



KN Market View

Main Topics

Key Events. The US inflation rate fell for a third straight month to 3% in June 2024 below forecasts of 3.1%. Next week's earnings reports: GS, BlackRock, UnitedHealth, BoA, Morgan Stanley, Charles Schwab, J&J, Netflix, and Amex.

Government Bonds and Currencies. The DXY remains under pressure, with rate cuts on the horizon.

Commodities. Soft commodities continued under pressure.

Stocks. The Mexican market finally rebounded. JPM tops revenue.

Crypto. The ECB explores blockchain for its digital euro.

Weekly Paper Picks. The Search for Crisis Alpha: Weathering the Storm Using Relative Momentum.

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

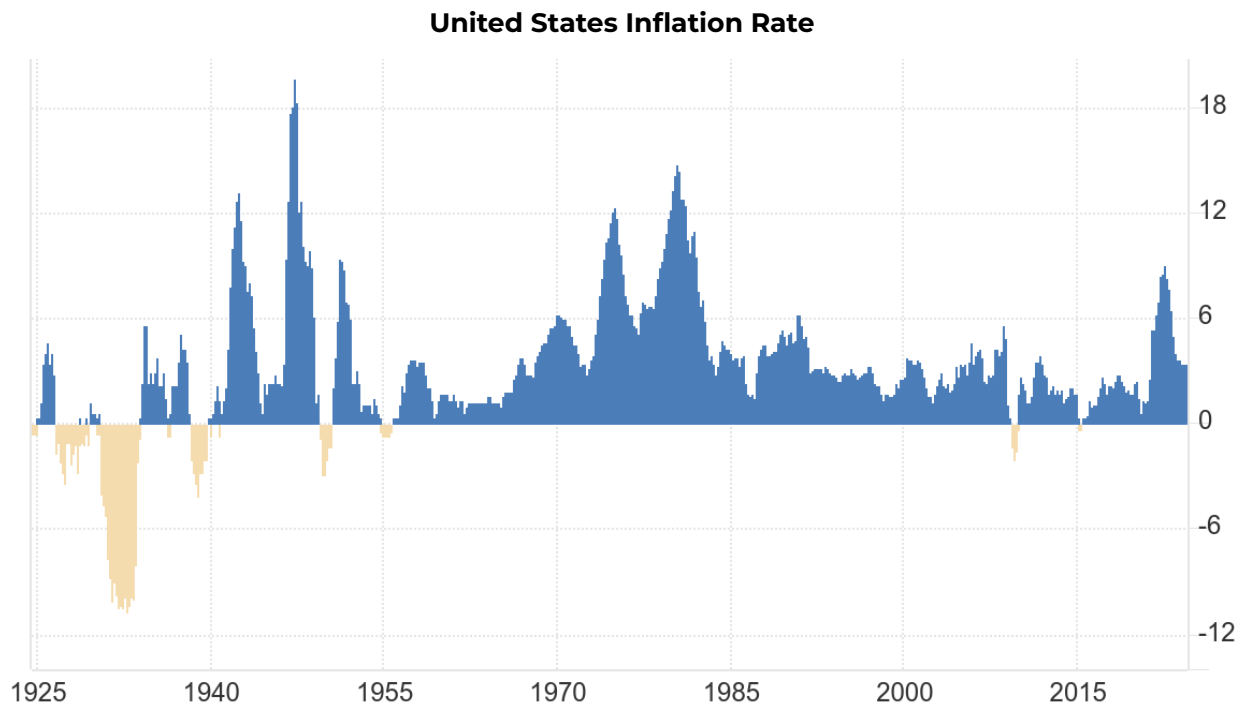
[Join Our Community!](#)



Key Events

Economy at a glance

Regarding economic data, the **US inflation rate** fell for a third straight month to 3% in June 2024 below forecasts of 3.1%. “**Energy costs rose at a slower pace (1% vs 3.7%)**, due to gasoline (-2.5% vs 2.2%) and fuel oil (0.8% vs 3.6%) while utility gas service (3.7% vs 0.2%) accelerated. **Inflation also eased for shelter (5.2% vs 5.4%) and transportation (9.4% vs 10.5%)** and steadied for apparel (0.8%). In addition, prices continued to decline for new vehicles (-0.9% vs -0.8%) and used cars and trucks (-10.1% vs -9.3%). On the other hand, food inflation edged up (2.2% vs 2.1%)” [link](#).



Source: Trading Economics



China exports came above consensus 8.6% vs 8%. “Among trading partners, exports grew to the **US (6.6%)**, Japan (0.9%), South Korea (4.1%), **Taiwan (27.6%)**, Australia (1.2%), the **ASEAN countries (15.0%)**, and the EU (4.1%). In H1 of 2024, exports rose 3.6% to USD 1.71 trillion, mainly boosted by increased sales of **furniture & parts (14.8%)**, plastic products (8.3%), electronics (4.9%), **integrated circuits (21.6%)**, **cars (18.9%)**, automobile parts (5.6%), and textile (3.3%)” [link](#).

This week, the focus will be on the **US Fed Chair Powell Speech**, **retail sales**, industrial production, export and import prices, **building permits**, and housing starts. **Inflation rates** will be reported for **Canada**, the **UK**, New Zealand, and **Japan**, while Australia and the UK will release their unemployment rates.

