



KN Market View

Key Topics

Last week **ACWI** and **SPY** recorded new **all-time highs** of **\$112.35** and **\$531.5** after **US Inflation** increased less than expected, Retail Sales and Building Permits came below market expectations, creating a case in favor of interest **rate cuts in September** with a probability of 49%.

According to Factset, **“219 companies cited the term “inflation” during their earnings calls for the first quarter.** This is the lowest number of S&P 500 companies citing “inflation” on earnings calls going back to Q2 2021 (218). It also marks the seventh consecutive quarter in which the number of S&P 500 companies citing the term “inflation” has declined quarter-over-quarter.

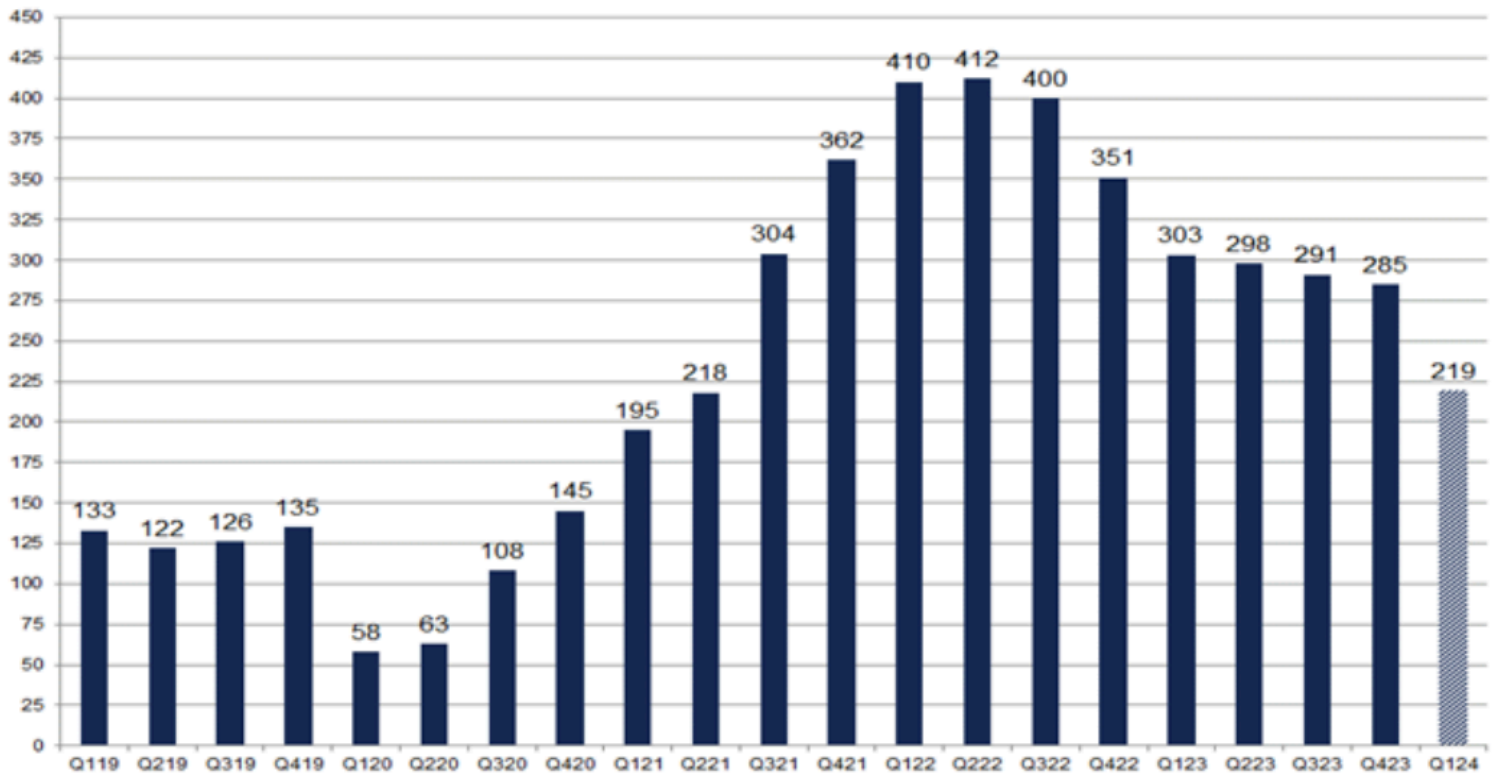
At the sector level, the **Financials** (49) and **Industrials** (43) sectors have the **highest number of companies that cited “inflation”** on earnings calls for Q1. However, the Consumer Staples (86%) and Financials (72%) sectors have the highest percentages of companies that cited “inflation” on their Q1 earnings calls during this period” [link](#).

