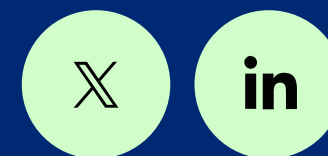


Weekly Market Commentary

22 July 2024



In summary

- Market continued to see a rotation into small cap companies, while robust economic growth and dovish Fed comments supported market sentiment.
- An IT incident on Friday affected Microsoft Windows users, disrupting transportation but sparing the financial sector. Caused by a CrowdStrike update, the incident led to a significant drop in CrowdStrike's shares.
- Donald Trump accepted the Republican nomination, but Joe Biden dropped out of the race and endorsed Kamala Harris for the Democratic nomination.



The financial markets experienced a tumultuous journey last week. Initially, the markets soared, with the S&P 500 reaching record levels on both Monday and Tuesday. Yet, this upward trend was abruptly halted midweek when a sell-off in semiconductor stocks sparked a wider market downturn.

By the week's end, the S&P 500 had fallen by 1.97%, its largest weekly drop since April. Simultaneously, a subtle yet significant shift was taking place: investors began to favour smaller companies over their large-cap counterparts. This pivot away from momentum and technology sectors put additional pressure on the S&P 500 and Nasdaq, further intensified by concerns over potential severe trade restrictions against China as part of a crackdown on semiconductor exports. Meanwhile, small-cap stocks saw a massive influx of capital, with US\$9.9 billion pouring in, marking the second-highest weekly inflow on record. Economic growth indicators remained robust, with the Federal Reserve Bank of Atlanta's GDPNow forecast for the second quarter rising to 2.7% from an earlier estimate of 2.0%. Comments from Federal Reserve (Fed) Chair Jerome Powell were interpreted as dovish, reinforcing confidence bolstered by the last three inflation reports. This suggested that the Fed's dual mandate is closer to equilibrium and there's no urgency to wait for inflation to return to 2% before considering policy easing.

The major IT disruption on Friday, primarily affecting Microsoft Windows users, caused significant interruptions in various sectors. This incident underscored our deep reliance on technology companies. The transportation sector was particularly affected, with numerous flights cancelled or delayed worldwide. The financial sector, however, saw minimal impact. The disruption was caused by an update to CrowdStrike's Falcon sensor, which the company quickly addressed, confirming that it was not a cyberattack. Nonetheless, CrowdStrike's shares took a hit, dropping by 11.1% on Friday and 17.9% over the week, the most significant fall since November 2022.

In the political space, at the Republican National Convention, Donald Trump accepted the nomination for president, delivering a lengthy 93-minute speech. He outlined his administration's goals to curb inflation, interest rates, and the national debt, and proposed energy cost reductions through increased oil drilling. Trump also promised to make tax cuts permanent and to cut back on electric vehicle mandates and green initiatives funding. A large portion of his speech focused on illegal immigration, with a commitment to secure the southern border and enforce deportations. While these pledges provide a glimpse into Trump's policy agenda, it's important to view them with caution, given the potential disparity between his promises and actions.

Over the weekend, President Joe Biden announced he would not run for re-election, endorsing Vice President Kamala Harris as the Democratic nominee. Biden intends to complete his term, and while his delegates are not obligated to support Harris, she is currently favoured in the betting markets. Prominent Democrats, including the Clintons and Governor Gavin Newsom,

have rallied behind her. The focus now shifts to upcoming polls to gauge Harris' standing against Trump. Early polls show Trump with a narrow lead over Harris. The outcome of the US presidential election remains uncertain, with questions about Harris' running mate and the specifics of her policy platform still unanswered. A narrowing difference in the polls could challenge the expectation of a Republican sweep, which has influenced the 'Trump trades', characterised by a move from tech to value stocks and a widening gap between long-term and short-term interest rates.

Economic indicators (Week beginning 15 July 2024)