“The **Third Plenum of the 20th National Congress of the Communist Party of China kicks off on 15 July 2024**. Rather than grand liberalization, this Plenum will more likely announce strategies to tackle economic bottlenecks and improve productivity, innovation, economic growth and living standards, continuing China's tradition of pragmatic, gradual economic reforms” [link](#).



Next week's earning

Ticker	Company	Release Date	Exp. EPS	Time	MktCap (USD)	Country	Sector
GS	The Goldman Sachs Group, Inc.	Mon, Jul 15	\$8.70	BMO	\$143,261	US	Financial Services
HDB	HDFC Bank Limited	Mon, Jul 15	\$0.49	BMO	\$142,212	IN	Financial Services
BLK	BlackRock, Inc.	Mon, Jul 15	\$9.96	BMO	\$112,584	US	Financial Services
UNH	UnitedHealth Group Incorporated	Tue, Jul 16	\$6.66	BMO	\$456,713	US	Healthcare
BAC-PP	Bank of America Corporation	Tue, Jul 16	-	BMO	\$310,234	US	Financial Services
BACRP	Bank of America Corporation PFD SER B 7%	Tue, Jul 16	-	BMO	\$294,722	US	Financial Services
MS	Morgan Stanley	Tue, Jul 16	\$1.66	BMO	\$155,089	US	Financial Services
BHPLF	BHP Group Limited	Tue, Jul 16	-	BMO	\$154,351	AU	Basic Materials
SCHW	The Charles Schwab Corporation	Tue, Jul 16	\$0.74	BMO	\$130,541	US	Financial Services
ASML	ASML Holding N.V.	Wed, Jul 17	\$3.87	BMO	\$407,589	NL	Technology
JNJ	Johnson & Johnson	Wed, Jul 17	\$2.73	BMO	\$353,204	US	Healthcare
ELV	Elevance Health Inc.	Wed, Jul 17	\$10.00	BMO	\$124,792	US	Healthcare
PLD	Prologis, Inc.	Wed, Jul 17	\$1.33	BMO	\$103,306	US	Real Estate
USB-PH	U.S. Bancorp	Wed, Jul 17	-	BMO	\$89,212	US	Financial Services
IVSBF	Investor AB (publ)	Wed, Jul 17	-	BMO	\$83,719	SE	Financial Services
TSM	Taiwan Semiconductor Manufacturing Company Limited	Thu, Jul 18	\$1.37	AMC	\$703,018	TW	Technology
NFLX	Netflix, Inc.	Thu, Jul 18	\$4.70	AMC	\$279,502	US	Communication Services
NVS	Novartis AG	Thu, Jul 18	\$1.85	BMO	\$204,472	CH	Healthcare
ABT	Abbott Laboratories	Thu, Jul 18	\$1.10	BMO	\$184,070	US	Healthcare
ISRG	Intuitive Surgical, Inc.	Thu, Jul 18	\$1.53	AMC	\$148,544	US	Healthcare
BX	Blackstone Inc.	Thu, Jul 18	\$0.99	BMO	\$143,889	US	Financial Services
MMC	Marsh & McLennan Companies, Inc.	Thu, Jul 18	\$2.38	BMO	\$103,553	US	Financial Services
ABBNY	ABB Ltd	Thu, Jul 18	\$0.55	--	\$103,286	CH	Industrials

Source: KaxaNuk and FMP

Government Bonds and Currencies

The DXY remains under pressure, with rate cuts on the horizon

Currencies continued with their recovery vs USD led by Chilean and Mexican Peso, Israeli Shekel, Japanese Yen and British Pound.



Expectations of forthcoming rate cuts by the Fed fueled part of this moment, “In public appearances this week — including a pair of congressional hearings for chair Jay Powell — **US central bankers spoke with a newfound assurance about their grip on inflation and readiness to embark on a policy pivot**” [link](#).

Main Currencies Movers WoW

Major	Price	Day	%	Weekly	Monthly	YoY
USDCLP	905.480	▼ 8.740	-0.96%	-3.40%	-1.41%	11.70%
USDMXN	17.6151	▼ 0.1413	-0.80%	-2.65%	-4.33%	4.62%
USDILS	3.59664	▼ 0.03424	-0.94%	-2.26%	-3.19%	-0.27%
USDJPY	157.860	▼ 0.412	-0.26%	-1.80%	0.47%	14.37%
Major	Price	Day	%	Weekly	Monthly	YoY
GBPUSD	1.29878	▲ 0.00640	0.50%	1.35%	1.84%	-1.11%
USDTRY	33.0478	▲ 0.0745	0.23%	1.21%	1.69%	27.09%

Source: Trading Economics

United States Dollar



Source: Trading Economics



On the news front, “Russia and India team up to challenge dollar dominance. The partnership announcement follows the **recent visit by India’s Prime Minister Narendra Modi to Moscow**, during which the two countries forged new alliances and trade agreements. At the meeting, India confirmed its commitment to open trade with Russia, a key BRICS counterpart, and will **facilitate trade using the RuPay and MIR payment systems**.

Using homegrown payment systems and their local currencies is expected to benefit the countries as it will allow them to **save millions in exchange rates and move away from the USD**, helping to strengthen their local currencies and economies” [link](#).