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Of S&P 500 Companies Citing "Inflation" on Earnings Calls 5Y



Source: Factset

China's economy showed mixed signals, **Industrial Production** expanded by **6.7%** above consensus of 5.5% and **Retail Sales** came at **2.3%** vs 3.8%. China's central bank on Friday said it will set up a new lending program to encourage local governments to "digest" excess housing supply with a **\$41bn lending program** [link](#).

This week many countries will be reporting **Purchasing Managers' Index**, also worth watching Australia RBA Meeting Minutes, **UK, Japan and**

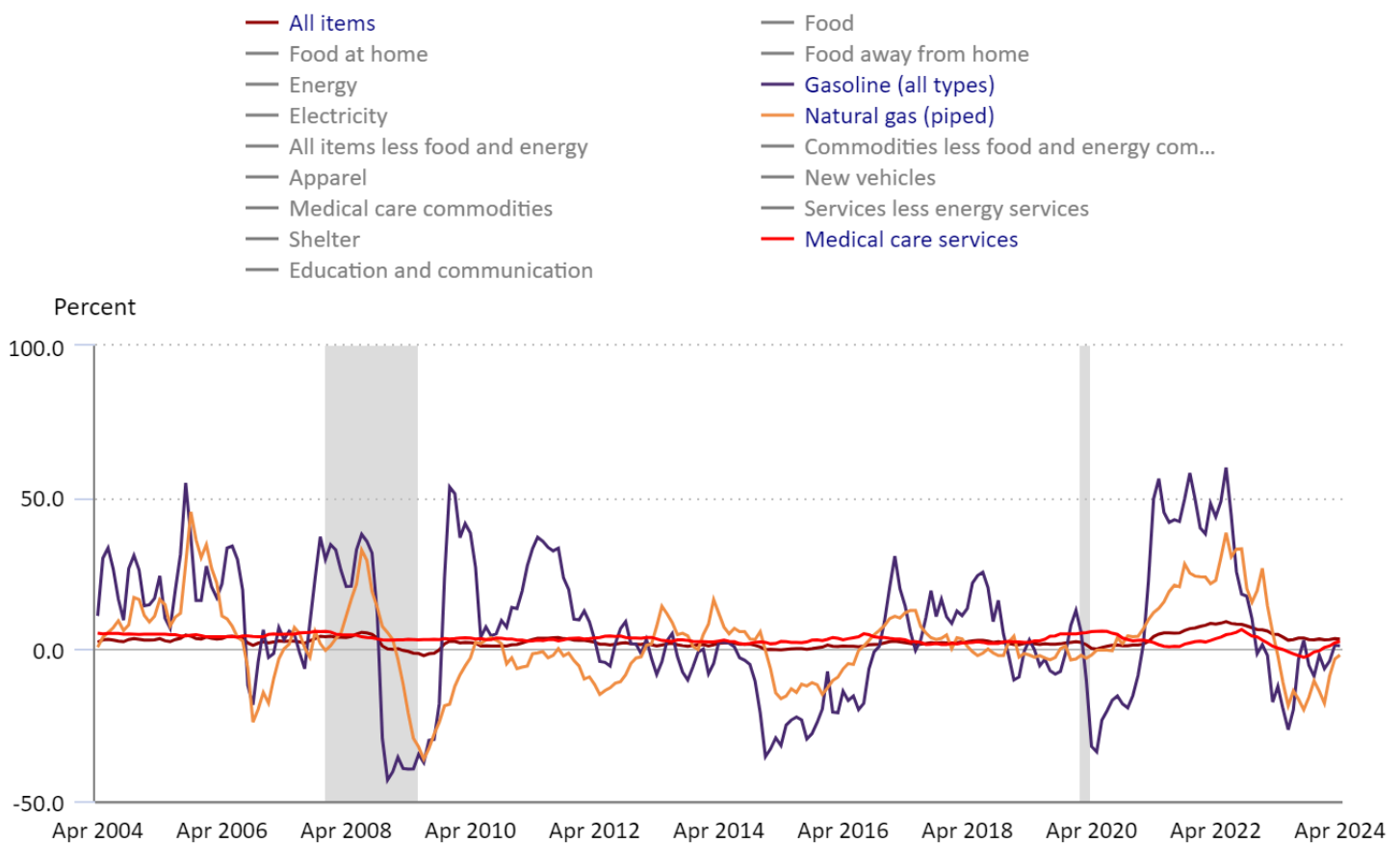


Canada Inflation Rate, Japan Balance Trade, **US FOMC Minutes**, UK Retail Sales and US Durable Goods Orders MoM.

Bonds

Despite the rally after a “good” inflation number, **US 10Y** bonds closed almost flat -0.08% WoW. Worth mentioning Gasoline, **Natural Gas** and Medical Care Services remain with an uptrend behavior.

12M Change Consumer Price Index Selected Categories Not Seasonally Adjusted



Source: US Bureau of Labor Statistics



US Government Bonds 10Y Yield

US 10 Year Note Bond Yield



Source: Trading Economics

Currencies

Regarding currencies, Chilean Peso continued with its positive trend **USDCLP -3.93%** WoW, this rally is likely linked to the surge in copper prices.



USDCLP

US Dollar Chilean Peso



Source: Trading Economics

Copper prices closed at their all-time high of \$5.13 on May 15th. There are ongoing concerns about potential disruptions to copper supply due to factors like geopolitical tensions and limited mine production.



Copper

