

Weekly Newsletter

May 17th , 2024

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Musings

"There is nothing so permanent as a temporary government program."

- Milton Friedman

Last week in the markets

	Closing level	Weekly change	YTD change
S&P 500	5,303.27	+1.54%	+11.18%
Nasdaq Composite	16,685.97	+2.11%	+11.16%
10Y UST Yield	4.426	-1.69%	+14.05%
Crude oil	79.52	+1.69%	+11.48%
Gold	2,419.80	+2.23%	+16.80%
DX	104.50	-0.76%	+3.12%
USD/INR	83.30	-0.30%	+0.14%
Euro STOXX 50	5,064.14	-0.14%	+12.00%
India (Nifty)	22,466.10	+1.86%	+3.38%
Japan (Nikkei)	38,787.38	+1.46%	+15.91%
China (SSE)	3,154.03	-0.02%	+6.02%
Saudi (TASI)	12,198.44	-0.65%	+1.63%
Abu Dhabi (ADX)	9,041.65	-0.54%	-5.60%
Dubai (DFM)	4,068.25	-2.51%	+0.18%

News from the markets

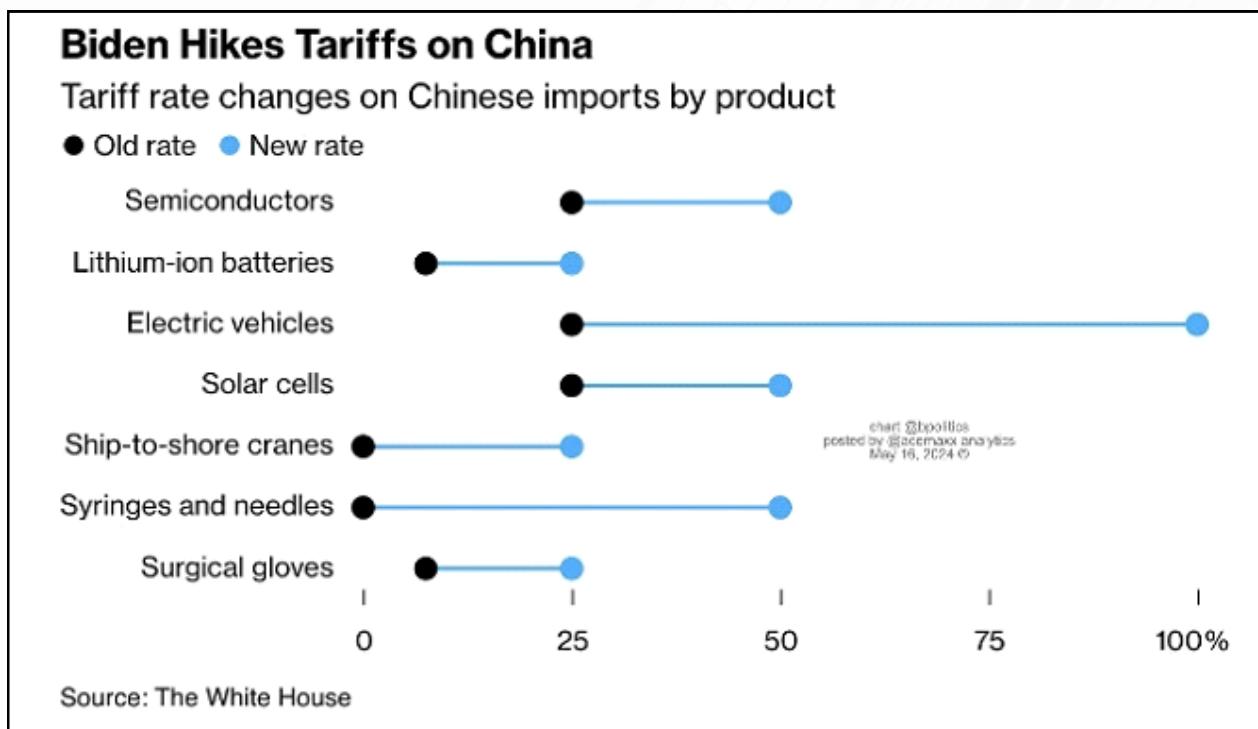
Wall Street witnessed a record-breaking week, primarily driven by the latest consumer inflation data. The positive sentiment pushed the benchmark S&P 500 above the 5,300-point level for the first time ever. Though the post-CPI euphoria stalled somewhat over the final two days of the week, the S&P 500 added +1.5%, the blue-chip Dow rose +1.2%, and the tech-heavy Nasdaq Composite climbed +2.1%.

The Consumer Price Index for All Urban Consumers (CPI-U) increased 0.3 percent in April on a seasonally adjusted basis, after rising 0.4 percent in March. Over the last 12 months, the all items index increased 3.4 percent before seasonal adjustment. **The index for all items less food and energy rose 0.3 percent in April, after rising 0.4 percent in each of the 3 preceding months.**

U.S. retail and food services sales for April 2024 were \$705.2 billion, virtually unchanged (+/-0.4 percent) from the previous month, down from 0.6% in March and well below expectations.

This helped temper growing fears that inflation was becoming entrenched and reanimated investor bets that the central bank will be able to start lowering interest rates later this year.

President Joe Biden announced plans to quadruple tariffs on China-made electric vehicles to 100% tariff from a current import tax of about 25. Automotive and trade experts say the increased tariffs are a near-term protectionism act that may delay but won't stop Chinese automakers from coming to the U.S. with EVs. Tariffs on other Chinese imports were also raised as shown in the below chart.



Walmart, the largest retailer in the United States, on Thursday reported growth in sales and profit in the first quarter, helped by higher-income shoppers. Walmart said its comparable-store sales in the United States rose 3.8 percent from the quarter a year earlier. Its U.S. e-commerce business jumped 22 percent. Walmart's stock rose 7 percent in response, closing the week at a record \$64.65.

Nvidia, the darling of AI and technology investors, will report Q1'25 results on May 22. Analysts expect Nvidia to report an adjusted, diluted EPS of \$5.57 and a revenue of \$24.65 Bn for the quarter ending on April 28, 2024.

To rescue the beleaguered Chinese property market, the Chinese government is relaxing mortgage rules and urging local governments to buy unsold homes as authorities become increasingly concerned about the sector's drag on economic growth. Growth in consumer spending unexpectedly cooled to 2.3% in April, the slowest pace since 2022, while industrial output rose from a month ago to a faster-than-expected 6.7%.

Preliminary gross domestic product (GDP) data from the Japanese Cabinet Office showed Japan's economy shrank 2.0% annualized in January-March from the prior quarter, faster than the 1.5% drop seen in a Reuters poll of economists. Downwardly revised data showed GDP barely grew in the fourth quarter of 2023, due to downgrades to capital expenditure estimates. **That could create some hesitation for the Bank of Japan, which raised interest rates in March for the first time since 2007 and has since signaled its intention to continue tightening policy.**

Chart of the Week



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