



KN Market View

Key Topics

Last week, **emerging currencies traded under pressure**, led by **USDZAR +2.06%**, **USDMXN +1.81%** ([elections taking place today](#)), USDCLP +1.73% and USDBRL +1.5%. On the equity front, **Russia -5.47%**, **South Africa -3.09%** and Hong Kong -2.84% got hammered.

Regarding South Africa FX and Equity movements, ***“South Africa's ruling ANC on Sunday said it will enter talks with other parties to form a new government, after losing its three-decade-old absolute majority in a watershed election”*** [link](#).

On economic data, previous week **GDP** surprised India **with +7.8% vs consensus of 6.7%**, while Canada came in at 1.7% vs 2.2% expectations.

Energy Commodities traded on both sides, **Natural Gas ended -7% lower**. ***“Data compiled by the EIA showed that natural gas storage in the US rose by 84 billion cubic feet in the week ending May 24th, surpassing market expectations of a 77 bcf build to lift stockpiles to 15% above the***

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corresponding period of the previous year, and 26% above the five current five-year average” [link](#).

Oil seems to be stabilizing around current levels. “OPEC+ agreed on Sunday to **extend most of its deep oil output cuts well into 2025**, exceeding expectations, as the group seeks to shore up the market amid tepid demand growth, high interest rates and rising rival U.S. production” [link](#).

Containerized Freight Index continued with its YoY rally +209.60%. More rate hikes beckon in the Red Sea-disrupted container shipping market [link](#).

This week, the United States will report its ISM Manufacturing PMI, JOLTs Job Openings, and **Unemployment Rate**. **European Central Bank** and **Bank of Canada Interest Rate Decisions are expected to lower the rate 0.25%**, respectively.

Bonds

Government bonds traded on the sidelines in most regions. **US 10y government bond retreated to its 4.5%** level after Core PCE Prices came in slightly below consensus at 3.6% vs 3.7%, “making the case for cuts this year”.



US Government Bonds 10Y Yield



Source: Trading Economics

Currencies

USDMXN and **USDZAR** traded under pressure due to political election results. **USDCLP** experienced profit-taking after the recent rally, following copper prices.