Copper



Source: Trading Economics

Commodities

Natural Gas increased **+17.14%** WoW, reaching its highest level since January. Expectations of a hot summer in the US could lead to higher demand for natural gas for power generation. On the technical side, the recent breakout above the key 200-day Simple Moving Average (SMA) on the futures chart is attracting technical buyers who follow momentum-based trading strategies.



Natural Gas

Natural gas | SMA (14)



Source: Trading Economics

Regarding Metals, **Silver** closed at its highest level since 2013 **+11.83%** WoW. “Silver has a dual character, valued both for its uses as a financial asset and an industrial input, including **clean-energy technologies**. The metal is a **key ingredient in solar panels**, and with robust growth in that industry, usage of the metal is expected to reach a record this year, according to the Silver Institute” [link](#).



Silver

Silver | SMA (14)



Source: Trading Economics

Stocks

Hong Kong +3.11% WoW outperformed global markets closing at its highest level since July. Measures by the Chinese government to support its economy, including infrastructure spending and potential easing of regulations, have boosted investor confidence in Hong Kong stocks, especially those with strong ties to mainland China.



Hong Kong Index

HK50 | SMA (14)



Source: Trading Economics

According to LSEG, “of the 466 companies in the S&P 500 that have reported earnings to date for 24Q1, **77.5% have reported earnings above analyst estimates**. This compares to a long-term average of 66.7% and prior four quarter average of 78.5%” [link](#).



