

# Weekly Newsletter

26th July, 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	5,459.10	-0.83%	15.10%
Nasdaq Composite	17,367.88	-2.03%	17.62%
10Y UST Yield	4.20	-0.92%	6.49%
Crude oil	77.16	-3.71%	7.69%
Gold	2,386.50	-0.35%	15.70%
DXY	104.32	-0.90%	2.90%
USD/INR	83.74	0.69%	0.69%
Euro STOXX 50	4,860.60	0.73%	7.50%
India (Nifty)	24,849.90	1.30%	14.45%
Japan (Nikkei)	37,667.41	-5.98%	13.12%
China (SSE)	2,890.90	-3.06%	-2.41%
Saudi (TASI)	12,026.21	-1.33%	-0.09%
Abu Dhabi (ADX)	9,317.79	0.77%	-2.82%
Dubai (DFM)	4,280.35	2.38%	2.16%

\*\*Closing level prices taken as at last week closing, i.e. Friday 26th July closing price (except TASI, which is Thu 25th July closing price)

\*\*Weekly change computed based on previous week Friday closing price

\*\* YTD change computed based on closing price of 1st day trading of 2024 (which varies for each market)

## News from the markets

Both S&P and Nasdaq ended the week lower, with Nasdaq particularly badly hit.

**Latest earnings reports are fanning two worries that were already gnawing away at the US stock market: that the euphoria about artificial intelligence had run too far and that consumer spending will start to stall.**

Alphabet Inc.'s results stoked a broader concern about how long it will take for investments in artificial intelligence to pay off. At the same time, updates from Southwest Airlines Co., United Parcel Service Inc., Whirlpool Corp. stoked worries about a potential pullback by consumers.

**Earnings due next week include those from the tech bellwethers Microsoft Corp., Meta Platforms Inc., Amazon.com Inc. and Apple Inc.**

President Joe Biden announced his withdrawal from the Presidential race on July 21, less than four months before Election Day. Vice President Harris rapidly secured pole position in the Democratic race and is expected to win the official presidential nomination at the party's convention in August.

The US economy grew at a faster-than-expected pace in the second quarter. **The Bureau of Economic Analysis's advance showed the economy grew at an annualized pace of 2.8% during the period, well above the 2% growth expected**, and higher than first quarter GDP, which was revised down to 1.4%.

"Core" Personal Consumption Expenditures index, which excludes the volatile food and energy categories, grew by 2.9% in the second quarter, above estimates of 2.7% but significantly lower than the 3.7% gain in the prior quarter.

The labor market has shown also signs of cooling. The ratio of job openings to unemployed workers is back at pre-pandemic levels, and last month the unemployment rate hit its highest level since November 2021.

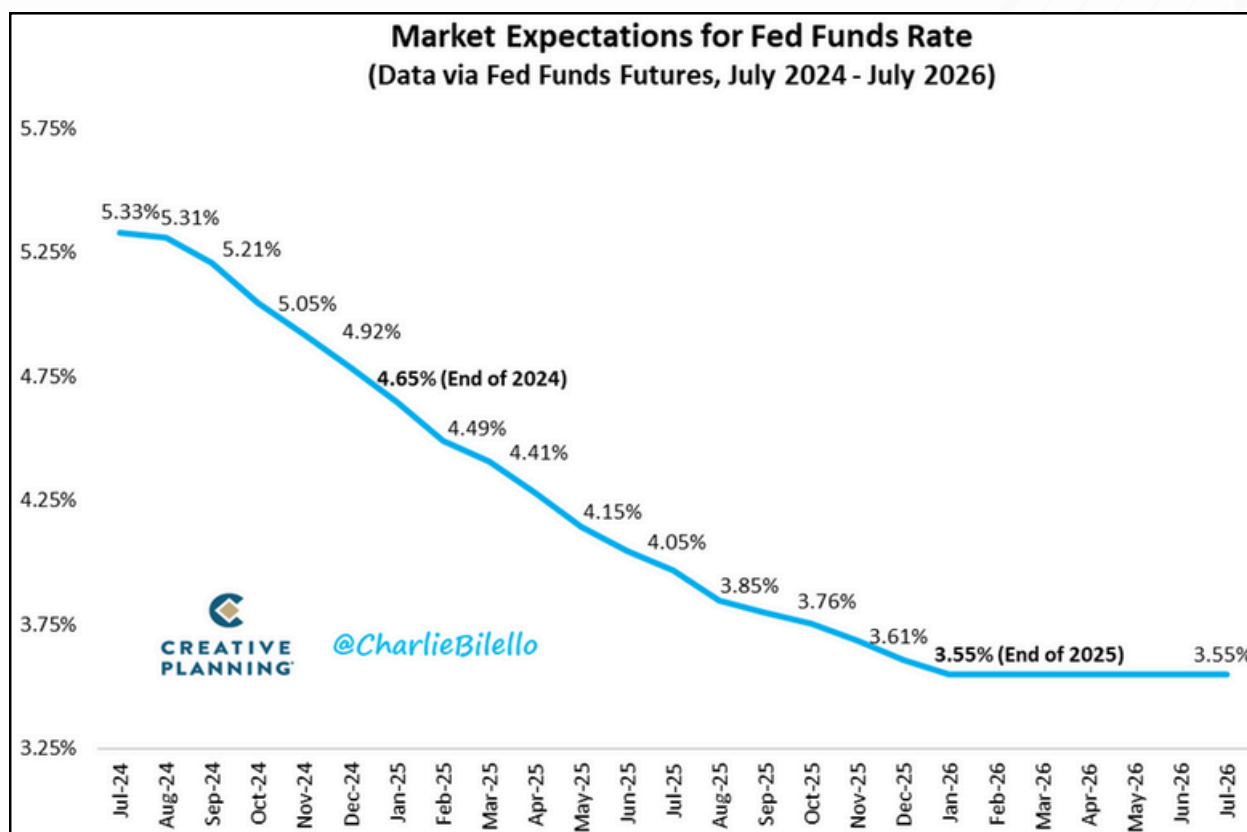
**As per CME Fedwatch, 100% of the market currently expects a rate cut in September 2024.**

US Small Caps are up 10% over the last 12 trading days while US Large Caps are down 3%. This 13% spread is the largest 12-day Small Cap outperformance ever, and is being seen by some analysts as a sign of market rotation. **We believe this is mostly attributable to technical factors and unlikely to sustain, especially as the economy slows.**

The People's Bank of China implemented a surprise interest rate reduction, followed by a trim to its medium-term facility lending rate. These surprise rate cuts have raised concerns that Beijing is struggling to breathe life into the world's second-largest economy. **This pressured Chinese stocks, as well as oil prices amid increasing concerns that Chinese energy demand may be further into the future than expected.**

Japan's headline CPI slipped to 2.2% from 2.3%, while the core rate ticked up to 2.2% from 2.1%. After falling to its lowest level since early May (~JPY151.95), the dollar recovered to consolidate near 154.00, On the stock market, losses in Tokyo extended the Topix loss this week to 5.6% and the Nikkei's decline to nearly 6%.

## Chart of the Week



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