Currencies Maim Movers

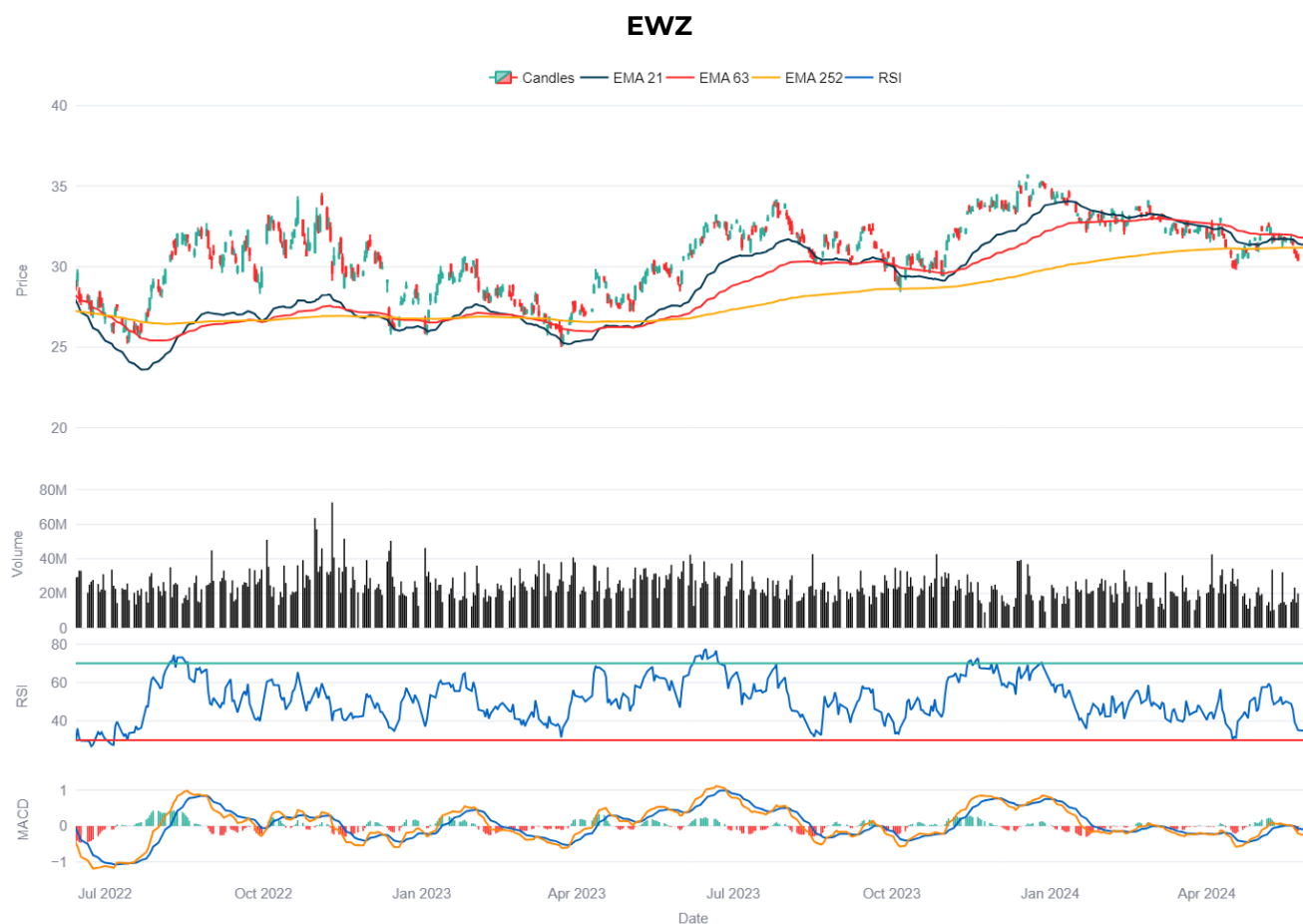
Major	Price	Day	%	Weekly	Monthly	YoY
USDZAR	18.7980	▲ 0.0722	0.39%	2.06%	1.27%	-4.21%
USDMXN	16.9935	▼ 0.0177	-0.10%	1.81%	0.27%	-3.16%
USDHUF	359.204	▼ 0.192	-0.05%	1.75%	-1.32%	4.38%
USDCLP	919.080	▲ 1.510	0.16%	1.73%	-4.31%	14.30%
USDBRL	5.24610	▲ 0.04250	0.82%	1.50%	1.00%	4.63%
USDILS	3.69950	▼ 0.00380	-0.10%	1.23%	-0.75%	-1.12%
USDKRW	1383.03	▲ 8.96	0.65%	1.22%	0.39%	5.36%

Source: Trading Economics



USDBRL closed at its highest level since March 2023, in line with the Bovespa index, which traded under pressure due to concerns on the economy's health, high debt levels, interest rates and some companies' latest earnings reports.

