



CIO OFFICE MORNING MARKET WRAP

2 August 2024

Equities slid on the first day of the month triggered by weak economic data and disappointing earnings outlook. US manufacturing activity shrank in July by the most in eight months, the ISM manufacturing index slid to 46.8 signifying a contraction. Faster declines in order and production suggests deteriorating demand conditions and prompted the biggest employment cutback in years (The ISM employment measure decreased to 43.4, the lowest level since June 2020. Initial jobless claims rose the most since August 2023, although seasonal factors played a role (249k vs 236k surveyed). Weak data sparked anxiety among investors, struggling to assess the economy and earnings. Today's payroll data will be in the spotlight as investors seek more evidence on the status of the labor market.

The S&P 500 ended the session down 1.4%, after an early uptick driven by Meta Platforms' upbeat earnings. The VIX index climbed to its highest level since April, signifying that market anxiety is pushing up volatility. Amazon saw its shares falling by 7% post-market despite meeting estimates; the company warned that profits will be impacted due to heavy spending on AI. Amazon's finance chief said that a lower Q3 revenue forecast is attributed to the current news cycle which is diverting consumer attention away from online shopping. Apples shares traded flat post-market even as revenue came in above expectations; investors await its new AI features within iPhone upgrades in the coming months. Apple's Q3 revenue guidance is flat, but services is expected to be a highlight, with double-digit growth anticipated. Intel also declined on a Q3 revenue forecast miss and a suspension of its dividend starting in Q4. Its shares are trading 19% lower post-market after reporting a net loss in the quarter; the company said it would slash 15,000 jobs to aid a turnaround plan.

10-year Treasuries declined 6bps to 3.97%. Gold fell to \$2,442 an ounce. Brent oil ended 1.5% lower to \$79.5bbl. The pound slid as the BOE cut rates and signaled further cautious reductions ahead. UK bonds rallied sharply following the cut (a quarter point to 5%).

Today morning, Asian shares dropped the most in two years (MSCI Asia Pacific Index declined nearly 3%. Japan continued its selloff on expectations for further monetary tightening, compounded by a global selloff following weak US economic data and tech earnings. The TOPIX index is down by 5% this morning. The yen traded near its strongest since March, up to 149.4 a dollar. Shares also declined across Asia from South Korea to Hong Kong; SK Hynix, an AI chipmaker tumbled 8.7%. Weakness in Chinese equities also weighted on the region as traders await further stimulus measures by the government.

Key data today include US non-farm payrolls report, employment data.

Have a good day!

Chief Investment Office
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Emirates NBD.

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