

Key Highlights



HAWKISH FEDSPEAK

Speaking in New York on Wednesday, Fed Governor C. Waller, a voting member of the FOMC, struck a rather hawkish tone. He labelled the recent inflation figures “disappointing” and said there’s “no rush” for the Fed to cut rates. In reaction, dollar gained, treasury yields rose, and bonds fell. However, later with the PCE data coming in line with expectations, dollar gave up some of its gains to close the week flat and bond prices recovered to close in the green.



INFLATION COOLS

The Federal Reserve’s preferred measure of underlying inflation, the Core Personal Consumption Expenditure (PCE) cooled in February after a very hot reading in January. The year-on-year data remained flat over the last month.

Commenting on the data Fed Chair Jerome Powell said “pretty much in line with our expectations” but reiterated that the central bank is in no rush to cut rates.



RALLY MOVING BEYOND MAG7

While the Magnificent 7 and other tech stocks have led the rally, more recently, the attention seems to be shifting to other promising areas of the market. This is evident from the year-to-date outperformance of the broader S&P500 index versus the tech-heavy Nasdaq index. S&P500 is up 10% YTD, in line with its historical average for the full year. Within the Mag7 one is down 10% (Apple) while the other (Tesla) is the worst performing stock in the S&P500 index.



POTENTIAL RISK TO EQUITIES

Global stocks markets have recorded their best first quarter in five years, driven by the AI boom. Global stock markets have added \$4tn to investor wealth in the first quarter of which \$1tn has been added by the chip maker Nvidia alone in the same period. However, Goldman Sachs estimates that pension funds may have to offload \$32bil of stocks to rebalance their portfolios given massive gains in equities when bonds slipped.



US GROWTH REVISED UP

Fourth quarter US GDP was upgraded to 3.4% q/q on an annualized basis in the third assessment, up from 3.2% estimated previously. The upward revision was driven by stronger growth in household demand and business investment. Household consumption, which accounts for over two-thirds of GDP was revised to 3.3% q/q from 3.0%; while business related fixed investment, marked up sharply to 3.7% q/q from 2.4%.



UK RECESSION CONFIRMED

The second estimate of Q4 2023 GDP data confirmed that the UK tipped into recession last year, with growth declining 0.3% q/q. The latest figures confirmed that investment, trade and weaker household spending all acted as a drag on growth in the fourth quarter of last year. There are however signs that household consumption expenditure will support growth in Q1 2024, as inflation falls and real disposable incomes rise.

1 Week YTD'24 2023

Mover of the Week

Cocoa Commodity	14.10%	132.75%	63.00%
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Global Equities

Magnificent 7	-1.31%	17.14%	80.89%
Dow Jones Ind.	0.07%	5.62%	13.70%
S&P 500	0.24%	10.16%	24.23%
Nasdaq Comp.	-0.36%	8.49%	43.42%
Euro stoxx 600	0.57%	7.03%	12.74%
FTSE 100	0.89%	2.84%	3.78%
India Nifty50	2.23%	2.74%	20.03%
Nikkei 225	-1.27%	20.63%	28.26%
Shanghai Comp.	-0.21%	3.10%	-1.93%

Regional Equities

Dubai DFM	-0.80%	4.59%	21.69%
Abu Dhabi ADX	-1.00%	-3.65%	-6.20%
Saudi Tadawul	0.24%	10.16%	13.87%

Bonds

US IG Bond Index	0.23%	-0.78%	5.15%
GCC Bnd/Suk Index	0.17%	-0.81%	5.14%

Currencies

Dollar Index	0.05%	3.11%	-2.11%
Euro	-0.16%	-2.49%	3.30%
GBP	0.22%	-1.12%	5.50%
JPY	0.07%	-6.93%	7.50%
CHF	-0.37%	-6.97%	8.97%
AUD	0.05%	-4.59%	0.23%
CNH	0.28%	-1.87%	-2.94%
INR	0.24%	-0.16%	-0.63%
SGD	0.04%	-2.24%	1.49%

Commodities

WTI Crude	2.59%	16.08%	-10.73%
Brent Crude	1.42%	12.93%	-10.32%
Nat Gas	4.75%	-29.87%	-43.82%
Gold	3.27%	7.90%	13.47%
Silver	1.28%	4.20%	0.18%
Copper	-0.98%	2.99%	2.10%