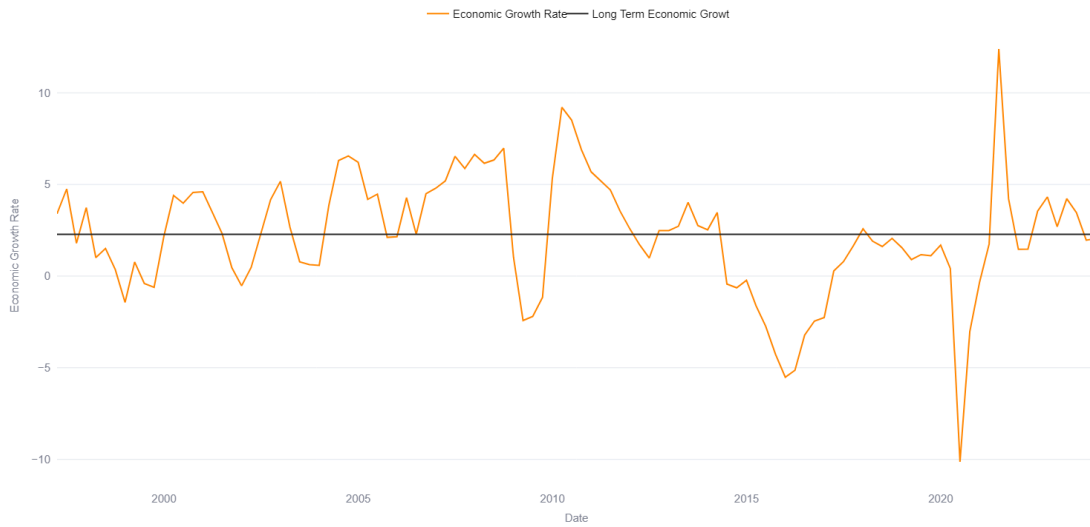
EWZ is looking oversold at current levels. Let's see if it can hold around USD\$29. **Brazil remains an interesting play if you think Commodities will continue to rise.**



