Asas Capital
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Weekly Newsletter

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Musings

"Wealth is not about having a lot of money; it's about having a lot of options."

- Chris Rock

Last week in the markets

	Closing level	Weekly change	YTD change
S&P 500	5,127.79	+0.55%	+7.50%
Nasdaq Composite	16,156.33	+1.43%	+7.63%
10Y UST Yield	4.518	-3.23%	**+16.42%**
Crude oil	77.99	-6.80%	+9.34%
Gold	2,310.10	-1.68%	**+11.50%**
DXY	105.08	-0.81%	+3.69%
USD/INR	83.38	-0.03%	+0.24%
Euro STOXX 50	4,921.48	-1.71%	+8.84%
India (Nifty)	22,475.85	+0.25%	+3.43%
Japan (Nikkei)	38,236.07	+1.61%	**+14.26%**
China (SSE)	3,104.82	+2.74%	+4.37%
Saudi (TASI)	12,352.33	+0.73%	+2.91%
Abu Dhabi (ADX)	9,037.40	-0.05%	-5.64%
Dubai (DFM)	4,142.70	-0.13%	+2.02%

News from the markets

The S&P 500 and Treasuries notched their first in-tandem weekly gain in a month, buoyed by constructive pronouncements from Federal Reserve Chair Jerome Powell and softer employment data.

The Federal Reserve announced at its May 2024 Federal Open Market Committee (FOMC) meeting that it would maintain the overnight federal funds rate at the current range of 5.25% to 5.5%. This decision marks the sixth consecutive meeting at which policymakers have opted to hold rates steady and keeps the federal funds rate at the highest target range in over 23 years. Chair Jerome Powell acknowledged the hot first-quarter inflation data, stating that it will likely take longer than anticipated for the Fed to gain confidence that the economy is on a sustainable path toward 2% inflation.

The Fed also confirmed that starting in June, **it would slow the rate at which it reduces the size of it's balance sheet.** This reduction in the balance sheet runoff is seen as a first step toward a more accommodating monetary policy, as the slowed runoff effectively means that the Fed is lowering the pace at which it is withdrawing liquidity from the system.

The April jobs report released on May 3rd painted a picture of a cooling US labor market as employers added 175,000 jobs and the unemployment rate unexpectedly jumped to 3.9%. Economists had expected an addition of 240,000 jobs. The report — which showed demand for workers is moderating after a series of strong reports this year — pushed the S&P 500 to its biggest single-session advance since February.

According to the CME FedWatch tool, traders now see a roughly two-thirds chance of a rate cut in September.

