



CIO OFFICE MORNING MARKET WRAP

31 July 2024

Global equities showed a mixed picture with tech under pressure while smaller caps and cyclicals performing well. The S&P 500 fell by 0.5%, with the info tech sector sliding 2.2%. However, small, mid-cap, and cyclical stocks managed to post gains; the Dow Jones Industrial Average index up 0.5%. Investors are cautious over the sustainability of AI gains on some of the biggest tech firms which has spurred a rotation to other areas of the stock market recently. A gauge of the magnificent seven sank 2% and Microsoft's post market results fueled concerns on the AI frenzy that powered the market so far. Nvidia wiped off \$193 billion from its market value as part of a broader selloff in tech stocks, trading 8.3% lower so far this week.

Microsoft reported better than expected results yet dropped as much as 7% in extended trading as a cloud miss and higher capital expenditure than expected disappointed investors. The company's cloud division is closely watched as it competes with Amazon's AWS and Google for AI workloads. All three companies are significantly investing in AI and attention is turning to capex spending and whether AI is paying off. Results from Apple, Amazon and Meta Platforms will set the scene for big tech this week.

Gold climbed by 1.1% to \$2,407 an ounce on heightened geopolitical risks. Brent oil remained lower at \$78.6bbl (-1.4%). 10-year Treasuries declined 3 bps to 4.14%. Eurozone GDP rose 0.3% in Q2, though growth was uneven across the region showcasing the challenge faced by the ECB on whether another rate cut is justified by September.

The highlight today morning is on the BOJ as a decision for a potential hike is to be decided. Japanese stocks swung while the yen traded flat at 152.9 a dollar as investors await the decision to define the trajectory. China's activity extended its decline for a third consecutive month as both production and market demand fell, PMI dropped to 49.4 in July signaling a poor start to the third quarter. A statement yesterday from the July Politburo meeting suggested that the government may increase stimulus, though not aggressively. Chinese stocks advanced today morning (CSI300 +1.4%) as traders bet that signs of slower growth will force stronger support measures by the government.

Key events and data today include the BOJ, Fed policy decision, Eurozone CPI, Meta Platforms earnings. Thursday – Eurozone unemployment, PMI, US initial jobless claims and ISM manufacturing, BOE rate decision, Apple and Amazon earnings. Friday – US employment, factory orders.

Have a good day!

Chief Investment Office
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