



KN Market View

Key Topics

Government Bonds and Currencies. Turkey's disinflationary stage is now underway. British Pound after election results. USDBRL finally rebounded after trading at its highest level since 2021.

Commodities. Metals and Soft Commodities outperformed the broader market.

Stocks. Japan's rally leads to record high, ending a lost decade.

Crypto. Germany's Bitcoin liquidation continues.

Weekly Paper Picks. Forecasting realized volatility: Does anything beat linear models?

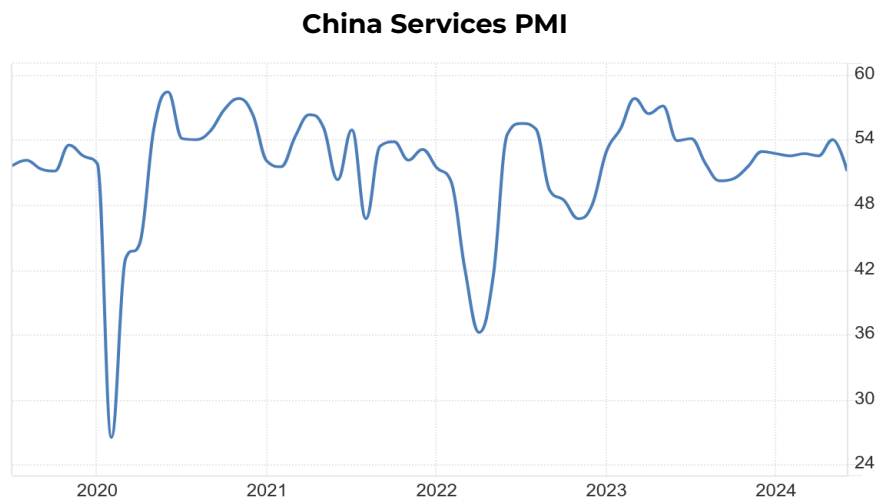
Regarding economic data, **the US unemployment** rate came above market expectations **4.1%** vs **4%** (highest level since November). **Industrial**

Get access to our distribution list and receive our latest publications.

[Join Our Community!](#)

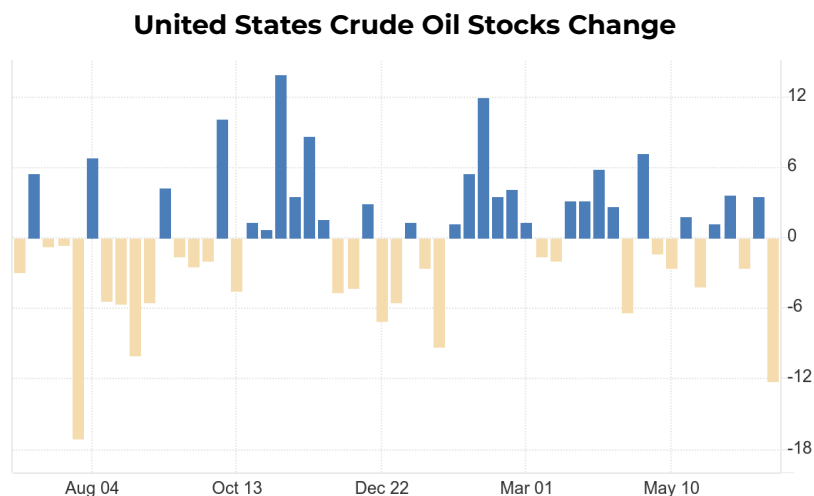


production in France shrank 2.1% MoM, the biggest drop since October 2022. The Caixin China General Services PMI declined to **51.2** to its softest pace since last October, as new orders and export order growth eased.



Source: Trading Economics

Crude oil inventories in the US fell by 12.157mn barrels compared with market expectations of a 0.9mn decrease.



Source: Trading Economics



This week, the focus will be on the **US CPI, PPI** and Michigan consumer confidence report. Elsewhere, **interest rate decisions** will be announced in **New Zealand, South Korea, and Malaysia**, accompanied by **inflation data** releases in **Mexico, China, Brazil, India, and Russia** [link](#).

“French citizens are voting in an election that could result in the country’s first far-right government since World War II — or end in political deadlock just ahead of the Summer Olympics here. The populist, anti-immigration National Rally party is hoping to expand its lead in this second-round vote, claim a majority in the National Assembly and insert 28-year-old leader Jordan Bardella as prime minister. A left-wing party alliance and candidates from President Emmanuel Macron’s centrist movement are seeking to block them. All sides say the identity and values of France are at stake” [link](#).

