



CIO OFFICE MORNING MARKET WRAP

30 October 2024

Asian shares eked out gains despite mixed results from Wall Street tech companies. Japan gained, but Australia and South Korea slipped. US futures advanced in the Asian session, following an earnings beat by Alphabet that rose 5% in late trading, while Nvidia's rival AMD sank 7% on a sales forecast that failed to inspire. Treasury yields edged lower, and the dollar stalled after four weekly back-to-back gains. Gold hit a fresh record and bitcoin came close to recording an all-time high. On top of risks posed by key US events, Asian traders are preparing for the Bank of Japan's policy decision on Thursday, and a meeting of China's National People's Congress in Nov 4-8, where further fiscal stimulus can be announced. As much as investors are pushing bitcoin higher as they see growing odds of Trump in the White House, yesterday by bidding up IT megacaps they anticipated their good Q3 results due this week. Indeed, the main US indices closed in positive territory led by the largest tech companies, while next to nothing happened elsewhere, with most of the sectors in the red. The Nasdaq Composite (+0.78%) hit a new all-time high, while the S&P 500 (+0.16%) eked out a small gain. Treasuries ended little changed after erasing declines. The auction on seven-year notes ended on a lower-than-anticipated yield, indicative of stronger demand. Gold (+1.2%) hit a new all-time high to settle closer to the \$2,800/oz mark, Brent crude (-0.4%) lingered at the lower end of its recent range, while the dollar was in lacklustre trade.

The latest surge in bitcoin has put the cryptocurrency on the verge of topping its record high reached in March. The rally provided a tailwind for smaller tokens and is indicative of a so-called Trump trade in anticipation that he could be the next president of the United States. Donald Trump embraced digital assets during his campaign and is now well ahead in prediction markets, though polls still point to a neck-and-neck race against Harris. Bitcoin, sensitive to market liquidity, did rally despite rising Treasury volatility with longer-dated yields racing to a three-month high. This could indeed point to the continuation of the upleg in Bitcoin till the election day is behind us.

Alphabet recorded better than expected Q3 earnings, though still trying to convince investors that its search engine Google can survive in a world of artificial intelligence. Earnings were boosted by higher digital advertising revenues and more demand for its cloud-computing services. Google's new AI-driven feature, AI Overviews that rather than provide links to websites delivers snippets of information, is expected to start appearing in Australian search results this week. The company is also facing heavy regulatory scrutiny in the United States, where the DOJ alleges Google has a monopolistic position in search and advertising markets. Not only the glory of a \$2.1tn market-cap company lies ahead for Google, but also very significant challenges. AMD on the other hand disappointed. AMD executives made bold claims about the ability of their accelerator chip to compete with rival Nvidia. But the company's updated AI chip-revenue forecast barely met expectations, and in after-hour trading shares tumbled. Investors are not yet ready to give AMD the benefit of the doubt against a tough competitor like Nvidia. They need to see some convincing evidence first.

A labor market gauge and consumer confidence gave a mixed picture of the US economy. The labor market continued to give signs of a slowdown phase, with job openings at their lowest levels since 2021 and layoffs picking up. And fewer workers voluntarily quit their jobs, a sign of reduced confidence they can find a new one. This data, for the month of September, will be followed on Friday by the much-awaited October jobs report, that will be difficult to parse given a strike by Boeing workers and a pair of destructive hurricanes. Payrolls are seen to moderate substantially versus September. On the other hand, the Conference Board gauge of consumer confidence rose the most since March 2021 on optimism about the economy. Also, expectations for the next six months rose to their highest level since December 2021. And actually, views on the availability of jobs rebounded after months of weakness. In absolute terms confidence remains anyway well below pre-pandemic levels. Overall, none of the data seems to be decisive to sway the forthcoming policy decision at the Fed's November meeting, when a second cut is expected.

Have a good day!

Chief Investment Office
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