

Weekly Newsletter

October 4th, 2024

asascapital.com

Musings

"Success is not final; failure is not fatal: It is the courage to continue that counts."

— Winston S. Churchill

Last week in the markets

	Closing level	Weekly change	YTD change
S&P 500	5,751.07	+0.22%	+20.57%
Nasdaq Composite	18,137.85	+0.10	+20.83%
10Y UST Yield	3.967	+5.78%	+2.27%
Crude oil	74.45	+8.46%	+4.37%
Gold	2,653.84	-0.30%	+28.64%
DXY	102.49	+2.10%	+1.14%
USD/INR	84.03	+0.37%	+1.01%
Euro STOXX 50	4,954.94	-2.22%	+9.58%
India (Nifty)	25,014.60	-4.45%	+15.11%
Japan (Nikkei)	38,635.62	-3.00%	+15.45%
China (SSE)	3,336.50	+8.06%	+12.15%
Saudi (TASI)	11,957.54	-3.20%	-2.00%
Abu Dhabi (ADX)	9,179.77	-3.06%	-4.16%
Dubai (DFM)	4,405.85	-2.55%	+8.50%

News from the markets

US nonfarm payrolls surged by 254,000 in September, up from a revised 159,000 in August and better than the 150,000 Dow Jones consensus forecast.

The unemployment rate fell to 4.1%, down 0.1 percentage point, as the survey of household employment showed an even stronger picture, with a gain of 430,000.

Average hourly earnings increased 0.4% on the month and were up 4% from a year ago. Both figures were ahead of respective estimates.

Job creation tilted strongly to full-time positions, which were up 414,000, while those reporting part-time work fell by 95,000.

The report eases concerns about the state of the labor market and likely locks in the Federal Reserve to a more gradual pace of interest rate reductions.

Futures market pricing shifted sharply after the report, with **traders now assigning a strong chance of consecutive quarter percentage point interest rate cuts from the Federal Reserve in November and December.**

As per the CME Fedwatch tool, 97.4% of the market now expects a 25 bp rate cut at the next FOMC meeting in November. This is up from 53% a week ago.

Meanwhile, **the 10-year Treasury yield has actually jumped since the Fed cut rates on September 18th.** The rate was around 3.6% the day before the Fed cut and is now approaching 4%.

OpenAI closed a \$6.6 billion raise from investors including Microsoft & Nvidia, which could value the company at \$157 billion. The closing of the funds coincides with the company's ongoing restructuring efforts and executive changes. The AI company also sought assurances that investors would avoid funding five competing firms, according to a Reuters report.

Israeli leader Benjamin Netanyahu vowed to retaliate against Iran after it fired about 200 ballistic missiles at Israel, a severe escalation of hostilities between the adversaries that world powers fear could spiral into a Middle East-wide war. Iran said its latest move was a reprisal for Israel's devastating attacks on Lebanon-based Hezbollah, Tehran's most important proxy militant group.

Crude oil posted its biggest weekly increase in more than a year on fears that Israel may decide to strike Iranian petroleum facilities in retaliation for a missile attack.

Euro-area inflation slowed below the European Central Bank's 2% target for the first time since 2021 – backing investor bets that interest rates may be lowered more quickly than previously anticipated. Concerns about the economy, meanwhile, are on the rise – largely down to the increasingly dire prospects for Germany's manufacturing sector.