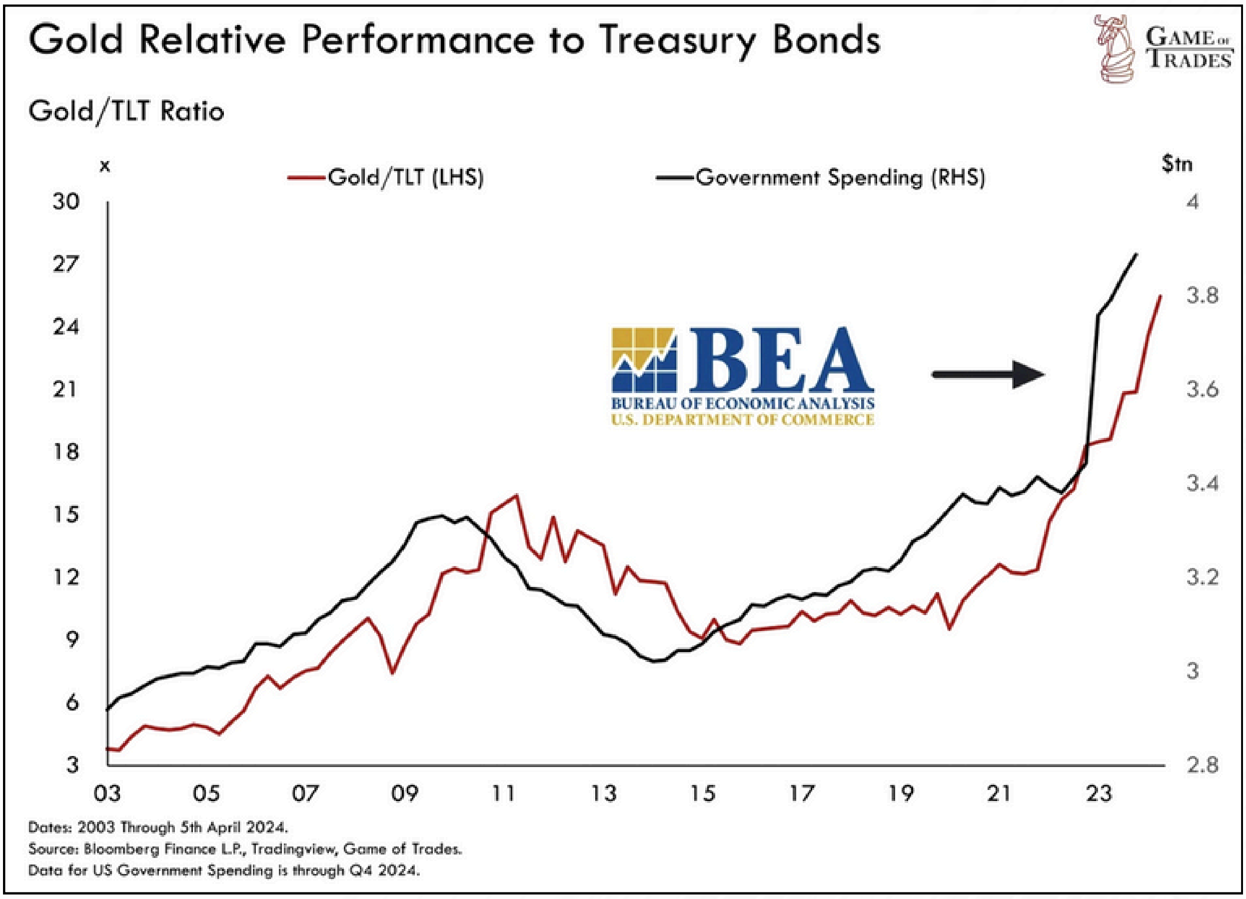
The assertion by Powell that rate hikes are off the menu for now, and the weaker than expected jobs data, **combined to bring the yield on the benchmark 10-year Treasury note down to 4.50%.**

Apple's fiscal second-quarter earnings were slightly higher than Wall Street expectations, but showed overall revenue down 4%, and iPhone sales falling 10%. **The Company announced that its board had authorized $110 billion in share repurchases**, the largest in company history and a 22% increase over last year's $90 billion authorization. CEO Tim Cook said that overall sales would grow in the "low single digits" during the June quarter. The stock closed the week 5.76% higher.

Oil prices posted their steepest weekly loss in three months as investors weighed a surge in U.S. commercial crude inventories, which exclude the strategic petroleum reserves, by 7.3 million barrels to 461 million barrels, higher-for-longer interest rates and weak U.S. jobs data. Investors were concerned that higher-for-longer borrowing costs would curb economic growth in the U.S. Upward pressures from geopolitical risk premiums due to the Israel-Hamas war have faded as the two sides consider a temporary ceasefire and hold talks with international mediators.

The Japanese Yen weakened to levels not seen in 34 years against the U.S. dollar on Monday, only to rebound and likely clock its best week in more than a year. **The yen touched 160.03 against the greenback on Monday but closed the week at ~ 153.** Traders estimate that the BOJ intervened to the extent of USD 59 billion to bring the rate down.

Chart of the Week



The ratio of Gold/TLT has been rising steadily and has shot up in recent years.

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