Source: KaxaNuk and Fmp

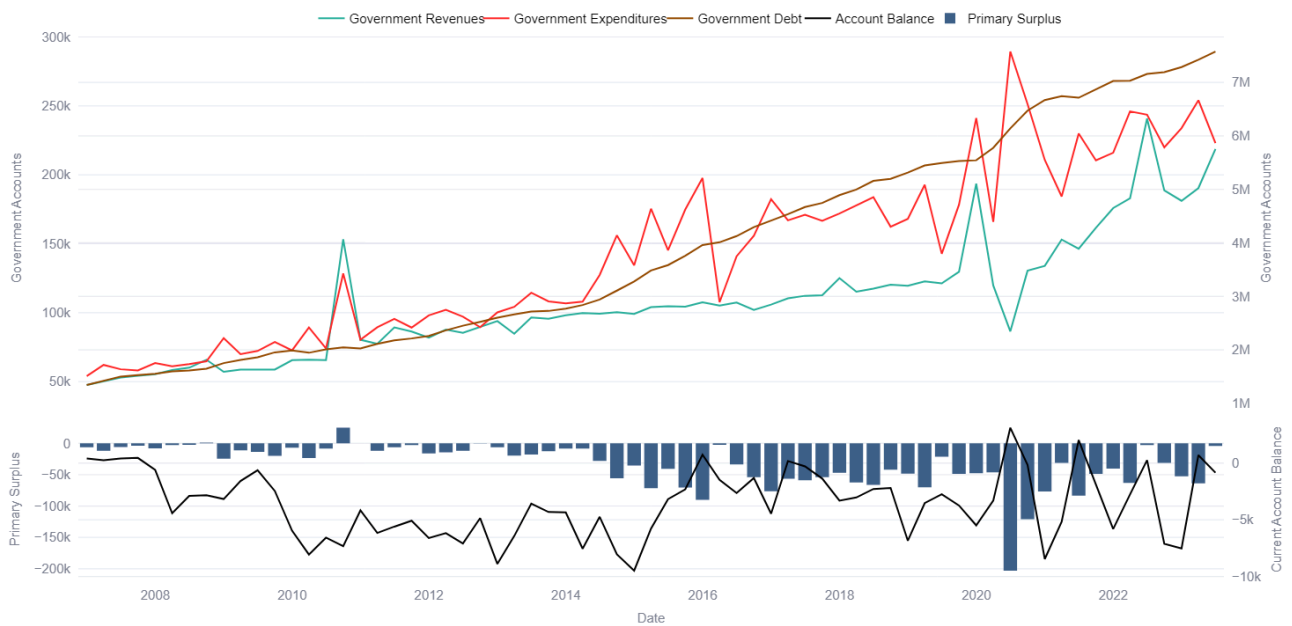


Brazil Economic Growth



Source: KaxaNuk and Econdb

Brazil Government Balance



Source: KaxaNuk and Econdb



Commodities

Metals continued on profit taking mode led by Copper -3.19% and Steel -2.84% WoW. Soft commodities were mixed, Cocoa +14.45% and Potatoes +9.12% vs **Corn -3.98%**, Soybeans -3.57%, Rice -3.46%, and **Wheat -2.69%**.

Containerized Freight Index continued with its YoY rally +209.60%. *“An ocean container capacity crunch has hit global trade just as peak shipping season starts, with freight spot rates up some 30% over the past few weeks and heading higher. Freight intelligence firm Xeneta is warning that rates could rise through June, and the **“dramatic” rise will surpass the Red Sea spike, ultimately hitting consumer prices**” [link](#).*

