Asas Capital
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Weekly Newsletter

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Musings

"Those who make peaceful revolution impossible will make violent revolution inevitable."

— John F. Kennedy

Last week in the markets

	Closing level	Weekly change	YTD change
S&P 500	6,090.28	0.96%	**27.68%**
Nasdaq Composite	**19,859.77**	**3.34%**	**32.30%**
10Y UST Yield	4.155	-0.60%	7.48%
Crude oil	67.20	-1.18%	-6.21%
Gold	2,633.33	-0.64%	**27.65%**
DXY	105.97	0.18%	4.58%
USD/INR	84.65	0.13%	1.78%
Euro STOXX 50	**4,973.76**	**3.68%**	9.82%
India (Nifty)	24,677.80	2.27%	**13.56%**
Japan (Nikkei)	39,091.17	2.31%	**16.82%**
China (CSI 300)	3,973.14	1.44%	**15.80%**
Saudi (TASI)	11,931.85	0.77%	-0.30%
Abu Dhabi (ADX)	9,266.31	0.34%	-3.25%
Dubai (DFM)	4,854.45	0.15%	**19.57%**

News from the markets

A tech rally pushed the major indexes to new highs last week as the latest economic data releases did little to shake investor confidence that the Federal Reserve will cut interest rates at its final meeting of 2024.

Data from the Bureau of Labor Statistics released Friday showed 227,000 new jobs were created in November, just above the 220,000 expected by economists. The unemployment rate increased to 4.2%.

In the week ahead, a crucial reading of inflation, the Consumer Price Index (CPI), is slated for release on Wednesday. A reading on wholesale inflation, the Producer Price Index (PPI), will follow on Thursday.

As per the CME Fed watch tool, markets were pricing in a roughly 85% chance the Fed cuts interest rates by a quarter of a percentage point on December 18th.

The Magnificent Seven tech stocks handily outperformed the S&P 500. Markets are coming around to the view that near-term fundamental story has been favoring the Magnificent Seven, where earnings estimates have largely been holding up better than the rest of the market.

Treasury yields have retreated significantly since mid-November, and has now fallen for three straight weeks. Some analysts contend **moves in both equity and bond markets are driven more by year-end rebalancing flows** and say the partial reversal of the rise in yields since late September has blunted, at least for now, a potential obstacle.

Oil prices dipped, with market focus shifting to weak demand after **OPEC+ extended its deep output cuts and postponed planned supply increases until the end of 2026.** From a technical perspective, oil is now hovering around support levels from where it has bounced several times in the past.

European stocks gained for a sixth straight session in the longest winning streak since May, as investors weighed the latest developments in turbulent French politics. One factor that contributed was the possibility that the sizable corporate tax hike finally fails to pass in parliament, which would be good news for battered French stocks.

Indian stocks rose as FIIs turned into buyers in early December, in a reversal of their sustained selling strategy during the last two months. The change in FII is getting reflected particularly in large-cap banking stocks in which FIIs have been sellers.

Japanese stock indexes continued to rise, supported by comments from Bank of Japan board member Nakamura, who stated that he does not see the current time as appropriate for raising interest rates again.

Chart of the Week

The S&P 500 Price-to-Book (P/B) ratio rose to 5.3x, the highest level since the 2000 Dot-Com Bubble burst. P/B ratio has doubled since 2020.

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