Commodities

Soft commodities continued under pressure

Soybeans -7.27%, Wheat -6.65%, **Corn -4.89%** and Sugar -4.35% traded under pressure driven by ample supply and better crop conditions. **Soybeans and Corn reached levels not seen since November 2020.**

Regarding Corn, “Beneficial rains from **Tropical Storm Beryl in the Midwest underscored the weather's dual impact on aiding crop development while potentially boosting yields**. Furthermore, the



accumulation of record-high corn stocks in the US, not seen since 1988, amid economic uncertainties deepened market pessimism” [link](#).

Soybeans



Source: Trading Economics

Corn



Source: Trading Economics



Stocks

Mexican stocks had a rebound week after the presidential elections.

Main Equity Markets Movers WoW

Major	Price	Day	%	Weekly	Monthly	YoY
IPC	54953	▲ 531	0.97%	5.01%	5.12%	1.31%
CH20	12365	▲ 109	0.89%	2.99%	2.23%	12.19%
NZX 50	12135	▲ 77	0.64%	2.88%	2.21%	1.01%
TSX	22674	▲ 129	0.57%	2.79%	4.50%	11.82%
HK50	18293	▲ 461	2.59%	2.77%	1.00%	-5.46%
STI	3498	▲ 23	0.65%	2.55%	5.21%	8.01%
IBOVESPA	128875	▲ 581	0.45%	2.07%	7.78%	8.06%
JP225	41191	▼ 1,033	-2.45%	0.68%	6.38%	27.06%
SENSEX	80519	▲ 622	0.78%	0.65%	4.83%	22.82%
FR40	7724	▲ 97	1.27%	0.63%	0.21%	4.81%
GB100	8253	▲ 30	0.36%	0.60%	1.09%	10.92%
US100	20330	▲ 119	0.59%	-0.30%	3.85%	30.55%
MOEX	2975	▼ 20	-0.68%	-5.55%	-6.19%	3.11%

Source: Trading Economics

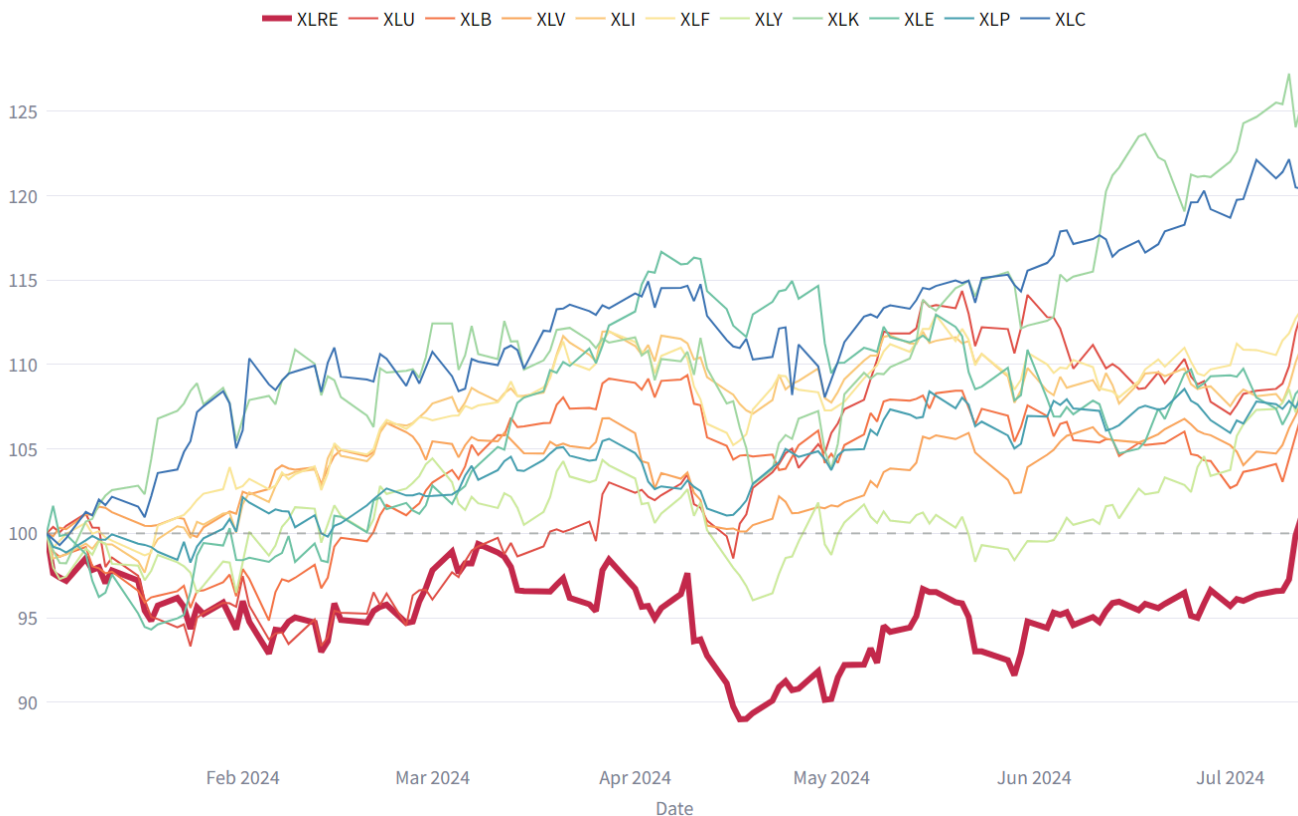
Real Estate takes this week's victory, as the sector breaks even with its value at the start of the year.