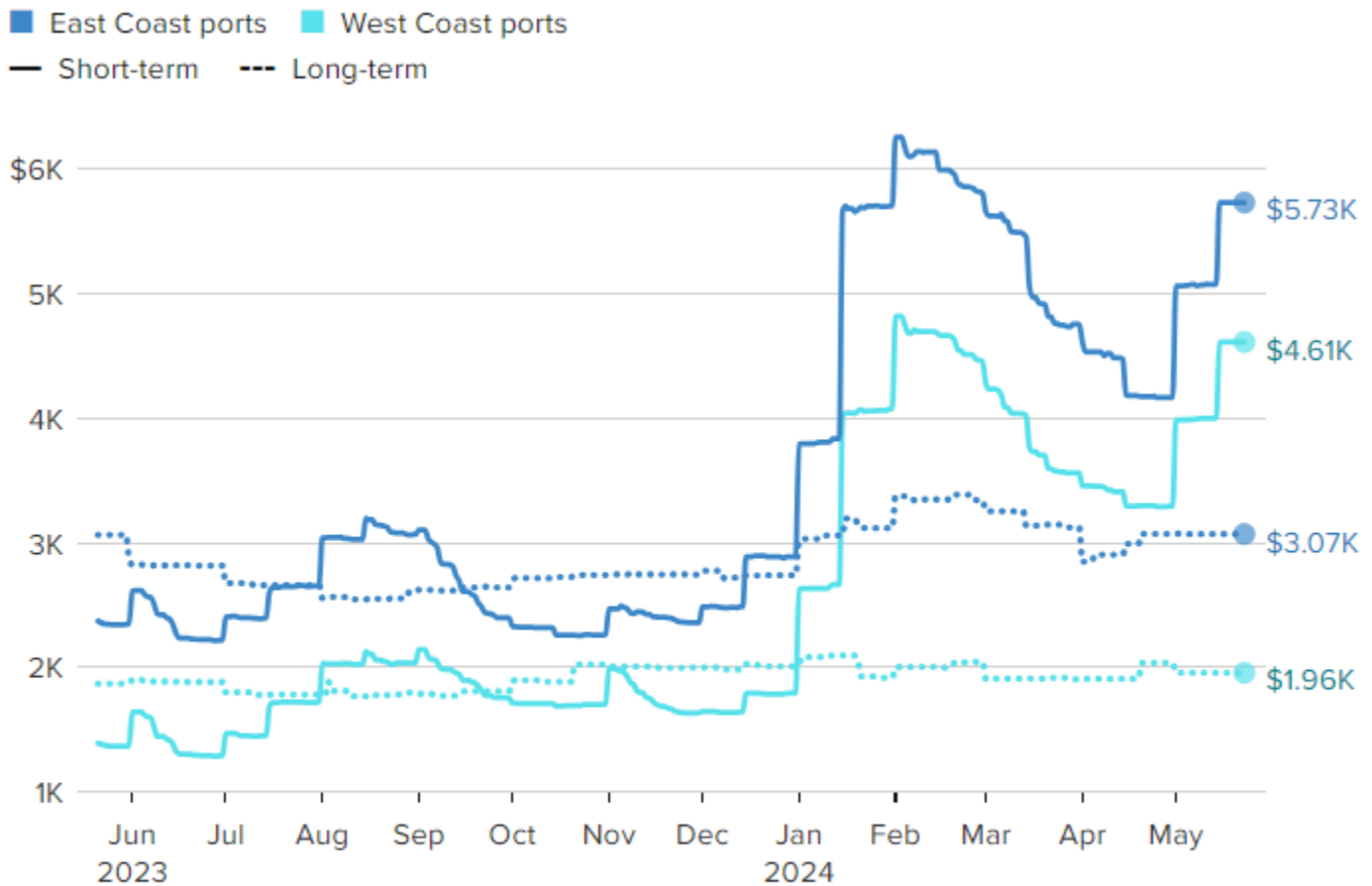
Containerized Freight Index



Source: Trading Economics



Short- and long-term market rates for 40-foot equivalent units from East Asia to the US



Source: Xeneta
Data as of May 23, 2024



Source: CNBC

Stocks

After earnings season has officially ended in the American market, let's make a recap of the overall trend in the reports.



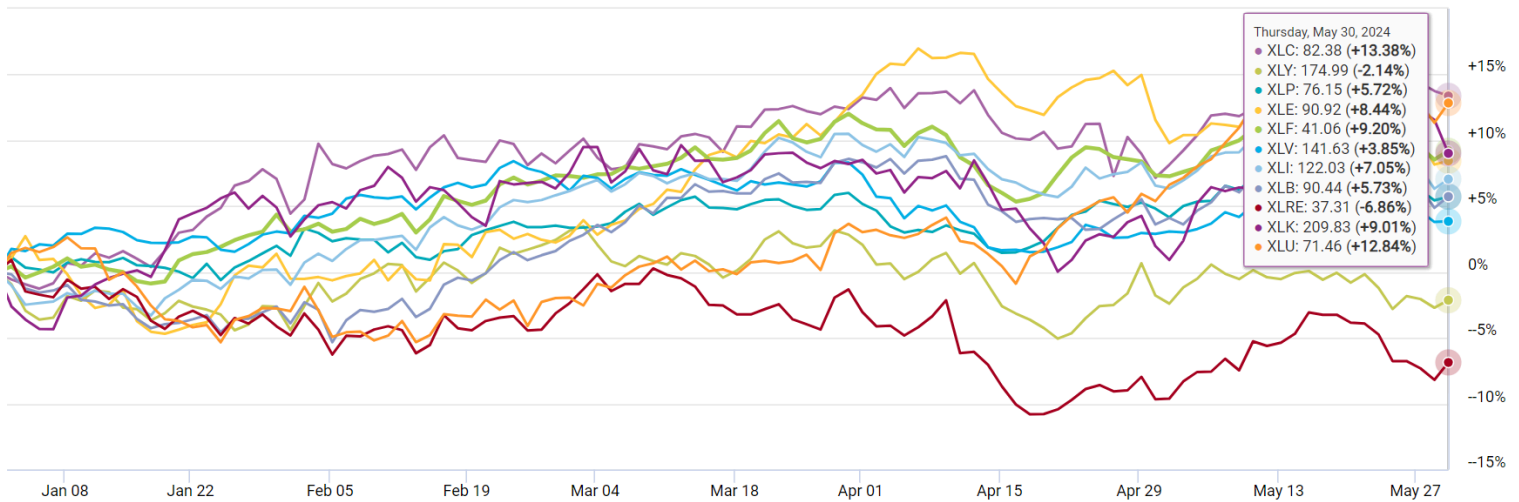
When looking at US Sectors, **Communication services has been the top performer in YTD returns, posing a 13%**. The return could be attributed to the increase in each company's earnings per share. **Companies like Meta (\$4.71 actual vs \$2.2 expected) , Alphabet (1.89\$ actual vs \$1.17 expected), T-Mobile (\$2 actual vs \$1.86 expected) and Netflix (\$4.87 actual vs \$4.17 expected).**

