



CIO OFFICE MORNING MARKET WRAP

23 October 2024

Global equities turned modestly negative yesterday as markets remained tentative upon more earnings reports to assess the trajectory of the season and navigate rate expectations. The MSCI ACWI slipped -0.3%, reflecting cautious sentiment, while US equities saw the S&P 500 almost flat, -0.1% lower. Shifting views on the Fed's rate cut course strengthened the US dollar, as the greenback appreciated against major currencies, impacting Asian shares, while Treasury yields climbed to 4.2%. Traders are pricing in an 89.6% chance of a 25-bps rate cut in November. Markets focus remained on Treasury yields and upcoming earnings reports to gauge the health of the American economy. On the corporate front, GE Aerospace dropped 9% despite raising its profit forecast for 2024, as supply constraints weighed on revenue, pulling the broader Industrials index down by 1.2%. Verizon fell 5.0% after missing revenue estimates, and General Motors surged 9.8% after beating expectations for its Q3 results.

European markets edged lower, with the MSCI Europe Index down -0.2% after recovering from earlier losses. Utilities underperformed, while travel and leisure stocks fared better. SAP shares surged the most since July, climbing 5.8%, as it reported a 25% jump in Q3 cloud revenue, and as the company's customers increasingly adopt its AI-driven cloud services. Sentiment was earlier weighed down by a bond market selloff amid concerns about the Fed's policy outlook. Also, as concerns that a potential outcome in the US presidential election could lead to the introduction of inflationary tariffs. ASML's CEO expressed concerns over growing US pressure to restrict China's access to advanced semiconductor technology, pointing out the potential impact on China's progress in key industries.

Chinese equities posted gains, with the MSCI China Index rising +0.5%, supported by easing monetary policy; banks reduced lending rates to stimulate the property and stock markets. Authorities are considering issuing 2 trillion yuan (\$281 billion) in special government bonds to stabilize the market by supporting blue-chip stocks and ETFs. A state-linked think tank urged Chinese authorities to reveal the inflation targets and indicators used by the central bank, emphasizing the importance of clear, credible policies to manage long-term inflation expectations. This approach, similar to developed nations, would help stabilize market confidence and support economic recovery, especially if the PBOC commits to easing policies until a 2% inflation target is reached. Japan's TOPIX Index fell -1.1%, reaching a three-week low amid concerns over the October 27 general election, which weighed on domestic demand and finance sectors. Chip-related stocks also faced pressure.

Oil prices rose, driven by ongoing supply risks as geopolitical tensions escalate, with Brent climbing +2.4% to \$76.0/bbl. U.S. 10-year Treasury yields held steady at 4.2%, while gold gained 1.1%, closing at \$2,748 an ounce.

Today, gold prices surged to a record high, while the dollar continued its rally, increasing pressure on the yen and the euro. Asian stocks saw limited movement, with MSCI's broadest index of Asia-Pacific shares outside Japan up just 0.1%, and Japanese equities slightly lower. US Treasury yields climbed to a three-month peak, with the dollar reaching multi-month highs against the euro, sterling, and yen, which returned to the 150-per-dollar level. This prompted fresh warnings from Japanese officials about currency stability.

Key events this week include Canada's rate decision and Eurozone consumer confidence data today, as well as major earnings reports from Boeing, Tesla, and Deutsche Bank. Markets will also keep an eye on US existing home sales and the Fed's Beige Book, due later today. Thursday brings US new home sales, jobless claims, and PMI data, followed by earnings from UPS and Barclays. The week wraps up with US durable goods orders and the University of Michigan consumer sentiment report on Friday.

Have a good week ahead!

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