US Sector Performance

Sector	WoW	YTD
Communication Services (XLC)	-1.65%	20.11%
Consumer Staples (XLP)	0.05%	7.87%
Technology (XLK)	0.46%	25.24%
Energy (XLE)	0.51%	8.60%



Consumer Discretionary (XLY)	1.16%	8.56%
Financials (XLF)	2.00%	13.08%
Industrials (XLI)	2.44%	10.77%
Health Care (XLV)	2.67%	7.64%
Materials (XLB)	2.96%	6.87%
Utilities (XLU)	3.95%	12.74%
Real Estate (XLRE)	4.41%	0.60%



Source: FMP

Earnings season highlights

Last week, several major U.S. banks reported their second-quarter earnings results, with JPMorgan Chase, Wells Fargo, and Citigroup being the most notable. Here are the key highlights:



JPMorgan Chase (JPM)

- Reported record profits and strong revenue growth, driven by robust investment banking fees and gains from new investments.
- Net income rose to \$17.3 billion from \$14.47 billion a year earlier, while earnings per share increased to \$5.88 from \$4.75.
- Revenue grew to \$42.23 billion from \$41.3 billion in the same period last year.
- Net interest income fell short of estimates, disappointing investors who had hoped for an upward revision in the bank's projections.
- JPMorgan's stock price dipped following the earnings announcement despite the positive results.

Wells Fargo (WFC)

- Reported a 6.4% increase in earnings to \$1.33 per share, ahead of market expectations.
- Total revenue ticked up slightly to \$20.69 billion.
- Experienced a significant drop in net interest income, leading to a decline in its stock value.
- Revenue and earnings exceeded expectations, but challenges in net interest income and operating expenses persisted.
- Anticipates a recovery in net interest income in the latter half of the year, aligning with projected interest rate cuts by the Federal Reserve.



Citigroup (C)

- Net income fell to \$2.7 billion from \$2.9 billion a year earlier, while earnings per share increased to \$1.39 from \$1.33.
- Revenue grew to \$20 billion from \$19.4 billion in the same period last year.
- Experienced challenges in certain business areas, particularly in market share growth and expense reduction, but demonstrated strength in its Services division.

The Mexican market finally rebounded

Mexico's ETF performance (EWW)



Source: FMP



This week Mexican stocks had great returns, rebounding after the hit provided by the elections and the win of Morena's party. **MEXBOL closes the week with a 5.02% and the EWW with a 7.8% return**, while the Mexican peso is also taking ground back against the euro and dollar, as the MXN/USD ends at \$17.66 (-2.46%) and the MXN/EUR ends at 19.26 (-1.87%).

The Mexican stock market rally was fueled this week by **Consumer Staples, Telecommunication Services, and Materials**.

This week's biggest performer in the stock market was Walmex de México, with a 10.83% gain. Followed by Genomma Lab (+9.66%) and Kimberly Clark México (+8.81%), both companies will report their earnings in the July 20 week, and with this rally, they are expected to report strong numbers on the earnings side.

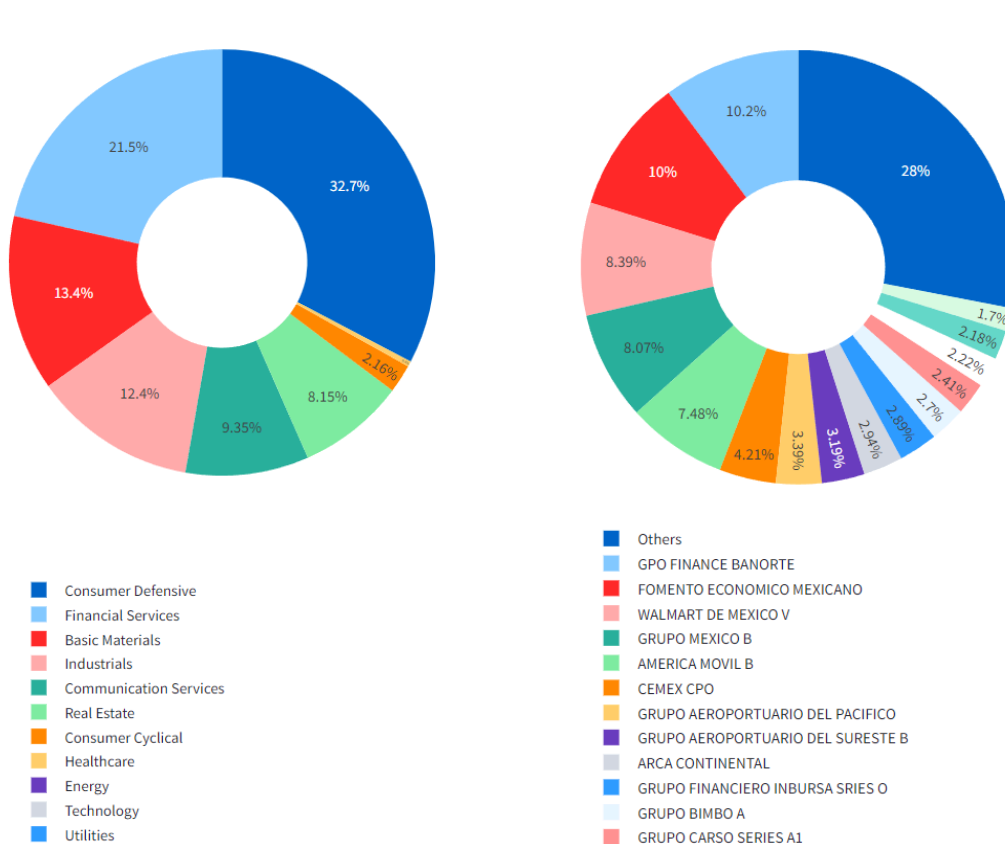
While the biggest loser inside the MEXBOL was Qualitas Controladora, with a loss of -3.15% WoW, followed by GCC, the Mexican cement maker, with a Week-over-week loss of -0.96%.