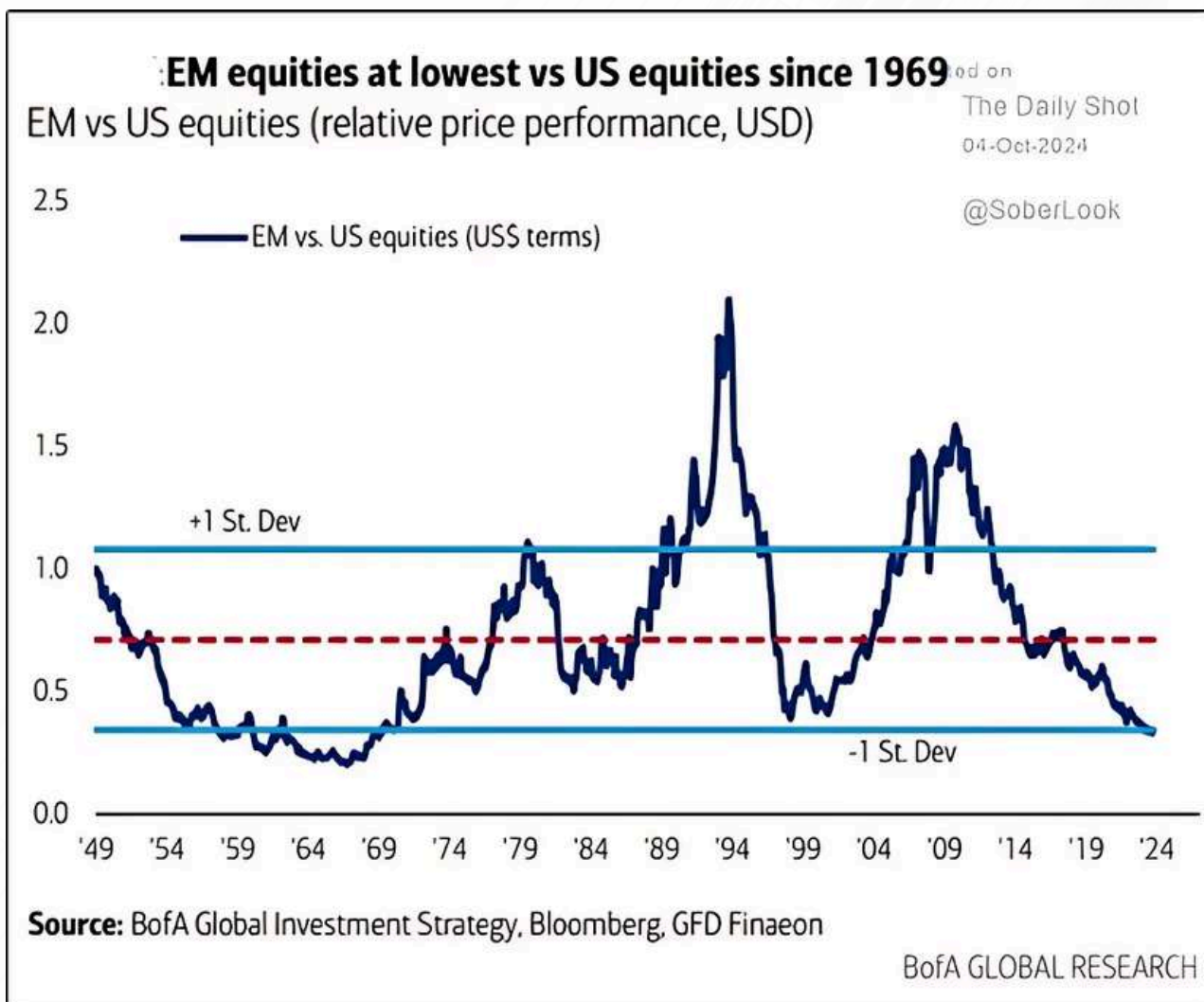
The EU said it would push forward with hefty tariffs on China-made EVs, even after the bloc's largest economy Germany rejected them. **The proposed duties on EVs built in China of up to 45%** would cost carmakers billions of extra dollars to bring cars into the bloc and are set to be imposed from next month for five years. The dispute is its biggest trade row with Beijing in a decade.

Chinese stock markets in the mainland are due to reopen following the Golden Week break. Beijing’s announcements of economic support last week have fueled China’s CSI 300 blue-chip index to rally over 25% in a nine-day winning streak. A longer-term stock market upturn likely requires a sustained revival in economic growth and a stable property market. This, in turn, potentially requires a fiscal spending boost significantly larger than the 1-2% of GDP currently expected

In India, **Sensex and Nifty recorded their worst week since June 2022** as they ended the week with a loss of 4.3% and 4.5%, respectively. The double blow of the Iran-Israel war and the accompanying spike in oil prices, and China’s stimulus package has unleashed a bear attack on the Indian stock market.

Gulf stock markets also experienced significant declines, with traders reacting to escalating geopolitical tensions in the Middle East following Iran’s largest military strike against Israel.

Chart of the Week



Disclaimer

This document is prepared by Asas Capital Ltd (Asas). Asas is regulated by the Dubai Financial Services Authority ("DFSA"), incorporated in the Dubai International Financial Centre. The information contained in this material does not constitute an offer to sell or the solicitation of an offer to buy, or recommendation for investment in any financial product or financial service in any jurisdiction. The information in this document is not intended as final advice and is only intended for Professional Client and Market Counterparty, as defined by the DFSA, who understand the risks associated with such investments. Investors are not to construe the contents of this document as legal, business or tax advice and each investor should consult its own attorney, business adviser and tax adviser as to the associated risks, legal, business, tax, and related matters. All reasonable efforts have been made to ensure accuracy of the information contained in this document, however, it may include certain inaccuracies or typographical errors and Asas reserves the right to change or update these later. This document has not been reviewed by, approved by, or filed with the DFSA. Asas does not provide any warranty, express or implied, about the accuracy of the information provided in this document. Asas also does not provide a warranty, express or implied, on the availability of products and services described in this document. But without prejudice to the generality of the foregoing, no redocument or warranty is given as to the achievement or reasonableness of any future projections, estimates, returns contained in the document or in such other written or oral information. Past performance is not a sign of future performance. This document is confidential and contains proprietary information, neither this document nor any portion hereof may be reprinted, sold, or redistributed without our prior written consent. The distribution of this document and investment in any financial product or financial service may be restricted by law in certain jurisdictions. The investors should inform themselves as to legal requirements and tax consequences within countries of their citizenship, residence, domicile, and place of business with respect to holding and disposition of investment and any foreign exchange restrictions that may be relevant thereto. In no event shall Asas be liable for any direct, indirect, punitive, incidental, special, or consequential damages or damages for loss of profits, revenue, data, down time, or use, arising out of or in any way connected with the use of this document or performance of any investments, whether based on contract, tort, negligence, strict liability or otherwise.