The following companies will release their quarterly earnings reports: Formosa Plastic, **PepsiCo, Tata Consultancy**, Progressive, Fast Retailing, **Delta Air Lines, JPMorgan, Wells Fargo, Citigroup**, Hcl Tech, **Bank Of New York Mellon**, Fastenal and Ericsson.



Government Bonds and Currencies

Turkey's disinflationary stage is now underway

The yield on **Turkey's 10-year government bond** fell by 85 basis points this week, closing at 25.67%. This decrease occurred following the release of inflation data, which showed a slowdown compared to May, dropping from 75.5% to 71.6%. This marks the first decline in inflation in the past eight months.

A key factor in achieving this slowdown has been the substantial increase in borrowing costs, with the interest rate rising from 8.5% in June 2023 to 50% following the latest hike in March. Mehmet Simef, the Finance Minister, **mentioned that the disinflationary stage is now underway and emphasized that they will continue to implement policies until price stability is achieved** [link](#).

Various analysts believe that inflation may continue on this downward trend in the coming months, potentially leading to a reduction in the interest rate by the end of the year or early next year. Despite this, the Central Bank of Turkey still anticipates a double-digit inflation rate over the next few years [link](#).



British Pound after election results

As we discussed last week, the **British Pound** strengthened against the dollar, reaching its highest level in the last three weeks and closing at 1.28 dollars per pound. This appreciation followed the election results where the Labour Party achieved a landslide victory over the Conservative Party of former Prime Minister Rishi Sunak. This victory enabled Keir Starmer to become the new Prime Minister, and the Labour Party secured an absolute majority in the British Parliament.

The predictable election outcome, along with **the Labour Party's promise to adopt policies aimed at pulling the British economy out of years of low growth while maintaining healthy public finances, contributed to the pound's appreciation.** However, it is important to note that Starmer and his party will face various challenges “from bankrupt local governments, crumbling infrastructure and a chronic housing shortage, to rising homelessness and a National Health Service in a state of crisis, the list of problems is long” [link](#). The decisions and performance of the new government in the coming months could either favor or hinder the British currency and economy.



USDBRL finally rebounded after trading at its highest level since 2021

Similarly, the **Brazilian Real** had a strong week, appreciating by 2.42% against the Dollar and closing the week at 5.45 Reais per Dollar. This improvement **followed the public spending cuts announced by the President last Wednesday**, “Lula approved suggestions the officials presented in the meeting to cut 25.9 billion reais (\$4.7 billion) in government spending, which would allow Lula's administration to comply with the fiscal framework next year” [link](#).

This announcement helped ease investor concerns since “Brazilian assets had suffered a sell-off in recent weeks as markets feared fiscal deterioration amid a government reluctance to cut spending, which led to investors' concerns about the government's ability to comply with the fiscal framework approved last year” [link](#).

Commodities

Metals and Soft Commodities outperformed the broader market

Metals traded on positive territory led by Silver +7.14% and **Copper 5.93%**, “as rising odds that the **US Federal Reserve could start cutting interest rates as early as September** and hopes for more stimulus measures in top consumer China lifted sentiment” [link](#).



Copper



Source: Trading Economics

Soft commodities finally rebounded, **Cotton 6.17%**, **Soybeans 3.12%**, **Wheat 2.96%**, **Oat 1.87%** and **Corn 0.77%**.

Cotton



Source: Trading Economics



On the energy front, **Natural gas -10.42%** continued with its negative trend for the third week in a row.

Stocks

The Tech Rally goes world wide, making Japan and the US the top movers of the week!

Main Equity Markets Movers WoW

Major	Price	Day	%	Weekly	Monthly
US100	20392	▲ 205	1.02%	3.60%	7.21%
JP225	40912	▼ 1	0.00%	3.36%	5.71%
IT40	34061	▼ 40	-0.12%	2.73%	-2.22%
FR40	7676	▼ 20	-0.26%	2.62%	-4.53%
STI	3411	▼ 29	-0.84%	2.34%	2.40%
IBOVESPA	126329	▲ 165	0.13%	1.96%	2.79%
US500	5567.19	▲ 30.17	0.54%	1.95%	4.00%
GB100	8204	▼ 37	-0.45%	0.49%	-0.98%
HK50	17800	▼ 229	-1.27%	0.46%	-3.67%
CH20	12006	▼ 63	-0.52%	0.10%	-1.92%
MOEX	3150	▲ 18	0.59%	-0.01%	-1.35%
IPC	52333	▼ 322	-0.61%	-0.20%	-3.94%
SHANGHAI	2950	▼ 8	-0.26%	-0.59%	-3.24%