Current Mexican market is a consumer defensive heavy and with the continuation of social policies implemented by the winning party in the



June 2nd election, the consumer sector may be poised to keep the momentum going from the returns side of things, as this **policies have aimed to increase consumer demand and consumer spending, leading to the overall increase in demand and spending.**

Mexico ETF (EWW) Stock composition and Sector composition



Source: FMP

The other piece to the puzzle would be the Mexican peso, as a weak peso would increase the remittances to the country, also boosting the consumer sector.



This trend seems to be a correction to the overreaction seen by the markets after the presidential election on June 2nd, underscoring the overall market sensitivity to political changes, not just Mexican markets. **Which has us wondering where markets will be headed in all countries that have an upcoming change of mandate, specifically in the US.**

Overall, this shows the strength and resilience of the aggregated Mexican market, as all companies have gone through a heated political environment, heightened volatility in the currency and overall local economic uncertainty.

Crypto

Crypto recovered after trading under pressure for the last 3 weeks, the rally is led by Stellar 25.53%, and Ripple 18.83%.

German pressure lifted, Bitcoin ready to explode!

“The German government has just completed the liquidation of its substantial Bitcoin stock, acquired during judicial seizures. This large-scale operation, spread over several weeks, ended on July 12 with the sale of the last 3,846 BTC” [link](#).

The ECB explores blockchain for its digital euro

“In a rapidly evolving financial context where crypto is gaining importance, the European Central Bank (ECB) positions itself at the forefront of



innovation. The pivotal institution of the eurozone **is intensifying its research on blockchain technology for the development of its central bank digital currency (CBDC).**

Alongside blockchain, **the ECB is exploring the potential of multiparty computation (MPC).** This technology allows for the secure sharing of data between multiple parties without compromising the confidentiality of individual information” [link](#).

Main Crypto Movers WoW

Crypto	Price	Day	%	Weekly	Monthly	YoY
Stellar	0.10371	▲ 0.00124	1.21%	24.05%	6.17%	-18.57%
Bitcoin Cash	369.70	▼ 7.42	-1.97%	18.61%	-13.66%	47.00%
Ripple	0.53108	▲ 0.05758	12.16%	18.16%	11.84%	-26.58%
Cardano	0.43182	▲ 0.01916	4.64%	16.17%	4.66%	30.61%
Algorand	0.15	▲ 0.00	2.24%	15.34%	-3.29%	29.33%
Solana	145.1600	▲ 2.5824	1.81%	10.29%	0.08%	432.29%
Ether	3189.26	▲ 9.16	0.29%	9.19%	-10.39%	65.50%
Chainlink	13.2927	▲ 0.9614	7.80%	7.84%	-11.97%	89.50%
Uniswap	8.20	▲ 0.01	0.17%	7.33%	-28.67%	42.05%
Bitcoin	60056	▲ 756	1.27%	7.27%	-9.17%	98.55%
Litecoin	69.500	▲ 0.16	0.23%	6.32%	-10.26%	-26.89%
Polkadot	6.27	▲ 0.02	0.29%	6.07%	0.81%	15.60%

Source: Trading Economics



Weekly Paper Picks

[The Search for Crisis Alpha: Weathering the Storm Using Relative Momentum](#)

The paper introduces a strategy using relative momentum in the US Treasury investments to increase crisis alpha in a portfolio. **Crisis alpha refers to strong performance over a risk-free asset during market crises, allowing investors to increase returns despite broad market losses.**

