

# Weekly Newsletter

Jan 19th, 2024

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## Musings

“Investing is not about beating others at their game. It’s about controlling yourself at your own game”

- Benjamin Graham

## Last week in the markets

	Closing level	Weekly change	YTD change
S&P 500	4,839.81	+1.17%	+1.47%
Nasdaq Composite	15,310.97	+2.26%	+2.00%
10Y UST Yield	4.131	+4.75%	+6.45%
Crude oil	73.43	+0.92%	+2.94%
Gold	2031.80	-1.06%	-1.93%
DXY	103.24	+0.82%	+1.88%
USD/INR	83.15	+0.34%	-0.05%
Euro STOXX 50	4,448.83	-0.70%	-1.61%
India (Nifty)	21,622.40	-1.24%	-0.50%
China (SSE)	2,832.28	-1.72%	-4.80%
Saudi (TASI)	11,959.07	-0.95%	-0.37%
Abu Dhabi (ADX)	9,712.40	-0.80%	+1.40%
Dubai (DFM)	4,081.70	-0.55%	+0.52%

## News from the markets

### S&P 500 hits all-time high

S&P 500 stock index rose to a record high on January 19th. The benchmark index ended the week at 4,839.81, which was above its prior closing high of 4,796.56 set on Jan 3, 2022. During the session it also set a record intraday high of 4,842.07.

**Tech stocks, including Nvidia, AMD and Texas Instruments, led a broad rally**, with all three leading U.S. indexes up more than 1% in the same session for the first time this year.

Super Micro Computer (SMCI), one of the largest producers of high performance and high-efficiency servers and one of the best-performing tech stocks of the past few years, soared 36% on Friday to a record, after they issued preliminary financial results that exceeded estimates. Their market capitalization shot up to almost \$24B.

This week's upbeat assessment from chip-industry heavyweight—and Apple supplier —**TSMC has fueled hopes the semiconductor industry is recovering from last year's inventory glut.** An ETF tracking chip shares rose about 4%.

After a disappointing start to the year, **Apple stock saw a rebound last week by 3.22%** after data showed that they dethroned Samsung to become the most shipped smartphone brand in 2023. Adding to that, their much talked about AR/VR headset Vision Pro got a release date of 2nd Feb which has sparked excitement in the tech sphere. Bank of America upgraded Apple's rating from neutral to buy, hiking their price target by \$17 to \$225 citing AI and Vision Pro to drive upside.

### **But investors have turned cautious about interest rates**

Investors have become more skeptical that the Fed will cut interest rates as soon as March. Expectations that policy makers will take longer to reduce borrowing costs have driven the 10-year Treasury yield back above 4%. The policy-sensitive 2-year rate rose to a level not seen in four weeks, after data showed that **U.S. consumer sentiment soared this month.**

### **The situation in the Red Sea remains volatile**

The United States carried out its sixth strike on Houthi rebel sites in Yemen via fighter jets, targeting antiship missile launchers set for deployment.

Houthi spokesman Mohammed Abdulsalam has emphasized that they have no plans to extend attacks on shipping in the Red Sea beyond blockading Israel and retaliating against the United States and Britain for air strikes, and there are no intentions to target Saudi Arabia and the UAE.

Meanwhile, the **Biden administration has reclassified the Houthis as specially designated global terrorists.** The formal designation includes sanctions aimed at cutting off financial support to violent extremist groups.

**Average worldwide costs of shipping a 40-foot container rose 23% in the week** through Jan. 18 to \$3,777, according to London-based Drewry Shipping Consultants, **more than doubling in the past month.** The lengthy diversions for ocean cargo vessels as a result of the Houthi rebel attacks in the Red Sea have caused air freight volumes to soar, and the cost of shipping cargo by plane will see a significant increase by above 10% if the crisis does not abate, with anxiety rising among companies.

## Indian stocks take a breather

On January 17th, the Sensex recorded its worst daily performance in the last 18 months. During the day, Sensex fell over 1,600 points or 2.23%.

**More than half of the decline in both Sensex as well as Nifty was attributable to heavyweight HDFC Bank, whose shares fell by over 8%** after investors were disappointed with flat NIM (net interest margin) at 3.4% and draw-down of some surplus liquidity.

## Crude oil prices show resilience

Crude oil registered gains this week as the fraught situation in the Middle East means many companies continue to divert cargoes around Africa, adding to journey times and costs.

Prices were also supported by an unexpected drop in U.S. crude inventories, which also came as severe cold weather knocked off about 40% of oil output in North Dakota.

**The IEA raised its 2024 oil demand growth forecast** on Thursday, with the agency looking for an economic recovery in China and an eventual decrease in interest rates.