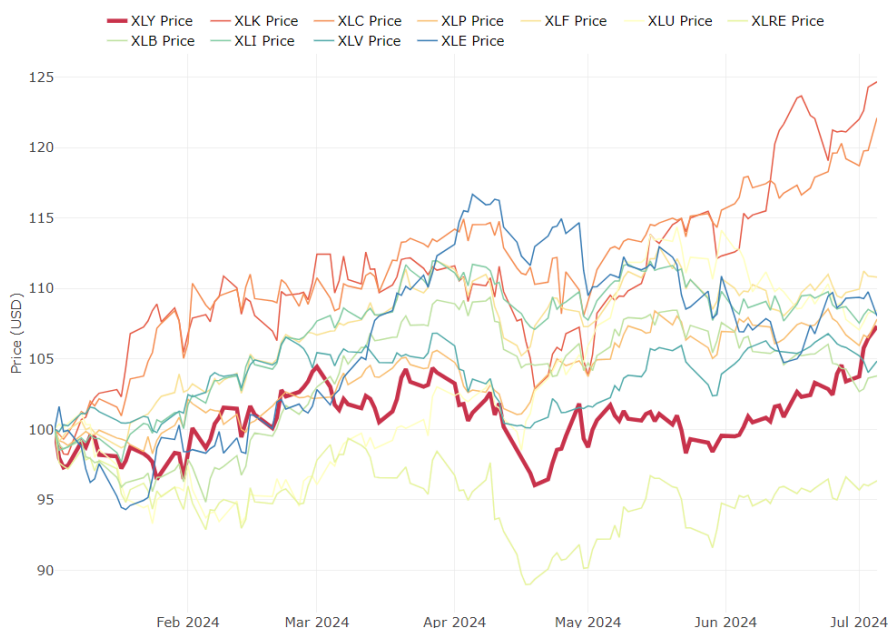
Source: Trading Economics

Consumer Discretionary sector takes the WoW win with **3.78%**. after a rough start of the year.



US Sector Performance

	WoW	YTD
Energy (XLE)	-1.15%	8.05%
Health Care (XLV)	-0.92%	4.84%
Industrials (XLI)	-0.53%	8.13%
Materials (XLB)	-0.46%	3.80%
Real Estate (XLRE)	-0.29%	-3.65%
Utilities (XLU)	0.60%	8.45%
Financials (XLF)	1.00%	10.81%
Consumer Staples (XLP)	1.04%	7.82%
Communication Services (XLC)	2.44%	22.11%
Technology (XLK)	2.94%	24.67%
Consumer Discretionary (XLY)	3.78%	7.32%



Source: FMP

Japan's rally leads to record high, ending a lost decade

Japan's main stock indexes hit record highs, driven by gains in automakers, banks, and technology firms, all sectors are poised with a positive corporate outlook for late 2024.

The **Topix index surpassed its 34-year high, closing at 2,898.47**. The Nikkei index also saw a significant rise, closing at 40,913.65, with **substantial contributions from technology companies**, as the top 100 US tech companies also had a week of great performance.