The second best sector has been the Utilities sector (12% YTD). When looking at the earnings reported by the companies in this sector, **stocks like NextEra Energy (\$0.91 actual vs \$0.78 expected), The Southern Company (\$1.03 actual vs \$0.91 expected) and Duke Energy Corp (\$1.34 actual vs \$1.48 expected)** have reported EPS above expected.

The worst performing sector has been the Real Estate sector (-6.86% YTD). Given the current economic conditions with high interest rates, companies and REITS have struggled in this quarter. Stocks like American Tower Corporation (\$1.96 actual vs \$2.55 expected), Equinix (\$2.43 actual vs \$2.64 expected), Welltower (\$0.22 actual vs \$0.25 expected) reported worse earnings than expected.



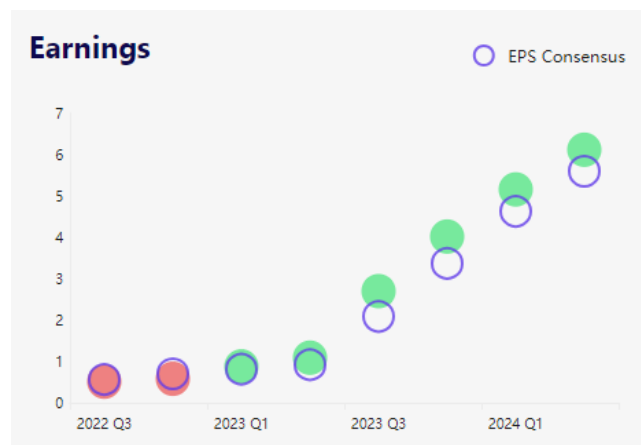
US Sectors YTD



Source: SPDR

Looking at the company level, **NVIDIA has blown away every analyst in Wall Street, not only in this quarter, but in the last year. All 4 previous quarters, the company has gone from \$1.09 EPS in 2Q2023 to \$6.12 EPS in 2Q2024, a whopping 461% increase.** This has led to the stock reaching the price of \$1,000 per share and a market cap of \$2.7 trillion, just below Apple and Microsoft.

NVIDIA EPS



Source: FMP



With all the semiconductor and Machine Learning hype, **Artificial Intelligence has definitely been the hottest topic on earnings calls, as the term has appeared in the management call of 199 companies of the SP500 companies**, making it the most mentioned non-economic trend ([Factset](#)).

In the overall economic outlook, this quarter functions as a major boost to the health of the US economy, as the majority of the companies look to be fully recovered from the so-called “recession” after the COVID19 era.

Crypto

We saw some profit-taking in the space after a two-week rally driven by the approval of Ether ETFs.

Main Crypto Movers WoW

Crypto	Price	Day	%	Weekly	Monthly	YoY
Bitcoin Cash	456.86	▲ 1.86	0.41%	-7.27%	7.65%	298.12%
Uniswap	9.46	▼ 1.29	-12.03%	-6.18%	34.41%	89.90%
Avalanche	35.10	▼ 0.55	-1.55%	-4.44%	-1.57%	140.67%
Polygon	0.69	▼ 0.00	-0.56%	-3.95%	0.55%	-21.56%
Algorand	0.18	▼ 0.01	-3.40%	-3.91%	-5.46%	20.48%
Polkadot	6.99	▼ 0.00	-0.04%	-3.35%	2.01%	34.35%
Solana	162.9400	▼ 2.44	-1.48%	-3.13%	19.08%	667.17%
Stellar	0.10522	▼ 0.00112	-1.06%	-3.07%	-6.07%	14.40%
Cardano	0.44373	▼ 0.00676	-1.50%	-3.00%	-5.07%	18.28%
Ripple	0.51190	▼ 0.00622	-1.20%	-2.87%	-3.68%	-1.78%
Litecoin	82.590	▼ 0.45	-0.54%	-2.52%	2.62%	-13.03%
Bitcoin	67646	▲ 198	0.29%	-2.25%	16.23%	149.09%