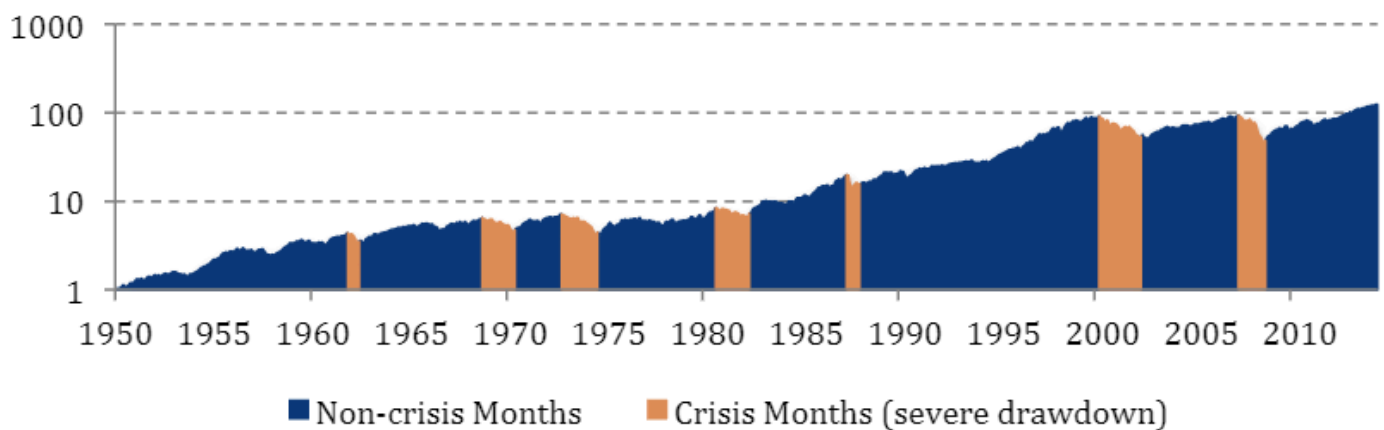
The paper demonstrates that the tactical methodology added significant crisis alpha relative to static fixed income investments over the period from 1962-2014. It outlines the methodology, discusses practical aspects of implementation, and **presents an investable version of the strategy using liquid fixed income ETFs.**

The strategy focuses on the safe-haven status of the US Treasuries and utilizes relative momentum across the US Treasury spectrum to **construct a Crisis Enhanced Momentum portfolio.** The paper also discusses the performance of the strategy in the context of a tactical model case study and presents a real-world implementation.

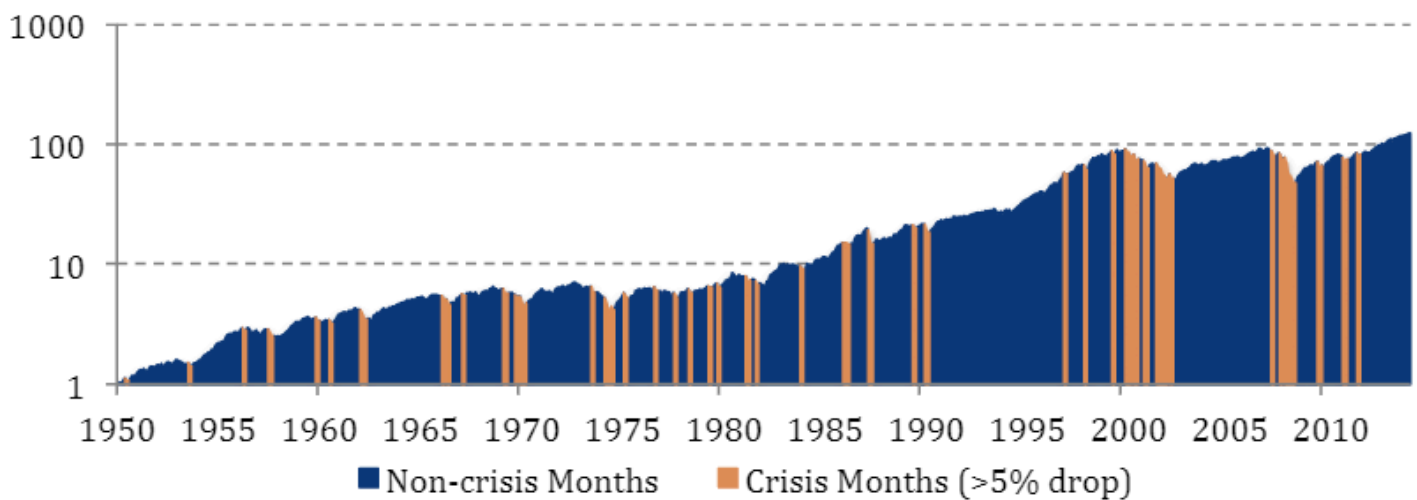


Additionally, it highlights the potential for practical improvements to reduce model risk and whipsaw. The paper provides valuable insights into using relative momentum on US Treasury investments to enhance crisis alpha in a portfolio, offering a comprehensive analysis and practical considerations for implementation.