## News flow out of China remains weak

According to the National Bureau of Statistics, **the Chinese economy grew 5.2% in 2023**, surpassing the target of 'about 5%' that the government had set. Many analysts expressed skepticism about this number, and also forecast slow growth in 2024. The World Bank's latest projection has Chinese economic growth slowing to 4.5% in 2024.

China's exports decreased by 4.6% in 2023, the first year-on-year decline since 2016.

Investment in property development fell 9.6% compared to the previous year.

Consumer prices fell for the third consecutive month in December.

Earlier this week, the People's Bank of China kept the one-year loan prime rate (LPR) at 3.45%, while the five-year LPR was unchanged at 4.20%.

The **Country's population fell by 2.09 million people last year to 1.41 billion**. The country recorded only 9 million births in 2023, which were more than offset by 11.1 million deaths.

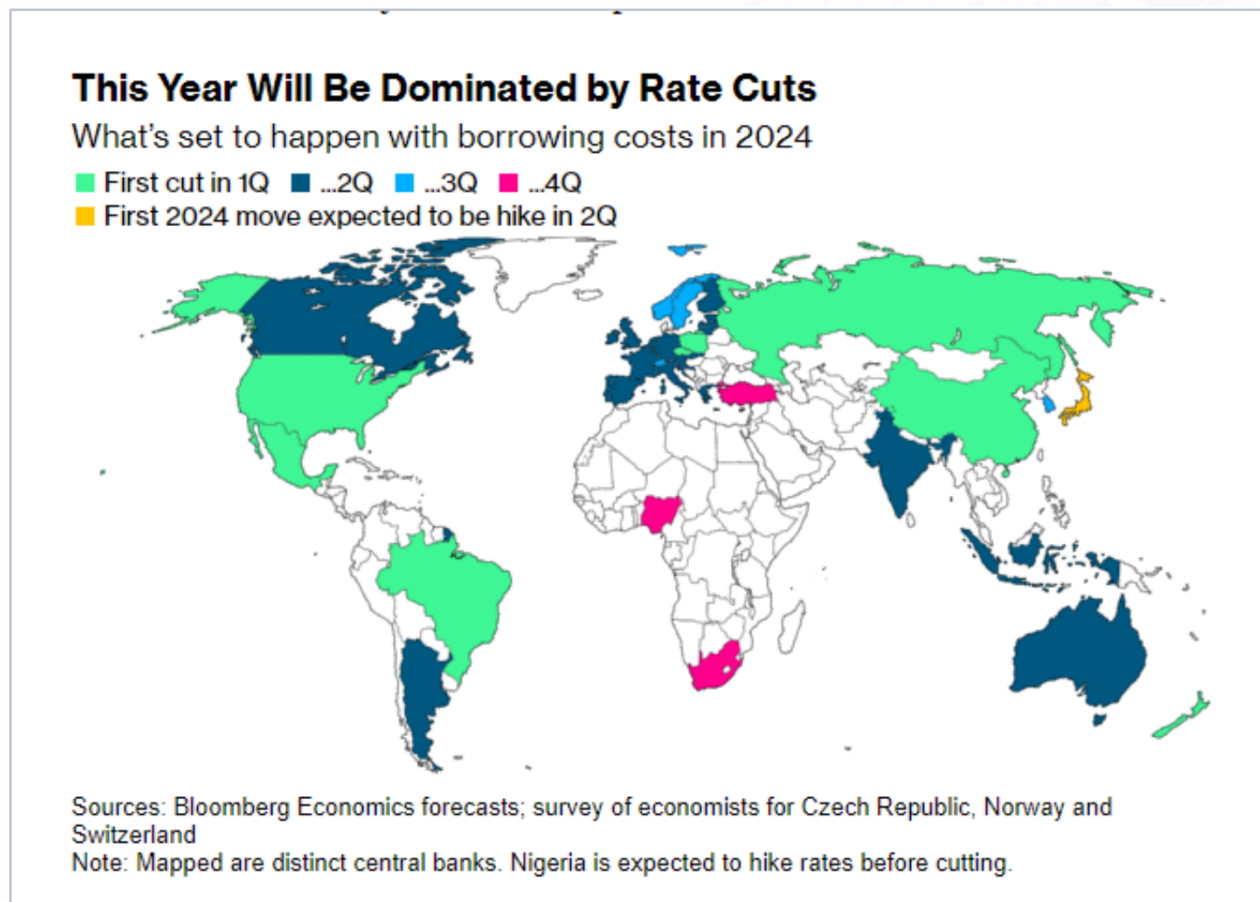


## Trump wins Iowa caucus

The race for the 2024 US presidential elections has kicked off with Monday's Republican caucus in Iowa.

Former US President Donald Trump decisively won the caucus ballots and will now head to next week's New Hampshire primary with a commanding lead over his rivals.

## Chart of the week



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