Q1 2024: EARNINGS SCORECARD

EXHIBIT 2A. S&P 500: Q1 2024 EARNINGS VS. EXPECTATIONS

Sector	Above %	Match %	Below %	Surprise	Reported	Index
				Factor %	Total #	Total #
Consumer Discretionary	74.4%	2.3%	23.3%	10.6%	43	52
Consumer Staples	86.7%	6.7%	6.7%	8.9%	30	38
Energy	63.6%	9.1%	27.3%	1.6%	22	22
Financials	75.7%	5.7%	18.6%	9.9%	70	71
Health Care	88.5%	1.6%	9.8%	10.6%	61	64
Industrials	79.5%	6.4%	14.1%	5.8%	78	79
Materials	67.9%	7.1%	25.0%	6.6%	28	28
Real Estate	67.7%	22.6%	9.7%	6.3%	31	31
Information Technology	88.7%	1.9%	9.4%	5.3%	53	65
Communication Services	78.9%	-	21.1%	12.7%	19	19
Utilities	58.1%	12.9%	29.0%	8.1%	31	31
S&P 500	77.5%	6.2%	16.3%	8.2%	466	500

Source: LSEG I/B/E/S

Next week Earnings

Ticker	Company	Date	Sector
PANW	Palo Alto Networks, Inc.	Mon, May 20	Technology
AMADY	Amadeus IT Group, S.A.	Tue, May 21	Consumer Cyclical
RYDAF	Shell plc	Tue, May 21	Energy
ACGBF	Agricultural Bank of China Limited	Tue, May 21	Financial Services
LOW	Lowe's Companies, Inc.	Tue, May 21	Consumer Cyclical
MSBHF	Mitsubishi Corporation	Tue, May 21	Industrials
GLAXF	GSK plc	Tue, May 21	Healthcare
NVDA	NVIDIA Corporation	Wed, May 22	Technology
PDD	PDD Holdings Inc.	Wed, May 22	Consumer Cyclical
SIEGY	Siemens Aktiengesellschaft	Wed, May 22	Industrials
TJX	The TJX Companies, Inc.	Wed, May 22	Consumer Cyclical
ADI	Analog Devices, Inc.	Wed, May 22	Technology
SNPS	Synopsys, Inc.	Wed, May 22	Technology
SSNLF	Samsung Electronics Co., Ltd.	Thu, May 23	Technology



INTU	Intuit Inc.	Thu, May 23	Technology
MDT	Medtronic plc	Thu, May 23	Healthcare
TD	The Toronto-Dominion Bank	Thu, May 23	Financial Services
AAIGF	AIA Group Limited	Thu, May 23	Financial Services
SAFRF	Safran SA	Thu, May 23	Industrials
SFTBY	SoftBank Group Corp.	Thu, May 23	Communication Services
WDAY	Workday, Inc.	Thu, May 23	Technology
BAMXF	Bayerische Motoren Werke Aktiengesellschaft	Thu, May 23	Consumer Cyclical
TTFNF	TotalEnergies SE	Fri, May 24	Energy
CSUAY	China Shenhua Energy Company Limited	Fri, May 24	Energy

Source: KaxaNuk and FMP

Tencent Music Group This Weeks Top Gainer



Source: FMP and KaxaNuk



Tencent Music Group showed incredible performance after releasing their quarterly profits, ending this week with a 16.15% gain and a 71.89% YTD. The company is based in Shenzhen, China, but trades in the NYSE as an ADR. **Tencent Music Entertainment Group is a subsidiary of Tencent Holdings Limited.**

Group operates online music entertainment platforms to provide music streaming, online karaoke, and live streaming services in the People's Republic of China. It offers QQ Music, Kugou Music, and Kuwo Music that enable users to discover music in personalized ways; and WeSing, which enables users to sing from its library of karaoke songs and share their performances.

