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Weekly Newsletter

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Musings

"To be a successful business owner and investor, you have to be emotionally neutral to winning and losing. It is all part of the game."

- Robert Toru Kiyosaki

Last week in the markets

	Closing level	Weekly change	YTD change
S&P 500	4,890.97	+1.06%	+2.54%
Nasdaq Composite	15,455.36	+0.94%	+2.96%
10Y UST Yield	4.143	+0.28%	**+6.76%**
Crude oil	78.23	**+6.54%**	**+9.67%**
Gold	2018.20	-0.67%	-2.59%
DXY	103.47	+0.18%	+2.11%
USD/INR	83.12	-0.03%	-0.08%
Euro STOXX 50	4,635.47	**+4.20%**	+2.52%
India (Nifty)	21,352.60	-0.51%	-1.74%
China (SSE)	2,910.22	+2.75%	-2.18%
Saudi (TASI)	12,161.56	+1.26%	+1.32%
Abu Dhabi (ADX)	9,567.68	-1.49%	-0.11%
Dubai (DFM)	4,163.35	+2.00%	+2.53%

News from the markets

The major US indices recorded a winning week. Through the end of Thursday's session, the benchmark S&P 500 had closed at a record high for five straight trading days, the longest streak of its kind since November 2021.

Markets were buoyed by strong economic data.

Gross domestic product in the US, a measure of all the goods and services produced, increased at a 3.3% annualized rate in the fourth quarter of 2023, according to data adjusted seasonally and for inflation. That compared with the Wall Street consensus estimate for a gain of 2% in the final three months of the year.

Core prices for personal consumption expenditures, which the Federal Reserve prefers as a longer-term inflation measure, rose 2% for the period, while the headline rate was 1.7%. On an annual basis, the PCE price index rose 2.7%, down from 5.9% a year ago, while the core figure excluding food and energy posted a 3.2% increase annually, compared with 5.1%.

The next FOMC meeting is scheduled on 30–31 January. As many as three Fed representatives made it clear that they have not yet seen evidence to start easing monetary policy. Meanwhile, markets still see rates unchanged in January and predict a 48% probability of a rate cut at the next meeting in March, according to the CME FedWatch Tool.

Tesla reported worse-than-expected fourth-quarter earnings and revenue and Chief Executive Elon Musk warned investors that the **EV giant doesn't know what way profit margins will go in 2024.** Tesla reported that Q4 earnings fell 40% to 71 cents per share. Meanwhile, quarterly revenue totaled $25.17 billion, up 3.5% vs. Q4 2022. Tesla's gross profit margin came in at 17.6%, down 612 basis points. For 2023, Tesla EPS fell 23% to $3.12 while revenue increased 19% to $96.77 billion. **The stock is down almost 13.64% on the week.**

Shares in Intel slipped almost 12% after the chipmaker unveiled weaker-than-expected guidance for the current quarter. California-based Intel said it expects to post revenue in its current three-month period of $12.2 billion to $13.2 billion, a range that was well below Wall Street projections of $14.5 billion. Quarterly income excluding one-off items was also seen at $0.13 per share, missing expectations of $0.33.

American Express rallied more than 7% after sharing a better-than-expected forecast for full-year earnings.

The Federal Aviation Administration has informed Boeing that it will not grant any production expansion of the MAX, including the 737-9 MAX. This action comes on top of the FAA's investigation and ramped up oversight of Boeing and its suppliers. The FAA also approved a thorough inspection and maintenance process that must be performed on each of the grounded 171 Boeing 737-9 MAX aircraft. Upon successful completion, the aircraft will be eligible to return to service. The Company's shares are down 18.39% from the beginning of the year as the Company has been buffeted by a series of accidents involving its aircraft.

This coming week marks the busiest week of the earnings season, with 19% of the S&P 500 reporting earnings. Mega-cap tech names Microsoft, Apple, Meta, Amazon and Alphabet — part of the core group of big tech companies that have led this year's rally — will be posting their results. Investors will also keep an eye on several Dow components reporting their quarterly earnings, including Boeing and Merck.

Starting Feb. 5, the People's Bank of China will allow banks to hold smaller cash reserves, central bank governor Pan Gongsheng said at a press conference. **Cutting the reserve requirement ratio (RRR) by 50 basis points is set to release 1 trillion yuan ($139.8 billion) in long-term capital**, the central bank said. The magnitude of the cut exceeded market forecasts. This, and a series of government announcements and media reports indicating forthcoming state support for growth and capital markets helped push markets higher this week.

U.S. crude oil closed out its best week in more than four months, as positive economic news in the world's two largest economies raised hopes for more robust crude demand this year. The potential for more robust demand comes as crude supply fell in the U.S. due to winter storms. Crude inventories fell by 9.2 million barrels last week as production dropped by 1 million barrels per day, according to data from the Energy Information Agency. A suspected Ukrainian drone attack last weekend on Russian fuel terminal on the Baltic Sea also highlighted the ongoing geopolitical threats to fuel supplies.

India's stock market has pipped Hong Kong for the first time. **The combined value of shares listed on Indian exchanges hit $4.33 trillion as of Monday's close, against $4.29 trillion for Hong Kong**, according to data compiled by Bloomberg, making India the fourth-biggest equity market globally.

The European Central Bank held interest rates at 4% on Thursday. ECB President Christine Lagarde said rapid wage growth was already showing signs of slowing in the eurozone, striking a dovish note on the potential for interest rate. The euro fell after Lagarde spoke, slipping 0.5 per cent against the dollar to $1.0833, as investors judged her comments to have opened the door to a potential rate cut in April. Germany's two-year bond yield fell 0.09 percentage points to 2.62 per cent. European stocks rose 0.2%, having erased earlier losses.

Chart of the week

SOURCE: KENNETH R. FRENCH DATA LIBRARY AND THE CENTER FOR RESEARCH IN SECURITY PRICES (CRSP).

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