Day	Data Release	Consensus	Prior	Actual
Mon	China GDP YoY 2Q	5.1%	5.3%	4.7%
	China Industrial Production YoY Jun	5.0%	5.6%	5.3%
	China Retail Sales YoY Jun	3.4%	3.7%	2.0%
	United States Empire Manufacturing Jul	-8.0%	-6.0%	-6.6%
Tue	Germany ZEW Survey Expectations Jul	41.00	47.50	41.80
	Canada CPI YoY Jun	2.8%	2.9%	2.7%
	Germany ZEW Survey Current Situation Jul	-74.80	-73.80	-0.69
	Italy CPI EU Harmonized YoY Jun F	0.9%	0.9%	0.9%
	United States Retail Sales Advance MoM Jun	-0.2%	0.1%	0.0%
	Canada CPI NSA MoM Jun	0.1%	0.6%	-0.1%
	Japan Tertiary Industry Index MoM May	0.1%	1.9%	-0.4%
Wed	United Kingdom CPI YoY Jun	1.9%	2.0%	2.0%
	United Kingdom CPI MoM Jun	0.1%	0.3%	0.1%
	United Kingdom CPI Core YoY Jun	3.4%	3.5%	3.5%
	United States MBA Mortgage Applications 41091	--	0.00	3.90
	United States Housing Starts Jun	1300k	1277k	1353k
	United States Industrial Production MoM Jun	0.3%	0.9%	0.6%
Thu	United States Initial Jobless Claims 41456	230k	222k	243k
	Australia Unemployment Rate Jun	4.1%	4.0%	4.1%
	Australia Employment Change Jun	20.0k	39.7k	50.20
	United Kingdom Jobless Claims Change Jun	--	50.4k	32.30
	United Kingdom ILO Unemployment Rate 3Mths May	4.4%	4.4%	4.4%
	United States Leading Index Jun	-0.3%	-0.5%	-0.2%
Fri	United Kingdom Claimant Count Rate Jun	--	0.04	4.40
	Japan Natl CPI YoY Jun	2.9%	2.8%	2.8%
	United Kingdom Retail Sales Inc Auto Fuel MoM Jun	-0.6%	2.9%	-1.2%
	United Kingdom Retail Sales Inc Auto Fuel YoY Jun	0.3%	1.3%	-0.2%
	Italy Current Account Balance May	--	2294m	2078m

Source: Bloomberg, data accessed 22 July 2024.

Economic indicators (Week beginning 22 July 2024)

Day	Data Release	Consensus	Prior
Tue	United States Existing Home Sales Jun	3.99m	4.11m
Wed	Canada Bank of Canada Rate Decision 45474	4.5%	4.8%
	France HCOB France Manufacturing PMI Jul P	45.90	45.40
	France HCOB France Services PMI Jul P	49.70	49.60
	Japan Jibun Bank Japan PMI Mfg Jul P	--	50.00
	Germany HCOB Germany Manufacturing PMI Jul P	44.00	43.50
	Eurozone HCOB Eurozone Manufacturing PMI Jul P	46.10	45.80
	United Kingdom S&P Global UK Manufacturing PMI Jul P	51.00	50.90
	United States S&P Global US Manufacturing PMI Jul P	51.70	51.60
	United States MBA Mortgage Applications 43647	--	0.04
	United States New Home Sales Jun	640k	619k
Thu	France HCOB France Composite PMI Jul P	48.80	48.80
	United States Wholesale Inventories MoM Jun P	--	0.6%
Fri	United States Initial Jobless Claims 44013	238k	243k
	Germany IFO Business Climate Jul	89.00	88.60
	United States GDP Annualized QoQ 2Q A	1.9%	1.4%
	United States Durable Goods Orders Jun P	0.5%	0.1%
	Eurozone M3 Money Supply YoY Jun	1.9%	1.6%
	Italy Manufacturing Confidence Jul	87.30	86.80
Fri	United States U. of Mich. Sentiment Jul F	66.40	66.00
	Japan Tokyo CPI Ex-Fresh Food YoY Jul	2.2%	2.1%
	United States Personal Income Jun	0.4%	0.5%
	United States Personal Spending Jun	0.3%	0.2%
	Italy Consumer Confidence Index Jul	98.70	98.30
	United States Core PCE Price Index MoM Jun	0.1%	0.1%
	United States Core PCE Price Index YoY Jun	2.5%	2.6%

Source: Bloomberg, data accessed 22 July 2024.

Asset market performance

Index	Value	As at Friday close		YTD	
		CR	TR	CR	TR
MSCI UK GBP	2330	-1.18%	-1.18%	5.17%	7.68%
MSCI USA USD	5236	-1.97%	-1.95%	15.03%	15.65%
MSCI Europe ex UK EUR	203	-3.13%	-3.12%	5.88%	7.94%
MSCI AC Asia ex JPN USD	569	-3.09%	-3.05%	7.55%	9.25%
MSCI Japan JPY	1771	-1.43%	-1.43%	22.29%	23.45%
MSCI Emerging Markets USD	1090	-3.02%	-2.96%	6.43%	8.24%
Barclays Sterling Gilts GBP	228		0.02%		-2.20%
GOLD USD	2401	-0.44%		16.38%	
WTI Oil USD	80	-2.53%		11.84%	
MSCI PIMFA Income		-0.68%	-0.65%	4.39%	5.84%
MSCI PIMFA Balanced		-0.87%	-0.85%	5.36%	6.77%
MSCI PIMFA Growth		-1.14%	-1.12%	7.20%	8.53%

Source: Bloomberg, MSCI: please see important information, data accessed 22 July 2024. YTD denotes year to date, TR denotes total return and CR denotes capital return.

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