



CIO OFFICE MORNING MARKET WRAP

24 July 2024

10 seconds summary: A mixed Tuesday, with a few disappointing US results especially post market and especially for 2 of the Mag7/ strong start for Kamala Harris's campaign with donors and polls / stocks down in Asia, yen gains after strong flash PMIs / more flash PMIs to come today as well as corporate earnings.

Tuesday's returns were muted and dispersed, in the wait for corporate earnings and economic data. Stocks fell -0.1% on average in developed markets, with Japan the only positive contributor, and were flat in emerging regions. US Treasury yields shed a couple of basis points across the curve, supporting the asset class. Gold was the only clear winner, up +0.5% to \$2,410, while Brent crude oil fell by another -\$1.4 to \$81.

It was a busy day for corporate earnings, and an unimpressive start for the Magnificent 7. Numbers from both Alphabet and Tesla were underwhelming, and both asked investors for patience: AI concrete results are not spectacular for Alphabet, and so are profits for Tesla who also delayed their Robotaxi event. Another mega cap, global luxury behemoth LVMH, failed to convince with weak Q2 sales, especially in China. US parcel giant UPS also missed estimates and lowered their forecast for the year, triggering a severe double-digit punishment for the stock. Visa came out just shy of quarterly estimates, which doesn't happen often. By contrast, Coca-Cola surprised on the upside with impressive sales growth followed by an outlook raise, harvesting the benefits of higher prices in particular. There were no crucial top-down data releases: consumer confidence in Europe is a bit less worse than expected, and the Richmond Fed Manufacturing index didn't show any rebound. Finally, but importantly, Kamala Harris' Presidential campaign is definitely launched, and it's a rocket start: the VP has reportedly secured enough commitments from delegates to be the undisputed candidate, donors contributed over \$100mn since Sunday, a record, and the latest polls concur: for Reuters/Ipsos, she already leads by 2 points over Donald Trump, while for PBS/Marist, Trump's advantage has shrunk to just one point. Whether this is a temporary "honeymoon", or a decisive turn remains to be seen. Still, the campaign is on, and we keep on expecting high volatility from US political developments – especially as rumors and theories seem to have no limit, the latest being conjectures about the fact that President Biden is nowhere to be seen. Mrs. Harris was ready, and the Trump campaign responds with an invitation to debate after the Democratic convention, and by filing a complaint challenging the transfer of Biden's funds to his VP.

The mood is not great in Asia as we write this morning, echoing Wall Street's post market mood (S&P futures are down -0.5%). Except for Taiwan, shut for a typhoon alert, stocks are down everywhere by an average half of a percent. This includes Japan, down -0.7% where the yen continues to strengthen at 154.8 following the release of a very strong flash PMI for Services, at 53.9 which compares to 49.4 in June – while manufacturing was less impressive at 49.2. The Bank of Japan will hold their policy meeting next week, as will the US Fed. There is no notable move in US Treasury yields, while both gold and oil prices are grinding higher at respectively \$2,417 and \$81.3.

Today will provide flash PMIs for all major regions: after Japan, we will look at India at 9AM Dubai time, the Eurozone and UK in mid-day, and the US at 5.45PM. The Q2 corporate earnings season continues, especially in Europe with BNP Paribas and Santander in particular.

Have a great day!

Chief Investment Office
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