



CIO OFFICE MORNING MARKET WRAP

11 July 2024

A good day for global equities led by US and Europe markets. The S&P 500 index closed above 5,600 (+1% yesterday), a new record as tech strength continued, though a broad rally as 80% of the stocks rose. A second day of congressional testimony from Fed Chair Powell was seen as positive with 2 rate cuts firmly priced into year end, with CPI due later this afternoon seen as supportive. The start of earnings season (a high bar at 9% y/y expected growth for Q2) alleviating somewhat the higher valuation for US equities. The S&P 500 is in line with the MSCI India, both +19% YTD, a growth driven rally.

US Treasury activity was quiet ahead of the CPI report for June, expected to decline slightly from May. Fed Chair Powell continued with the tone of last week's June Fed meeting minutes that showed policymakers are alert for inflation but ready to step in if current high rates appear to threaten the jobs and economic progress. Annual CPI is expected at 3.1%, down from 3.3% in May. Core CPI, which excludes food and energy costs and is seen as a better measure of underlying inflation, is expected to rise 0.2% in June for a second month, the smallest back-to-back gains since August — a pace welcomed by the Fed. U.S. Treasuries slightly higher, after a \$39 bn 10-year Treasury note auction saw strong demand and the yield dropped 2 bp to just under 4.28%.

The Nasdaq rose +1.2% a record high for the seventh session in a row, +25% YTD, with every one of the Mag Seven group rising. The small cap focused Russell 2000 which has lagged this year, also gained 1.1%. A gain of 2.5% for the SOXX Index. TSMC reported strong June sales, and target increases for Nvidia amid solid AI-chip demand. AMD and Broadcom also rose. Apple was up on news of it getting ready to ship 10% more new iPhones 16 in 2024 i.e., 90 MN devices to be shipped in H2, driven by demand for AI-enabled technology.

China equities which gave up early morning gains to close down yesterday, are gaining this morning. Mainland China's benchmark CSI 300 is +1% and Hong Kong's Hang Seng index +1.5% possibly impacted by the China Securities Regulatory Commission's decision to tighten rules on short selling and high-frequency trades in an effort to crack down on improper arbitrage and maintain market stability. Sentiment toward Chinese stocks (MSCI China +3.4% YTD) has not been great and the next catalyst is the Third Plenum, which convenes next week.

Oil up for a second day amid signs of growing demand and US inventories shrank more than expected. Gold up for a third day. Today: we get Germany June CPI, UK May Industrial, Manufacturing Production and May Trade Balance, US CPI, initial jobless claims. Notable earnings include Fast Retailing, PepsiCo, Delta Air Lines.

Chief Investment Office
Wealth Management,
Emirates NBD.

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