US Exceptionalism

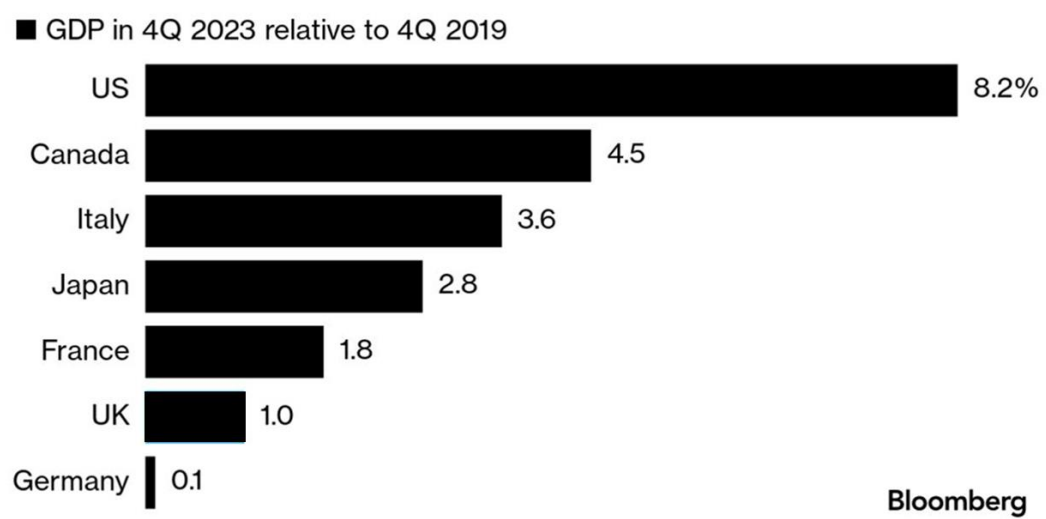


Chart of the Week

In the post-Covid period there is a clear dichotomy between the economic growth witnessed in the US versus the other developed markets. Cumulative growth in economic activity between Q4 2019 and Q4 2023 stands at over 8% for the US whereas it is just 1% for the UK and merely 0.1% for Germany. There are several factors that can possibly explain this clear US exceptionalism: 1) In response to the Covid crisis, the US government made direct stimulus payments to individuals leading to a quick recovery of consumption and large accumulation of savings; 2) Most US consumers have 30-year fixed mortgages and hence did not suffer due to sharp rise in interest rates; 3) European economies suffered due to the spike in energy prices in the aftermath of the Ukraine war; 4) Germany, which makes up about 27% of the Eurozone economy and heavily dependent upon industrial exports has suffered due to falling global demand, made worse by slowing Chinese economy.

01 April 2024

Weekly Economy and Market Watch

بنك دبي التجاري
Commercial Bank of Dubai



Currencies



FX CHRONICLES

EUR/USD remains subdued below 1.0800 after soft French inflation, with minimal reaction to US PCE figures. Traders await remarks from Fed Chair Powell and other Fed officials during the coming week. GBP/USD hovers above 1.2600 amidst holiday lull, eyeing US job data on Friday. AUD tepid as RBA leans dovish, potential rate cuts in H2 2024. USD strengthens on Fed's hint of delayed rate cut. USD/JPY struggles with BoJ's accommodative stance; Japanese CPI up to 2.6% YoY. USD/CHF nears 0.9060 on higher volatility and risk aversion. Gold holds near record high at \$2,236 amid Easter closures supported by softer US core PCE release.



FX Market Orders: Swift Trades, Smart Moves!

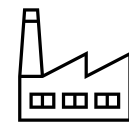
Market orders are immediate instructions to buy or sell a currency pair at the prevailing market price. Traders use them when they prioritize swift execution over price certainty. For instance, if you want to buy 10,000 EUR against the USD and place a market order, it will execute instantly at the best available ask price. Similarly, a market order to sell EUR would execute at the current bid price. Market orders are crucial in volatile forex markets, ensuring traders can enter or exit positions promptly, especially during news releases or periods of high trading activity. However, they carry the risk of slippage, where the executed price differs slightly from the expected price due to rapid market movements.

Commodities



Willy Wonka Wish : Cocoa all-time high!

Cocoa emerges as the standout commodity of the year, with New York futures breaching \$10,000 per ton, a surge of over 129% since the year's start. This follows a period of stability within the \$2,000 to \$3,000 per ton range. Adverse weather and diseases impact major West African producers, commanding a 73% global market share. Ivory Coast leads production at 44%, trailed by Ghana 14%, Ecuador 9%, and Cameroon 6%. The Netherlands leads cocoa imports at \$2.2 billion, followed by Malaysia, Germany, and Belgium. European regulations targeting deforestation in cocoa supply chains pose additional challenges. Chocolate giants like Lindt, Hershey, Mondelez, and Nestle hint at price hikes to offset rising raw material costs, with analysts cautioning against potential consumer backlash amidst ongoing supply disruptions.



Base Metals: Market Insights & Price Influences

Base metals, including copper, aluminum, nickel, lead, zinc, and tin, are essential industrial metals distinct from precious metals like gold and silver. The base metals market encompasses trading in futures and spot contracts, reflecting global demand and supply dynamics. Prices are influenced by various factors such as industrial demand, economic growth, geopolitical tensions, and supply disruptions. Industrial sectors like construction, automotive, and electronics drive demand, while mining output, exploration activities, and geopolitical stability affect supply. Macroeconomic indicators like GDP growth, inflation, and currency fluctuations also impact prices. Overall, understanding these price drivers is crucial for investors and traders navigating the dynamic base metals market and making informed decisions.

CBD Tradr

CBD Tradr



Cautious FX Margin Trading: Maximizing Gains, Minimizing Risks

In margin trading, it's tempting to chase big profits, but being careful is key to avoid big losses. A smart strategy is to limit how much you borrow to only a small part of your total account. For example, you might only borrow 10% of what's in your FX trading account, keeping the rest as a safety net in case things go south. Stick to trading popular currency pairs that are easy to buy and sell and don't swing wildly in price. This lowers the chance of having to sell off your investments suddenly if prices move against you. Also, spread your investments across different currency pairs to reduce the risk of losing big if one currency's value drops. This way, you can still make money even if some currencies aren't doing so well. By being cautious with how much you borrow, trading well-known currencies, and diversifying your investments, you can make the most of FX margin trading while staying safe from big losses.

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