



CIO OFFICE MORNING MARKET WRAP

23 July 2024

10 seconds summary (very long daily today): US tech rebounds ahead of earnings, Kamala Harris secures enough delegates to be nominated, quiet session in Asia. Today earnings from Alphabet, Tesla, Visa, LVMH among others, no major economic data release.

Monday was a good start to the week. US stocks rose by more than 1% with technology outperforming, pushing the MSCI World up 0.9% over the day, while emerging equities were slightly negative. There was no major move in US Treasury yields, marginally higher, and in the dollar, marginally weaker against trade-weighted counterparts. The price of Brent crude oil fell -20 cents to \$82.4 and gold closed just below \$2,400.

According to the Associated Press, Kamala Harris just crossed the number of delegates needed to secure the Democratic presidential nomination, which may be one of the reasons why markets, which value visibility over anything else, have rebounded after the worst week for US stocks in months. If confirmed, the Democratic Party decision could simply acknowledge, or decide to consider other candidates in an open convention. A few powerful voices such as Barack Obama and Nancy Pelosi have not yet explicitly endorsed the Vice-President, so a level of uncertainty remains. If or when they do, this will be a done deal and the only remaining question will be about her running mate. The Democrats could confirm the ticket informally via an online vote before their convention officially validates in the second half of August. Our feeling is that it will depend on how the polls evolve in the coming few days. At this stage, donors are lining up and her campaign has a rocket start – as if she was already well prepared.

There was no major economic data release yesterday, just another confirmation of the good health of the US economy with a better-than-expected Chicago Fed index. There was much more action on the corporate side. So far, 79 US companies from the S&P500 have reported their Q2, of which about half in financial services, and it is a strong start with 80% of the companies beating earnings expectations.

As we write this morning, Asian markets are not blindly reverberating US's positivity. Stocks are up +0.2% in Japan and Korea but down -1% in onshore China and -0.3% in Hong-Kong. Taiwan stands out with TSMC gaining 3% in sympathy with US tech. The yen strengthened ahead of next week's BoJ meeting, while US Treasury yields were quiet in Tokyo trading, at 4.51% for the 2-year, 4.16% for the 5-year and 4.23% for the 10-year.

The most likely assumption on the political theater now is the confirmation of a solid support from the Democrats to Kamala Harris, even if we would not allocate a zero probability to some surprise. However, under this assumption markets should now focus on fundamentals, starting with corporate earnings and then upcoming macro data. Supportive fundamentals are the reason why we are not underweight in stocks, while expected volatility is the reason why we are not overweight. As our readers know we are neutral since July 10th. So far, our recommended multi asset profiles are up respectively +4%, +7% and +9% in 2024 in rounded numbers. Our funds which implement them currently outperform a majority of their global peers. It's not a bad position to be a bit more cautious and quietly analyze the incoming data.

There will be plenty. Today's corporate earnings include Alphabet, Tesla, Visa and Coca-Cola in the US, as well as LVMH and ASM International in Europe, among many others. Turkey's central bank will meet at 1PM Dubai time and we will look at the Euro-area July Consumer confidence at 4PM. Then tomorrow is all about regional flash PMIs, before US Q2 GDP on Thursday and the monthly PCE inflation report on Friday.

Have a great day!

Chief Investment Office
Wealth Management,
Emirates NBD.

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