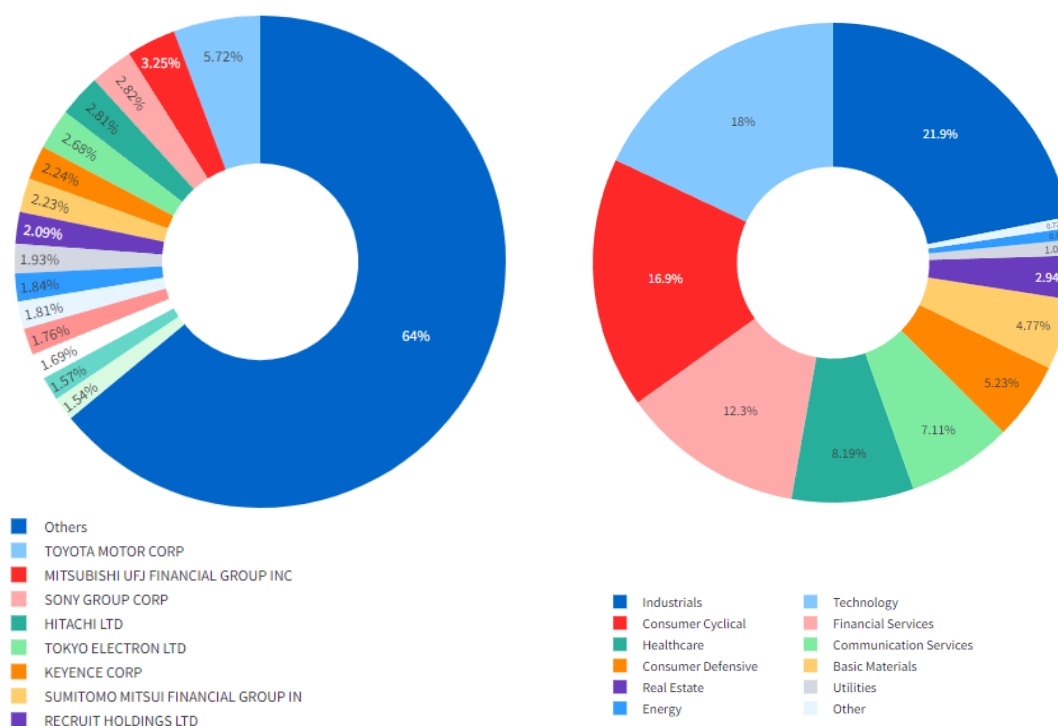
Local investors are not sure if they like the policy of a weak Yen. On one hand, A weaker yen made Japanese automotive exports cheaper and more competitive internationally, boosting companies like Toyota and Honda. On the other hand, **locals are not happy with the higher prices of imported goods**, leading to increased inflation and social unrest.

In the previous year, global funds flowed into Japan, attracted by low borrowing costs, high profits, and efforts to improve corporate governance, resulting in over 25% gains in both indexes (Nikkei and Topix). **This behavior is set to continue, as the weaker yen will make investing in Japan more attractive for foreigners.**

Going back to the interest rate decision of **increasing the rate to non-negative levels after 17 years, investors have a better outlook on the economy.** Especially in their financial sector, as the extreme rate of the prior years had investors wondering if local banks would ever be profitable on a major scale. **In the last weeks, local banks and insurance companies saw a price increase, as investors think the new rate will improve lending margins.**



Japan ETF (EWJ) Stock composition and Sector composition



Source: FMP

Next week's earnings!

	Company	Release Date	Exp. EPS	Time	MktCap (USD)	Country	Sector
IDTVF	AB Industrivärden (publ)	Mon, Jul 8	-	BMO	\$15,886	SE	Financial Services
IDDTF	INDUSTRIVARDEN AB	Mon, Jul 8	-	BMO	\$13,808	None	Financial Services
AMX	América Móvil, S.A.B. de C.V.	Tue, Jul 9	\$0.20	BMO	\$52,826	MX	Communication Services
AONNY	Aeon Co., Ltd.	Wed, Jul 10	-	--	\$19,283	JP	Consumer Cyclical
NSKFF	Kongsberg Gruppen ASA	Wed, Jul 10	-	BMO	\$14,102	NO	Industrials
PEP	PepsiCo, Inc.	Thu, Jul 11	\$2.16	BMO	\$226,937	US	Consumer Defensive
PGR	The Progressive Corporation	Thu, Jul 11	\$2.03	BMO	\$122,112	US	Financial Services
FRCOY	Fast Retailing Co., Ltd.	Thu, Jul 11	-	BMO	\$80,757	JP	Consumer Cyclical
SVNDY	Seven & i Holdings Co., Ltd.	Thu, Jul 11	-	--	\$33,654	JP	Consumer Defensive
DAL	Delta Air Lines, Inc.	Thu, Jul 11	\$2.37	BMO	\$31,807	US	Industrials
DNBBF	DNB Bank ASA	Thu, Jul 11	-	BMO	\$29,458	NO	Financial Services



