



CROSS WEEKLY

CROSSINVEST

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12 August 2024

Brief Weekly Overview

The VIX and the VVIX spiked to its highest level since the Covid outbreak. The cost to protect for tail-risk hedges against a Black Swan event surged to its highest since March 2020.

ISM non-manufacturing PMI increased 51.4 in July while ISM services employment increased 51.1 in July, alleviating some of the worries of the market sell-off last week.

The unwinding of the yen-carry trade is exposing how vulnerable the markets are. Even as the markets have somewhat steadied, traders are wary of how much money is tied up in carry trades as there are no official estimates.

Following the market meltdown, BoJ Deputy Governor Shinichi Uchida pledged to refrain from hiking interest rates when markets are unstable.

The Fed's Reverse Repo Facility fell below U\$300 bn for the first time since 2021. This is a sharp decline from a record U\$2.554 tn on Dec 30, 2022.

UK Chancellor of the Exchequer Rachel Reeves did not rule out increasing capital gains tax to strike the right balance on tax and to fill the massive public deficit of £22 bn (U\$28 bn).

A 7.1-magnitude earthquake struck southern Japan last Thursday but Japan's meteorological agency warned of an unprecedented "megaquake" in the Nankai Trough "subduction zone".

NAME	CURR	LAST PRICE	DAILY CHANGE	MTD	YTD
EQUITIES					
MSCI ACWI Index	USD	787.16	0.69%	-3.32%	8.27%
S&P 500 Index	USD	5344.16	0.47%	-3.23%	12.04%
Dow Jones Industrial Average	USD	39497.54	0.13%	-3.29%	4.80%
Nasdaq Composite Index	USD	16745.30	0.51%	-4.85%	11.55%
STXE 600 PR Index	EUR	499.19	0.57%	-3.66%	4.22%
FTSE 100 Index	GBP	8168.10	0.28%	-2.39%	5.62%
MSCI Asia Ex. Japan Index	USD	678.41	1.70%	-2.03%	5.75%
Nikkei 225 Tokyo	JPY	35025.00	0.56%	-10.43%	4.66%
Shanghai A Share Index	CNY	2999.89	-0.27%	-2.61%	-3.82%
MSCI EM Index	USD	1063.43	1.64%	-1.97%	3.88%
FIXED INCOME					
US2YT Yield	-	4.0531	1.51bps	-20.45bps	-19.69bps
US10YT Yield	-	3.9398	-4.79bps	-8.99bps	6.07bps
Bunds 10Y Yield	-	2.2250	-4.3bps	-7.9bps	20.1bps
BBG USD HY Corp	-	7.6600	-2bps	7.01bps	7.01bps
FOREX					
Euro/US Dollar	USD	1.0917	-0.02%	0.84%	-1.11%
US Dollar/Japanese Yen	JPY	146.6100	-0.42%	-2.25%	3.95%
US Dollar/Singapore Dollar	SGD	1.3239	-0.13%	-0.91%	0.27%
British Pound/US Dollar	USD	1.2761	0.10%	-0.74%	0.24%
US Dollar/ Chinese Yuan	CNY	7.1683	-0.11%	-0.81%	0.96%
Australian Dollar/ US Dollar	USD	0.6578	-0.23%	0.55%	-3.44%
US Dollar Index	-	103.1350	-0.07%	-0.92%	1.78%
GOLD / OIL					
Brent Crude	USD	79.66	0.63%	-1.31%	3.40%
Gold Spot Price	USD	2431.32	0.16%	-0.67%	17.85%



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EQUITIES

- US equities recovered from the largest sell-off in about two years and closed modestly lower last week. The S&P 500 Index and the Nasdaq Composite reached correction territory on Monday morning and the previous Friday, respectively. The VIX spiked briefly to 65.73 on Monday, the highest since late March 2020, and fell to 20.69 by the end of the week. Technical factors contributed partially to the swings following the increase in Japanese short-term rates, resulting in the unwinding of the carry trades. However, short covering and share buybacks lent support from Monday's lows. The S&P 500 was marginally lower while the tech-heavy Nasdaq 100 climbed 0.4% through the week.
- Major European indices ended mixed last week. Retail sales in the eurozone declined 0.3% in June, contributed by a fall in sales of food, drinks and tobacco. German industrial output rose 1.4% while industrial orders rose by 3.9%, providing some relief to the German industry. The UK housing market sentiment was slightly optimistic in July contributed by lower interest rates and the new Labour government's pledge to boost residential development. The pan-European Stoxx 600 rose 0.3% in a week.
- Japan equity markets recovered some of the major losses from the start of the week following the strengthening of the yen and the BoJ's hawkishness. BoJ Deputy Governor Shinichi Uchida's comments that the BoJ will not raise interest rates when markets are unstable helped soothe the markets to some extent. The Nikkei 225 Index fell 2.5% while the Topix fell 2.1% in a week.
- Chinese equities were lower last week as deflationary pressures outweighed increase in consumer prices. In July, exports rose lesser-than-expected while imports came above consensus, raising concerns about softening global demand. The Shanghai Composite Index fell 1.5% while the CSI 300 lost 1.6% through the week. The Hang Seng Index gained 0.9%.

FIXED INCOME

- The 10y Treasury yields increased over the week as the fears of a weakening labour market abated. Market liquidity improved as the Fed's overnight RRP dropped to the lowest level in more than three years.

FOREX

- Gold continued its second day advance on Friday due to market participants' continued expectation of a Fed easing in September and heightened tensions between Iran, Lebanon and Israel.

MACRO

- US initial jobless claims fell by 17,000 to 233,000 in the week ended Aug 3.
- Germany's CPI rose 0.3% Month-over-Month in July, while it rose 2.3% Year-over-Year, both meeting consensus.

DIRECT EQUITIES

- Tokyo Electron Ltd (TYO: 8035) reported better-than-expected first quarter earnings and boosted its forecast for the full year ahead. The electronics and semiconductor company forecasted operating income of ¥627 bn for the year, above estimates of ¥606.22 bn.

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