



## CIO OFFICE MORNING MARKET WRAP

20 December 2024

Global markets faced continued pressure yesterday as the Fed's hawkish rate outlook heavily influenced sentiment and spread its impact across major regions. The MSCI ACWI fell -0.7%, led by losses in Europe while the US struggled to recover following the -3.0% slump on Wednesday. The S&P 500 edged down -0.1% yesterday after a volatile session, while the Nasdaq 100 declined -0.5%, extending its recent losses. Tech stocks remained under pressure, with Micron Technology plunging -16% after issuing disappointing revenue forecasts for its fiscal second quarter. Weak demand for smartphones and PCs weighed heavily on Micron's sales projections, overshadowing robust growth in AI-related chip sales. This marked the company's largest single-day drop since 2020. Treasury yields rose, with the 10-year benchmark increasing six basis points to 4.57%, its highest level since May. The dollar remained near its 2022 peak.

In Europe, the MSCI Europe Index dropped -1.4%, with all sectors posting declines as hawkish Fed commentary influenced sentiment. Technology stocks led losses, with semiconductor shares like ASML and Infineon dropping -3.7% and -5.4% following weak earnings guidance from Micron. European car sales declined 2% in November, with major markets like France and Italy seeing weaker demand due to rising living costs. Volkswagen and Stellantis faced mounting pressure to explore cost-cutting measures as sales remain sluggish. The Bank of England maintained its key rate at 4.75% but struck a cautious tone on monetary easing. Governor Bailey reiterated that inflationary pressures, particularly in services, require a gradual approach to rate cuts, reducing expectations for aggressive easing in 2025. Gilt yields rose two basis points to 4.58%, while the British pound weakened 0.6% to \$1.2503. German 10-year bond yields increased to 2.31%.

In Asia, the MSCI China Index dipped 0.3%, reflecting pressures on key sectors, though select tech names showed resilience. Tencent shares rose 2.3% after reports of Apple exploring AI collaborations with Chinese firms, including Tencent. Baidu shares fell sharply as market participants weighed competitive risks. Hong Kong's Hang Seng Index fell -0.6%, while Taiwan declined -1%, driven by weakness in semiconductor stocks like TSMC, which slid -1.4%. The Japanese yen weakened further, trading at 157.1 per dollar.

Brent crude oil fell -0.7% to \$72.9 per barrel while gold advanced +0.3% to \$2,594 per ounce, supported by renewed safe-haven demand and Bitcoin declined -4.4% to \$96,504 as cryptocurrencies faced continued pressure from broader risk aversion.

### Markets this morning:

Today morning, Asian markets declined as caution prevailed ahead of the release of US inflation data. The MSCI Asia Pacific Index slipped -0.2%, with losses seen in Australia and South Korea. The PBOC kept the five and one year loan prime rate unchanged at 3.60% and 3.10%. US futures pointed to further declines after the S&P 500 and Nasdaq 100 fell overnight. Japan's TOPIX is down -0.1%, with the Bank of Japan maintaining its dovish stance even as inflation rose to 2.7% in November. The increase, driven by the phasing out of government energy subsidies, saw electricity costs rise 9.9% year-over-year and processed food prices climb 4.2%. Governor Ueda has signaled the potential for a rate hike as early as January, but he stressed the need for additional data before taking action.

### Upcoming Key events/data:

Looking ahead, markets today will focus on upcoming US data, including personal income, spending, PCE inflation index and Eurozone consumer confidence data will round out the week.

Have a good weekend!

Chief Investment Office  
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