



## CIO OFFICE MORNING MARKET WRAP

3 October 2024

Asian stocks were mixed, and the Japanese indices rose after PM Ishiba played down the possibility of another interest rate increase weakening the currency. Australian shares were little changed, as well as Hong equity futures, while the S&P 500 contracts slipped after the index ticked higher on Wednesday. Oil climbed for a third day as traders eyed developments in the Middle East, and the US dollar continued to rebound from its year's lows after a positive jobs report. The yen tumbled almost 2% against the dollar yesterday, after Ishiba's statement that the economy isn't ready for another hike. A gauge of US-listed companies surged almost 5% after stocks in Hong Kong closed up the most in two years on stimulus euphoria. On Wednesday the three main US benchmarks finished the session basically where they started, in a tepid session where investors continued to focus on geopolitical risks, while taking a positive ADP jobs report in their stride. Energy was the best performing sector, and consumer staples and discretionary shares led decliners. Election uncertainty started to creep into the assessment of the outlook, with a sweep by Trump and the Republican party considered the most bullish scenario for stocks, according to a latest survey. In company news Humana shares plunged 12%, after a sizeable drop in the health insurer's quality ratings, a metric that would be affecting its earnings. Tesla shares were down 3.5% after its third-quarter deliveries slightly trailed analyst estimates. Nvidia rose after hours as the CEO said Blackwell demand is "insane". Treasuries slid and the US dollar climbed following stronger jobs numbers that dampened expectations that the next Fed's move would be a large one.

According to the ADP National Employment report in September hiring picked up pace for the first time in six months, pointing to a rebound in the US economy. Investors tend to dismiss it in favour of the official jobs figures issued by the Bureau of Labor Statistics at the end of the week. Yet, one must say that the ADP numbers are based on hard data, as against the official non-farm payrolls that are survey-based and then adjusted according to models. The private sector added 143,000 jobs in September, marking the end of five straight months of slowdown. It is remarkable that manufacturing added new jobs for the first time since April, suggesting green shoots of recovery for American factories, and in contrast with the freshly released and much less optimistic ISM manufacturing survey. After the release Treasuries weakened, with the 10-year yield closing in on 3.8%, while the US dollar reached nearly a two-week high. The ISM services survey and the labour report tomorrow will be further rounding out the picture on the status of the labour market and the US economy.

Rising geopolitical tensions and the upcoming elections are likely to support alternative assets like gold and bitcoin. Gold price appreciation so far this quarter has gone well beyond the weakness implied by lower real yields and a weaker dollar. Investors are starting to factor in higher uncertainty both from geopolitics and the outlook for inflation, as well as persistently high debt levels in the major Western economies and the ongoing de-dollarisation in the BRICS+ countries. These factors have been anticipated in our reports regularly shared with clients and are now starting to supplement traditional analysis purely based on macro factors. Signs of concerns, in particular about surging US debt, are emerging in the fall in the share of US dollar reserves, that reached a new low of 57% in Q3 2024 according to JPMorgan estimates. And a Trump win would not only be supportive of bitcoin from a regulatory point of view but also would contribute to the debasement of the dollar via tariffs and an expansion of fiscal policy.

Have a great day.

Chief Investment Office  
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Emirates NBD.

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