



CIO OFFICE MORNING MARKET WRAP

1 November 2024

Disappointment on US tech stocks on poor corporate results carried over to Asian trading and weighed on sentiment. Meanwhile, oil rallied on renewed tensions in the Middle East. Shares in Japan, South Korea and Australia declined, while China equities rebounded after a gauge of manufacturing sentiment showed an unexpected improvement. A gauge of Asian share fell, led by losses in technology. Chipmakers underperformed, with Hynix and Taiwan Semiconductor leading indices lower. Treasuries were steady, following the heavy losses of the past few weeks, and the US dollar was little changed after Thursday's drop. The S&P 500 lost 1.9% and the Nasdaq 100 dropped 2.4% on Thursday, reflecting the poor outlook of Microsoft and Meta Platforms in the previous session. Apple shares were softer in after-hours trading following weaker-than-forecast sales in China, while Amazon and Intel bucked the trend, rising post market on optimistic outlooks that supported a rebound in US futures. It is now difficult for markets to weather the slowdown in the IT sector, given overall expensive valuations and the inability of other pockets of the market to pick up the slack in terms of earnings growth. The yield on the 10-year and the 2-year note settled slightly below 4.3% and 4.2% respectively yesterday, while gold lost more than 2%. The Fed's preferred measure of US inflation recorded its biggest monthly gain since April, further making the case for a slower pace of interest rate cuts. At the same time, the employment cost index, gauging wage costs, came in softer than expected.

Apple's reporting disappointed and sparked fresh concerns about revenue growth and weakness in the key Chinese market. The company said total sales in the December period will rise in the low-to-mid single digits, that is below consensus, and also, revenue growth in China declined and fell short of estimates in the last quarter. The overall impression is that Apple is still trying to recover from one of its longest sales slump in its history. Shares were down 2% in late trading. On the other hand, Amazon hummed on all cylinders. Total Q3 revenue beat estimates, and profits forecasts were smashed. The Web Services cloud division regained momentum, the online retail operation grew unit sales by double digits, and so did the advertising business. Shares rose about 5% in extended trading. Intel bucked the negative trend in IT earnings too. The Q4 revenue forecast slightly above estimates sparked optimism the company can reclaim some market share. Intel gained 9.2% in after-hours trading.

The rise of the Caixin manufacturing PMI back into expansion territory in October is aligned by what indicated by the latest official Purchasing Manager gauges, that is that the economy is starting to respond to stimulus. Investors are now looking forward to possible announcements on fiscal measures at the forthcoming National People Congress to be held Nov 4-8.

Monthly core inflation jumped in September, and consumer spending resumed in full force in the United States, supported by income growth and under-saving. Core personal consumption expenditure inflation rose 0.3% monthly, and 2.7% on a yearly basis. But these spending habits are unlikely to be maintained, as the labor market slows. Also, a separate report showed the Employment Cost Index grew less than the previous quarter, so the FOMC is still expected to cut rates in November and beyond, though at a slower pace. At the same time in Europe, although headline inflation accelerated in October, under the surface actually there was a moderation in price pressures. Yearly, services inflation was unchanged, and a shorter-term measure of services price pressures fell. In short, the ECB should continue to cut rates to bring them towards neutral levels.

As this week draws to an end, investors will have a lot on their plate, from today's jobs report to the US presidential elections on 5 November, as well as the November Fed meeting on Thursday.

Have a weekend!

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