



بنك الإمارات دبي الوطني
Emirates NBD

CIO OFFICE MORNING MARKET WRAP

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Global equities retreated yesterday as markets braced for key earnings reports. The MSCI ACWI dropped -0.4%, with major indices reflecting cautious sentiment. US equities saw the S&P 500 decline by -0.2% as markets brace for a critical earnings week, with around 20% of the index scheduled to report their quarterly results. A survey by Bloomberg reveals that respondents view Corporate America's earnings as more critical to the equity market's performance than the outcome of the November election or the Federal Reserve's policy decisions. Four Federal Reserve policymakers voiced support on Monday for additional interest rate cuts, but differed on the pace of implementation. While three advocated for a gradual approach, San Francisco Fed President Mary Daly noted that current policy remains "very tight" and indicated that larger cuts could be warranted if inflation keeps declining. Volatility remains elevated as we head into the earnings season, upcoming US elections, central bank rate decisions and ongoing geopolitical tensions.

This week, markets are particularly focused on upcoming reports from major players like Tesla, Boeing, and IBM, as these earnings are expected to shed light on the broader sectoral outlook. Tesla is expected to address concerns over production targets and regulatory hurdles during its earnings call, as the underwhelming launch of the Cybercab did little to ease worries about declining vehicle sales. While Boeing will need to reassure investors about ongoing production delays, labor disputes, and its strained financial resources.

European stocks dropped at the start of a busy earnings week, as the MSCI Europe Index dropped -0.6%. The decline was led by real estate and consumer products, though energy stocks outperformed as oil prices rebounded. The downgrade of France's credit rating and weak earnings from technology firms like ASML also weighed on sentiment.

In Asia, Chinese equities provided a positive contrast, with the CSI 300 Index rising +0.25%, lifted by new monetary easing measures. Chinese banks cut lending rates more than expected, with the one-year LPR reduced to 3.10% and the five-year LPR to 3.60%, supporting both the property and stock markets. TSMC continued to drive optimism, hitting new highs amid strong AI-related demand. Today, Asian equities declined with The MSCI AC Asia Pacific Index dropping as much as 1.1%, with benchmarks in Australia and Japan falling, while Chinese markets fluctuated. Japanese stocks declined for a second day as uncertainty around the upcoming October 27 general election put pressure on sectors tied to domestic demand and finance. The TOPIX is down -1.1% today morning. IPO activity is picking up in Asia, highlighted by the listings of Hyundai Motor India and Tokyo Metro.

Oil prices edged higher, driven by China's economic support measures and the risks of supply disruptions due to geopolitical tensions. The Dollar climbed 0.4%, while gold remained relatively unchanged. U.S. 10-year Treasury yields jumped 10 basis points to 4.19%.

Key events this week include speeches from ECB President Christine Lagarde and BOE Governor Andrew Bailey on Tuesday, along with a rate decision from Canada on Wednesday. Major economic data releases include Eurozone consumer confidence and U.S. existing home sales on Wednesday, followed by U.S. jobless claims, new home sales, and PMI data on Thursday. Earnings highlights include Boeing, Tesla, and Deutsche Bank on Wednesday, and UPS and Barclays on Thursday. The week wraps up with U.S. durable goods orders and University of Michigan consumer sentiment data on Friday.

Have a good week ahead!

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