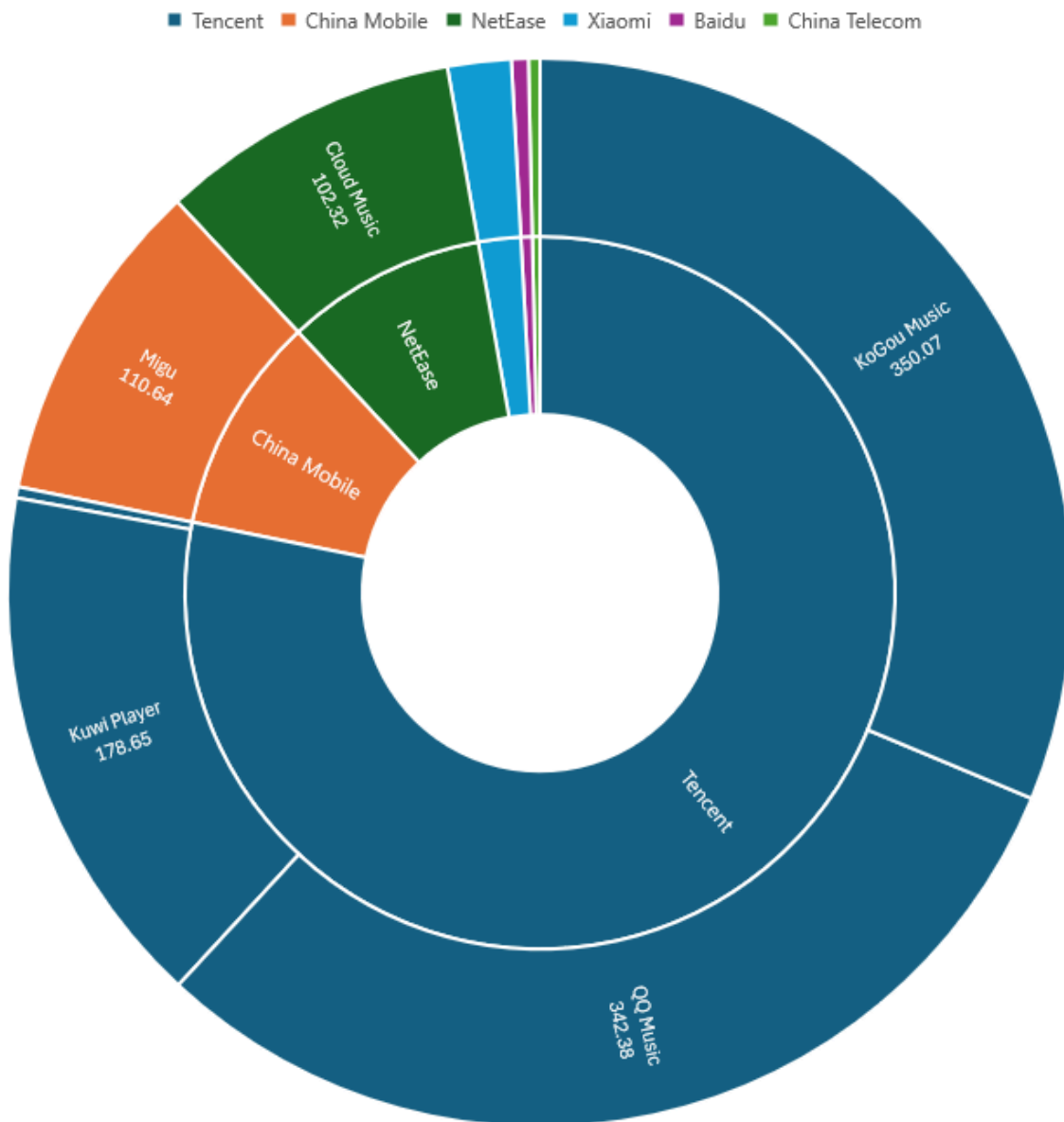
In their quarterly statements, the company showed an increase in their core music revenue line, driven by an unforeseen rise in subscriber numbers and outstanding advertising performance.

