

Weekly Newsletter

19th July, 2024

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Musings

“Money is only a tool. It will take you wherever you wish, but it will not replace you as the driver.”

– Ayn Rand

Last week in the markets

	Closing level	Weekly change	YTD change
S&P 500	5,505.00	-1.97%	+15.41%
Nasdaq Composite	17,726.94	-3.65%	+18.09%
10Y UST Yield	4.242	+1.31%	+9.30%
Crude oil	78.60	-4.37%	+10.19%
Gold	2,402.80	-0.55%	+15.98%
DXY	104.37	+0.26%	+2.99%
USD/INR	83.73	+0.25%	+0.65%
Euro STOXX 50	4,827.24	-4.28%	+6.76%
India (Nifty)	24,530.90	+0.12%	+12.88%
Japan (Nikkei)	40,063.79	-2.74%	+19.72%
China (SSE)	2,982.31	+0.37%	+0.25%
Saudi (TASI)	12,188.32	+3.29%	-0.11%
Abu Dhabi (ADX)	9246.33	+0.99%	-3.46%
Dubai (DFM)	4,180.95	+1.88%	+2.96%

News from the markets

Both the S&P 500 and Nasdaq had their worst week since April, with the tech-heavy Nasdaq suffering an even deeper correction.

The sell-off was triggered by investor worries over a report regarding the possibility of tighter US restrictions on exports of semiconductor technology to China, and recent comments from former President Donald Trump during a Bloomberg interview about Taiwan.

After the selloff, the “Magnificent Seven” cohort of megacaps ended the week with a 5% slide. Within the overall tech space, losses have been more pronounced in chipmakers. A closed watched gauge of semiconductors like Nvidia Corp. and Intel Corp. sank almost 9%.

Tesla Inc. and Alphabet Inc. will be the first of the “Magnificent Seven” to report earnings on Tuesday. After that, traders will have to wait until the following week – when Microsoft Corp., Meta Platforms Inc., Amazon.com Inc. and Apple Inc. report. Earnings from Nvidia will only come out in late August.

Following a massive IT failure that grounded flights and disrupted corporations around the world, the stock of cybersecurity company CrowdStrike Holdings Inc. tumbled as much as 20% before paring losses to 11%.

Electric vehicle stocks were under pressure after former President Donald Trump criticized the Biden administration’s clean energy initiatives, referring to them as the “green new scam” during the Republican Convention.

Investors were seen rotating out of the tech heavyweights that have fueled the recent rally and into small caps, seen by some as benefiting more from interest-rate cuts.

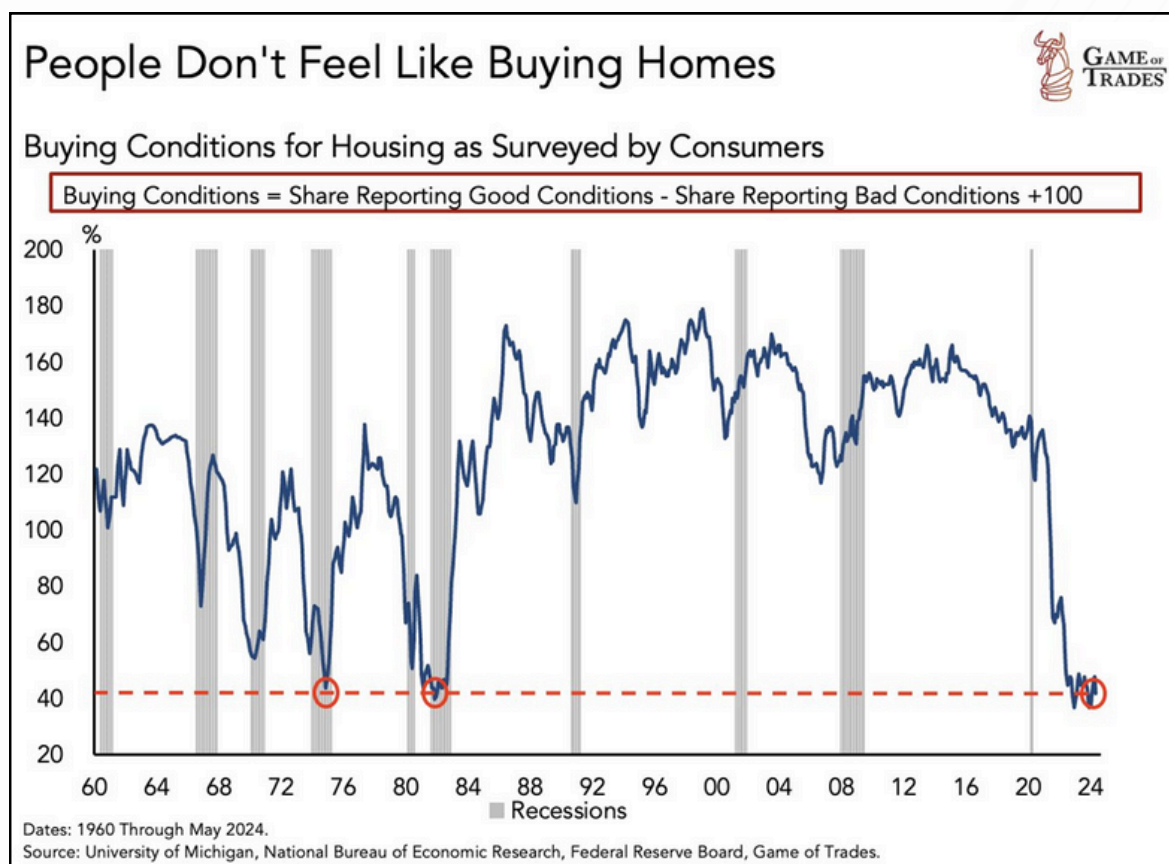
We believe that softening economic numbers, higher election-related volatility and the likelihood of a ‘buy the rumor, sell the fact’ reaction to lowering of Fed Funds rate are setting the stage for a deeper correction in US stocks over the next couple of months.

Crude oil lost its gains from earlier this week. A higher dollar and a lacklustre third plenum outcome in China, the world’s largest customer of crude, put pressure on futures and reversed gains from the bigger-than-expected drop in US inventories.

European stock markets extended their losses, suffering the longest losing streak since October 2023. Continued unease over the political climate, as well as the immediate impact of the tech outage caused by “defective” CrowdStrike software on banks, airlines, and various other sectors across the globe were seen as the main triggers.

The Nikkei reported softer performance across most sectors as traders reacted to latest domestic inflation data. Japan’s headline inflation rate remained unchanged at 2.8 percent in June, while the core inflation rate rose to 2.6 percent from 2.5 percent last year.

Chart of the Week



Buying conditions in the US housing market have collapsed, reaching levels only seen twice since 1960: - 1974 & 1981. Both ended in a recession

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