WIT	Wipro Limited	Thu, Jul 11	\$0.07	BMO	\$29,143	IN	Technology
CAG	Conagra Brands, Inc.	Thu, Jul 11	\$0.56	BMO	\$13,979	US	Consumer Defensive
TGVSF	Tryg A/S	Thu, Jul 11	-	BMO	\$12,622	DK	Financial Services
VSOGF	Vista Energy, S.A.B. de C.V.	Thu, Jul 11	-	BMO	\$4,438	MX	Energy
JPM	JPMorgan Chase & Co.	Fri, Jul 12	\$4.16	BMO	\$558,138	US	Financial Services
WFC	Wells Fargo & Company	Fri, Jul 12	\$1.27	BMO	\$199,173	US	Financial Services
C	Citigroup Inc.	Fri, Jul 12	\$1.40	BMO	\$112,806	US	Financial Services
BK	The Bank of New York Mellon Corporation	Fri, Jul 12	\$1.42	BMO	\$43,942	US	Financial Services
FAST	Fastenal Company	Fri, Jul 12	\$0.52	BMO	\$36,225	US	Industrials
ERIXF	Telefonaktiebolaget LM Ericsson (publ)	Fri, Jul 12	-	BMO	\$20,651	SE	Technology
AXFOY	Axfood AB (publ)	Fri, Jul 12	-	BMO	\$5,442	SE	Consumer Defensive
LWSOF	Lawson, Inc.	Fri, Jul 12	-	BMO	\$4,982	JP	Consumer Defensive

Crypto

Germany's Bitcoin liquidation continues

“The German government has transferred 700 Bitcoins (BTC), valued at approximately \$40.47 million. This transaction is part of an ongoing trend: **the government has consistently sold its Bitcoin holdings since June.**

The country's latest transaction has attracted mixed reactions across crypto Twitter, **with some forecasting that the Bitcoin price could crash to the \$40k region soon”** [link](#).



Main Crypto Movers WoW

Crypto	Price	Day	%	Weekly	Monthly	YoY
Bitcoin Cash	320.57	▼ 12.18	-3.66%	-17.90%	-36.21%	13.21%
Litecoin	63.800	▲ 1.734	2.79%	-16.63%	-21.89%	-35.64%
Binance	501.8	▲ 2.8	0.56%	-13.26%	-27.54%	110.19%
Uniswap	7.86	▲ 0.11	1.43%	-12.89%	-21.36%	40.99%
Polygon	0.48	▼ 0.01	-2.49%	-12.44%	-33.33%	-27.00%
Cosmos	5.95	▼ 0.05	-0.84%	-12.41%	-31.75%	-36.36%
Ether	2982.10	▼ 9.1	-0.30%	-12.22%	-19.50%	58.74%
Ripple	0.42915	▲ 0.00254	0.59%	-10.20%	-15.12%	-9.44%
Chainlink	12.6068	▼ 0.02	-0.16%	-9.23%	-27.90%	104.86%
Avalanche	25.66	▲ 1.22	5.01%	-8.25%	-28.85%	105.79%
Cardano	0.35793	▲ 0.00719	2.05%	-7.99%	-21.62%	24.20%
Monero	154.299	▼ 1.491	-0.96%	-7.96%	-0.96%	-7.73%
Bitcoin	57027	▲ 256	0.45%	-6.87%	-18.20%	87.36%

Source: Trading Economics

Weekly Paper Picks

[Forecasting realized volatility: Does anything beat linear models?](#)

The research report evaluates the performance of linear and nonlinear machine learning models in forecasting the realized volatility (RV) of ten global stock market indices from January 2000 to December 2021.

The study compares these models to the widely used heterogeneous autoregressive (HAR) model. **The main conclusions are that additional**



predictors improve the out-of-sample forecasts of 1-day-ahead RV, and nonlinear models do not statistically outperform either linear models or HAR models with additional predictors p. 3p. 22.

The report also discusses the usefulness of RV forecasts from different machine learning models **to estimate Value-at-Risk (VaR) and the tendency to underestimate VaR** p. 4p. 22. The study is the first to systematically evaluate the performance of different machine learning models in forecasting high-frequency RV of a large group of stock indices using a wide set of predictors p. 3.