Furthermore, **a change in the company's revenue composition significantly enhanced gross margins**, which increased by 260 basis points sequentially to 40.9%, surpassing analyst expectations by 190 basis points.



Tencent Music's dominant role in China's music distribution market is seen as a key driver of this trend, as it holds 78% of total monthly listeners in China. Keep in mind that most of these apps are only available in China, so you will have trouble visiting one of these websites.

Monthly active users for music platforms in China (February 2024)



Source: Statista and Kaxanuk



Due to China's internet censorship and geo-restrictions, many international websites and services, including Spotify or Apple Music, are not accessible. Chinese people look to consume music in the form of streaming services by using one of Tencent Music Platforms. If you are trying to get a couple of shares of TME while they are hot, remember that the revenue for the company has a ceiling due to bounds in their revenue space, as the company has already tried to go international without much success.

Crypto

Last week crypto recovered after getting hammered the previous week, "The U.S. Spot Bitcoin ETF gained notable traction last week, with **inflows nearing around \$950 million**. Notably, the significant inflow last week has bolstered the investors' confidence, especially after the fund flows cooled over the past few weeks.

Considering that, if the Spot Bitcoin ETFs continue to witness such inflows, the market participants would be shifting their focus more toward the digital asset space, potentially driving the prices higher" [link](#).



Monthly active users for music platforms in China (February 2024)

Crypto	Price	Day	%	Weekly	Monthly	YoY
Chainlink	16.7829	▲ 0.4729	2.90%	23.94%	12.34%	157.56%
Solana	167.8652	▼ 1.7187	-1.01%	15.24%	17.35%	723.61%
Bitcoin Cash	489.62	▲ 12.94	2.71%	12.73%	-5.34%	319.52%
Uniswap	7.69	▲ 0.18	2.45%	9.32%	2.40%	44.61%
Bitcoin	66812	▼ 203	-0.30%	8.65%	2.88%	146.88%
Avalanche	35.63	▼ 1.58	-4.25%	7.40%	-6.82%	143.44%
Cardano	0.46856	▼ 0.01279	-2.66%	6.61%	-0.38%	26.98%
Ether	3066.80	▼ 25.7	-0.83%	5.29%	0.13%	69.02%
Polkadot	6.99	▼ 0.2	-2.76%	4.58%	4.13%	29.74%
Monero	136.210	▲ 0.166	0.12%	3.14%	16.83%	-9.54%

Source: Trading Economics

Weekly Paper Picks

[On the Three Demons in Causality in Finance](#)

This paper systematically examines three fundamental issues in financial data: **time resolution, nonstationarity, and latent factors from a causal perspective**. The authors provide a comprehensive exploration of these challenges and introduce rigorous methods to address each issue, offering a systematic solution that works even when the three issues are present simultaneously. The paper also presents empirical findings on causal relations among select S&P 100 stocks and contributes a novel causal understanding of the three issues. Overall, the paper provides a



comprehensive framework for navigating the intricate landscape of causality and financial data analysis.