Crisis Measure 1 - S&P 500 Crisis Periods

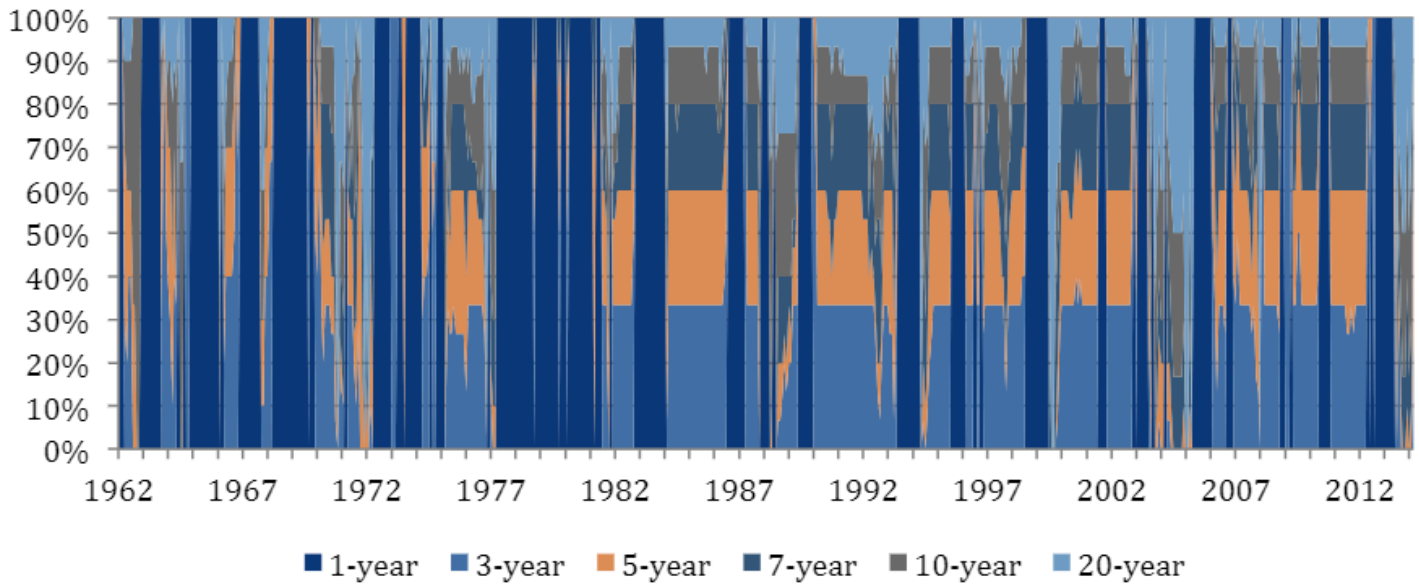


Crisis Measure 2 - S&P 500 Crisis Periods

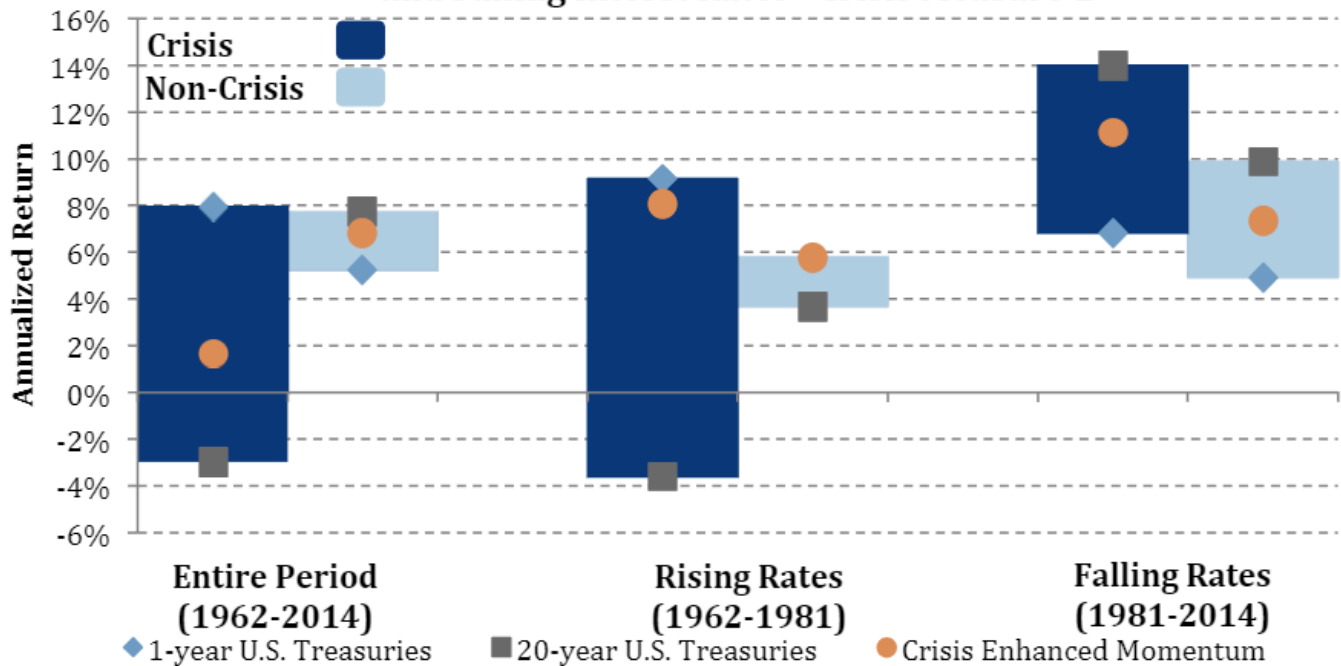




Crisis Enhanced Momentum Strategy Allocations

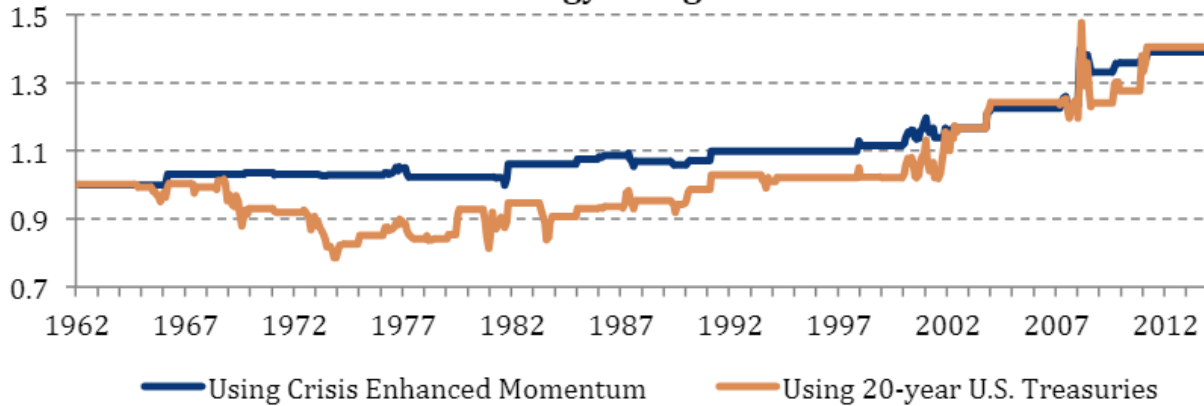


Crisis Enhanced Momentum Strategy Performance During Rising and Falling Interest Rates - Crisis Measure 1

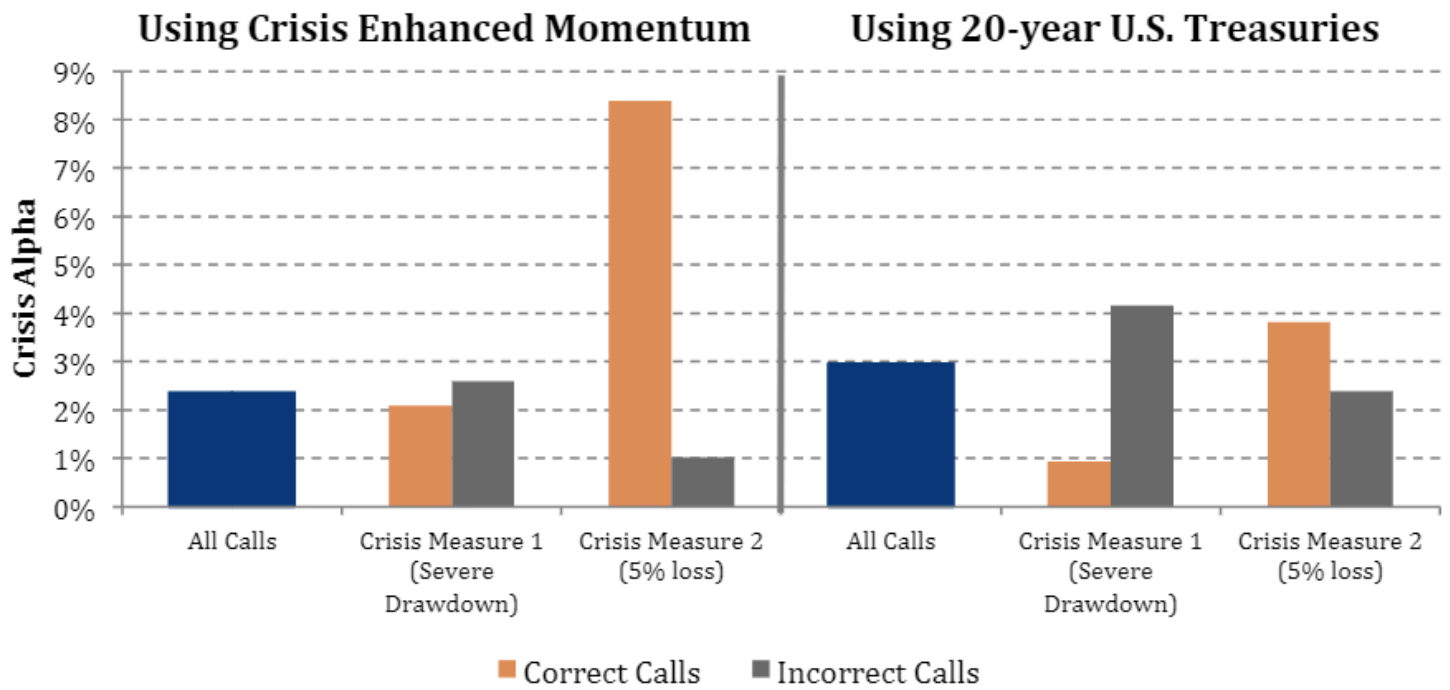




Ratio to Tactical Strategy Using 1-Year U.S. Treasuries



	Using 1-year U.S. Treasuries	Using 20-year U.S. Treasuries	Using Crisis Enhanced Momentum
Total Return	8,866%	12,452%	12,317%
Annualized Return	8.98%	9.69%	9.67%
Annualized Volatility	10.61%	12.16%	10.92%
Sharpe Ratio	0.15	0.19	0.21
Maximum Drawdown	24.02%	23.65%	25.28%





		SHY (1-3 year)	TLT (20+ year)	Crisis Enhanced Momentum
Crisis Months	Annualized Return	3.02%	8.86%	6.34%
	Annualized Volatility	1.89%	20.16%	9.84%
	Sharpe Ratio	-	0.29	0.34
True Positive Crisis Months	Annualized Return	5.54%	18.68%	13.27%
	Annualized Volatility	2.16%	23.06%	12.38%
	Sharpe Ratio	-	0.57	0.62
False Positive Crisis Months	Annualized Return	0.55%	-0.14%	-0.17%
	Annualized Volatility	1.30%	17.36%	6.42%

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.