



CIO OFFICE MORNING MARKET WRAP

8 July 2024

A good start to July, with UK markets stabilizing with a majority Labour win, US markets continue to be driven up by tech (the mag 7 and semis) and lower inflation supporting rate cuts. Global equities are at all-time highs gaining 2% last week, both developed and emerging markets in sync (the US, India, Japan lead), however more vulnerable to any disappointment in earnings specially from the tech giants or escalation in geopolitical (elections and regional conflicts) risks. A goldilocks-ish macro and Central Bank put continue to provide support to markets. Election outcomes in India and the UK are seen as providing certainty to both regions policy and markets. In the UK, the GBP, and GILTs strengthened: Keir Starmer is the new UK PM after the Labour Party's landslide election victory, which ended the Tories' 14-year power. The US, has President Biden continuing his election bid, contending against former President Trump.

This morning Asia markets are mixed – India flat, Japan equities slightly up after gaining 3% last week. China giving up last week's one percent gain- the Hang Seng Index is down 2 % this morning and mainland China half a percent. In Asia too, semis stand out both TSMC and Samsung with robust revenue growth though the latter has a worker strike currently on. Oil maintaining gains with Brent at over \$85/ barrel, as is gold \$2383. Bitcoin has fallen 10% last week trading at \$55,000. The US Dollar slightly lower last week, reflecting lower US Treasury yields with Sterling and the Euro strengthening slightly as uncertainty around European elections fading, finishing at \$1.28 and \$1.08, the Yen also appreciated against the Dollar, at ¥160.73.

We expect UK' s FTSE Index to rally though its companies are more global-than local with a commodity, oil and consumer concentration – as policy stability post-election plus rate cut path looks positive for market performance. Also, high dividend yields, low valuation and mid single digit earnings growth stand out. France is in limbo with election results looking like a standoff and for the US it's too early for direction.

Another good week, the S&P 500 is at 5567, gaining 17.6% year to date with the Nasdaq +22.7% so far this year. The tech sector gained almost 4% last week, with semi stocks still the favourites. Nvidia has been range bound. US Nonfarm payrolls showed a slowdown in hiring last month and prior months were revised lower. The US added 206,000 jobs versus an expected 190,000. The unemployment rate up to 4.1%. Treasury yields fell, the 10 year is at 4.29% and the 2 year at 4.62% and swap contracts currently project two Fed cuts in 2024 (our outlook too but data dependent like the Fed). The minutes to the FOMC's June meeting emphasized that inflation remained elevated, there is "modest further progress" in recent months. Price pressures "were diminishing" but "additional favorable data were required to give them greater confidence" that inflation was moving toward 2%. " Disinflation remains on track, with more central-bank easing expected.

The UAE markets post a good June were flat last week, with the developers Emaar and Aldar flat while utilities Dewa, Dubai Taxi and Parkin gaining c. 5%. Again, like the UK, attractive valuations ad dividend yield at play. Capital issuance in the region stays strong and KSA has the Al-Hokail Academy Specialized Digital Polyclinics Co IPO on offer.

US earning season kicks off this week with the big banks and tech next week. 9% earnings growth expected for the broader Index for Q2 y/y with double that for the tech sector and 30% for the Mag 7. Global growth may be cooling off, but is close to trend, which backstops earnings and margins. AI still a large part of the corporate earnings growth narrative and companies investing in AI are aiding the Tech Mag 7 top and bottom lines. Tesla last in the pack to get positive for the year.

Sports fans have plenty to choose from the Euro, COPA and Wimbledon in progress. Lewis Hamilton won the British Grand Prix while we bid farewell to Andy Murray as a tennis legend retires. European politics front and center in the coming week with the result of the French legislative election. Bank of England policymakers are scheduled to speak and Fed Chair Powell will testify to Congress on Tuesday and Wednesday ahead of US June CPI data due on Thursday. Today we get US consumer credit and New York Fed survey of consumer expectations and tomorrow US NFIB small business optimism and the EIA short-term energy outlook report.

Have a good day!

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