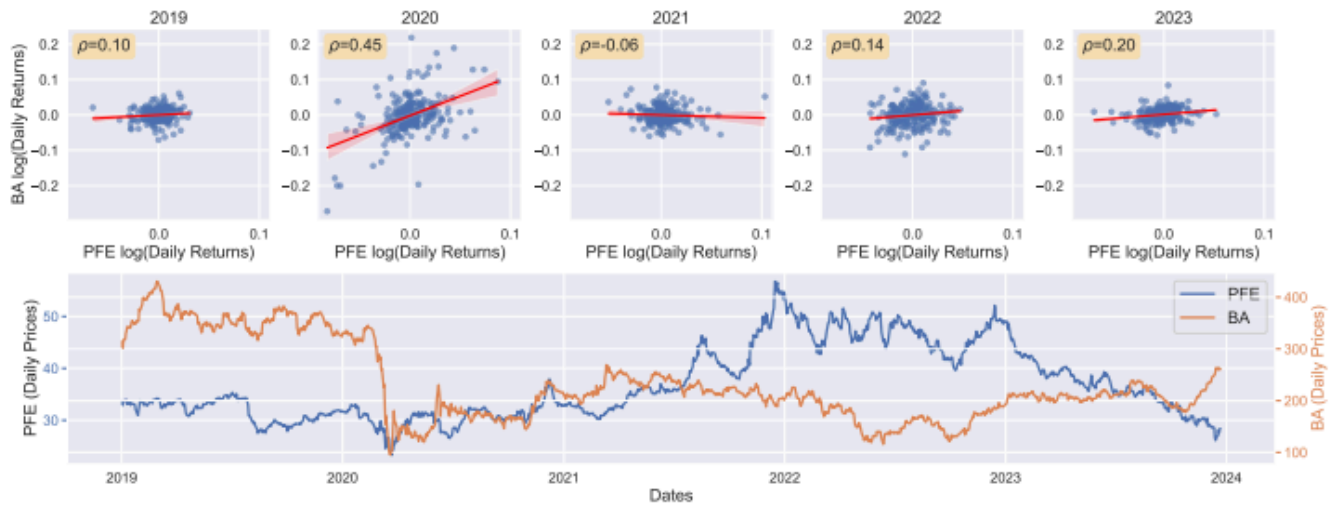


Figure 1: Example to illustrate the nonstationary relationship between Pfizer Inc. (PFE) and The Boeing Company (BA). The upper row: five scatter plots correspond to years from 2019 to 2023. The scatters are the log daily returns of the two stocks. Clearly they have different dependence patterns. The linear regression line and the correlation are annotated. The lower row: daily prices series of the two stocks are plotted for reference.

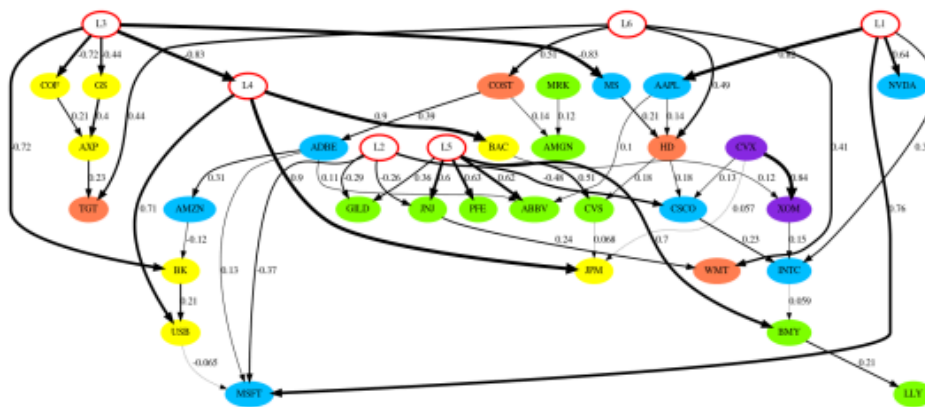


Figure 7: Causal discovery result with causal coefficients for Sp100-2021, with stocks from five sections. They are pharmaceutical stocks (BMY, PFE, JNJ, MRK, GILD, ABBV, CVS, LLY, AMGN) colored in green, and info-tech stocks (ADBE, IBM, CSCO, NVDA, MSFT, AAPL, AMZN, INTC) colored in blue, energy companies (CVX, XOM) colored in purple, finance companies (COF, GS, AXP, BK, USB, BAC, JPM) colored in yellow, and consumer-related companies (TGT, COST, WMT, HD) colored in orange.



Contact

research@kaxanuk.mx

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