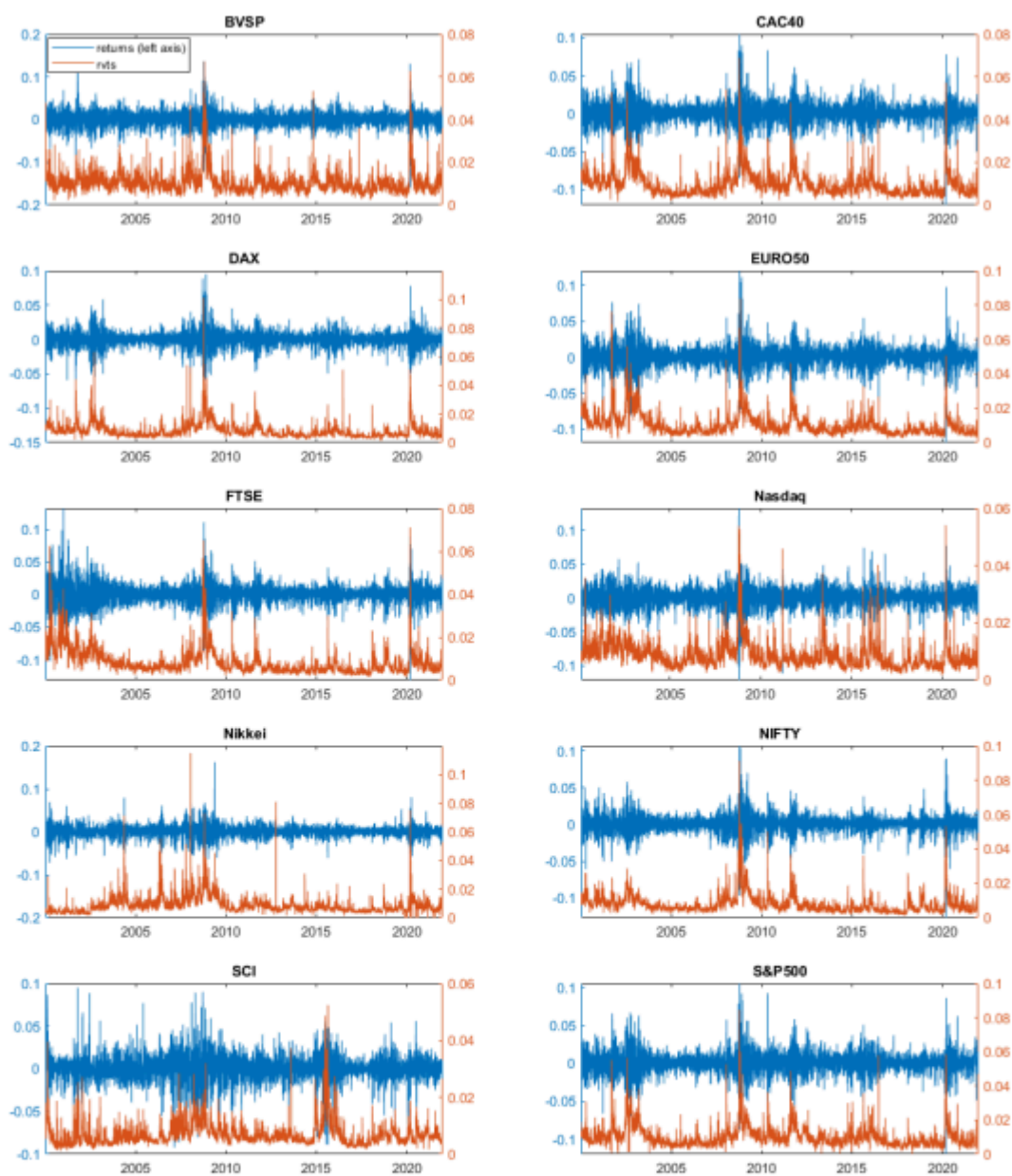


Figure 1: Daily returns and realized volatility estimates for ten stock indices



Contact

research@kaxanuk.mx

Disclaimers

The content of this document is strictly informative and does not constitute an offer or recommendation of KaxaNuk S.C. to buy, sell or subscribe any kind of securities, or to perform specific transactions. KaxaNuk S.C. is not responsible for the interpretation given to the information and /or content of this document. KaxaNuk S.C. does not accept or will accept any liability for losses or damages resulting from investment decisions that would have been based on this document. The persons responsible for the preparation of this report certify that the opinions stated reflect their own point of view and do not represent the view of KaxaNuk S.C. nor of its officials. This document is based on publicly available information, including official government sites and other web sources which are considered reliable, however KaxaNuk S.C. makes no warranty regarding its accuracy or completeness.

This content is intellectual property owned by KaxaNuk S.C. Any violations of this term, and all terms contained herein, will be legally pursued to the fullest extent permitted by law.