi attacks since November 19. **The repeated Houthi attacks on international shipping lanes in the southern Red Sea have forced some of the world’s largest shipping companies to avoid the waterway, adding thousands of miles to international shipping routes by sailing around the continent of Africa.**

Houthis have vowed to retaliate.

An escalation in the situation could push up freight costs and disrupt supply chains, impeding the fight against inflation. So far, the price of crude oil is hovering near the levels seen at the beginning of the year.

Saturday's election in Taiwan was won by the ruling Democratic Progressive Party's (DPP) presidential candidate Lai Ching-te. Lai's party champions Taiwan's separate identity and rejects China's territorial claims.

China responded soon after the vote by saying "Taiwan is part of China." Xi Jinping has called Taiwan's unification with the mainland "a historical inevitability," to be achieved by force if necessary.

The economic consequences of a war over Taiwan would be enormous for the world. A blockade of the Taiwan Strait, through which around half of international trade shipping passes, would disrupt supply chains. The world's economy would be hit hardest by the sudden shortage of computer chips, most of which are manufactured in Taiwan.

Stocks moved higher over the week, with large-cap growth stocks and the technology-heavy Nasdaq Composite Index outperforming the broader market.

Nvidia Corp. is off to its strongest-ever start to a year by one measure, keeping up a blistering rally that saw shares gain nearly 240% in 2023. The Company has **added roughly \$128 billion in market capitalization after rising about 10% this month**, signaling that the AI trend still has momentum. Nvidia this year is easily outpacing the broader market and the rest of the so-called Magnificent Seven mega cap technology stocks. That's making it a major bright spot as the S&P 500 Index has stalled near record highs amid questions around corporate profits and the timing of anticipated Federal Reserve interest-rate cuts.

Microsoft became the world's most valuable publicly traded company as of market close on January 12th. The tech giant's stock closed at \$388.47 a share, giving it a market capitalization of \$2.89 trillion. Apple's stock closed at \$185.92 a share, for a market capitalization of \$2.87 trillion.

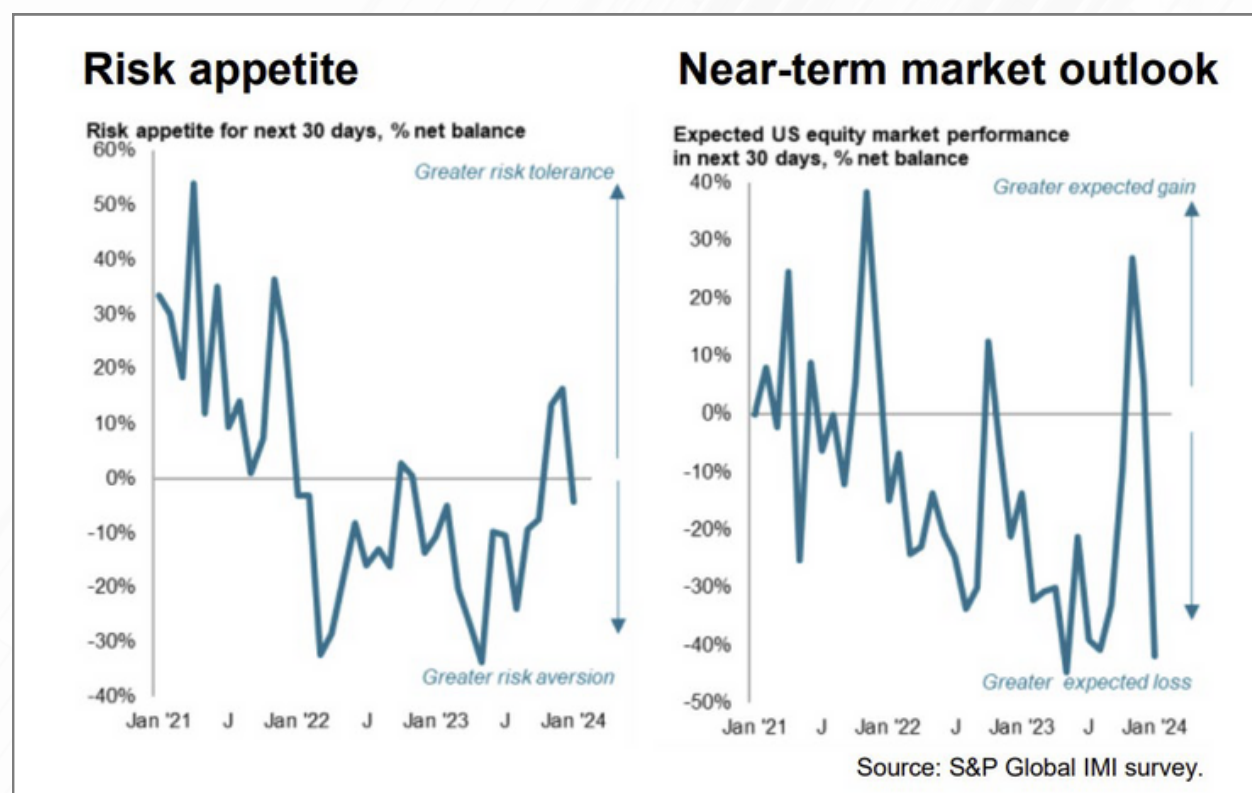
Meanwhile, **Apple stock was hit with its third downgrade in less than two weeks.** Barclays and Piper Sandler were joined by Redburn Atlantic's James Cordwell, who lowered the rating to Neutral. The stock is trading more or less at the same level as at the beginning of the year.

Boeing has had a series of mishaps since the launch of its 737 Max aircraft. Very recently, Alaska Air had a horrific incident when a part of the plane flew off mid-air and all B737 Max 9 have been under scrutiny since then. Another incident took place on January 14th when Japan Airlines had to make an emergency landing due to a crack found in the cockpit. **All of this has had an adverse impact on the stock, which was down 18% in the last month** despite it being high season. Airbus, Boeing's biggest competitor, has been gaining from this power shift and is up 6% from last month.

Fourth-quarter earnings have officially begun with **four of Wall Street's top six banks reporting rather bleak results. The outlook from Wall Street's biggest lenders was cautious against the backdrop of markets pricing in interest rate cuts** by the Federal Reserve as early as March. Shares were down on the day for 3 of the 4 banks with Citi the only one adding 1%.

Chart of the week

According to S&P Global's survey of **investment managers**, there was a sudden and resolute loss of confidence in January. The biggest drivers of the mind-change were (geo)politics – with Middle East tensions cited in particular (+China/Russia) and US domestic politics (election year) also noted. Expensive valuations were also highlighted as a concern.



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