Source: Trading Economics



“The European elections are approaching and attracting the attention not only of Union citizens but also of cryptocurrency investors worldwide. According to Jag Kooner, Head of Derivatives at Bitfinex, **these elections could well determine the future direction of cryptocurrency regulations.** While some anticipate stricter measures, **others hope for favorable regulations like those envisaged by the [MiCA](#) framework.** Whatever the outcomes, they will have a significant impact on the crypto market.” [link](#).

Weekly Paper Picks

[Financial Time Series Forecasting With Multi-modality Graph Neural Network](#)

Financial time series analysis plays a central role in hedging market risks and optimizing investment decisions. This is a challenging task as the problems are always accompanied by multi-modality streams and lead-lag effects. For example, the price movements of stock are reflections of complicated market states in different diffusion speeds, including historical price series, media news, associated events, etc. Furthermore, the financial industry requires forecasting models to be interpretable and compliant.



Therefore, in this paper, we **propose a multi-modality graph neural network (MAGNN) to learn from these multimodal inputs for financial time series prediction**. The heterogeneous graph network is constructed by the sources as nodes and relations in our financial knowledge graph as edges. To ensure the model interpretability, we leverage a two-phase attention mechanism for joint optimization, allowing end-users to investigate the importance of inner-modality and inter-modality sources. Extensive experiments on real-world datasets demonstrate the superior performance of MAGNN in financial market prediction. Our method provides investors with a profitable as well as interpretable option and enables them to make informed investment decisions.

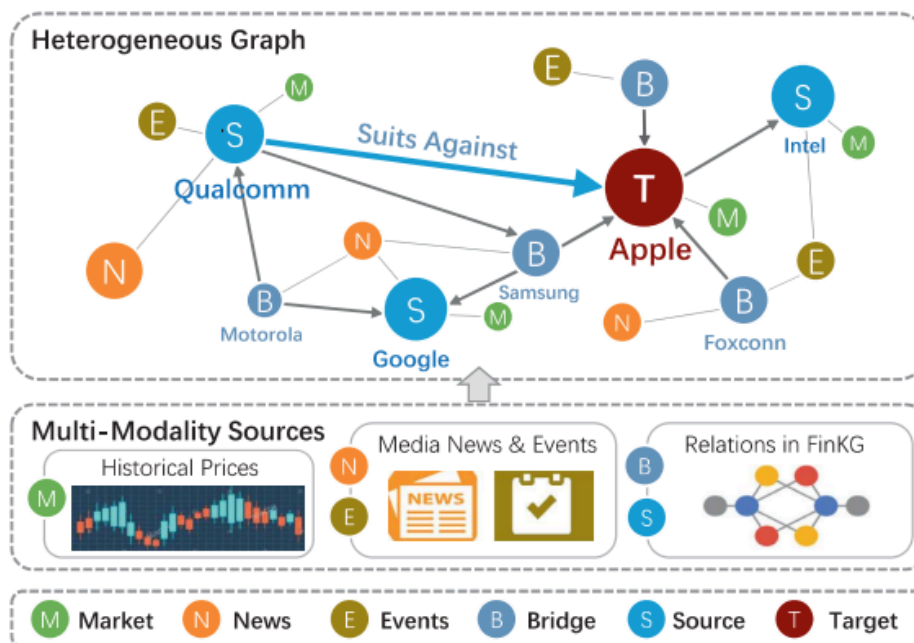


Fig. 1. An illustration of multi-modality inputs and heterogeneous graph.

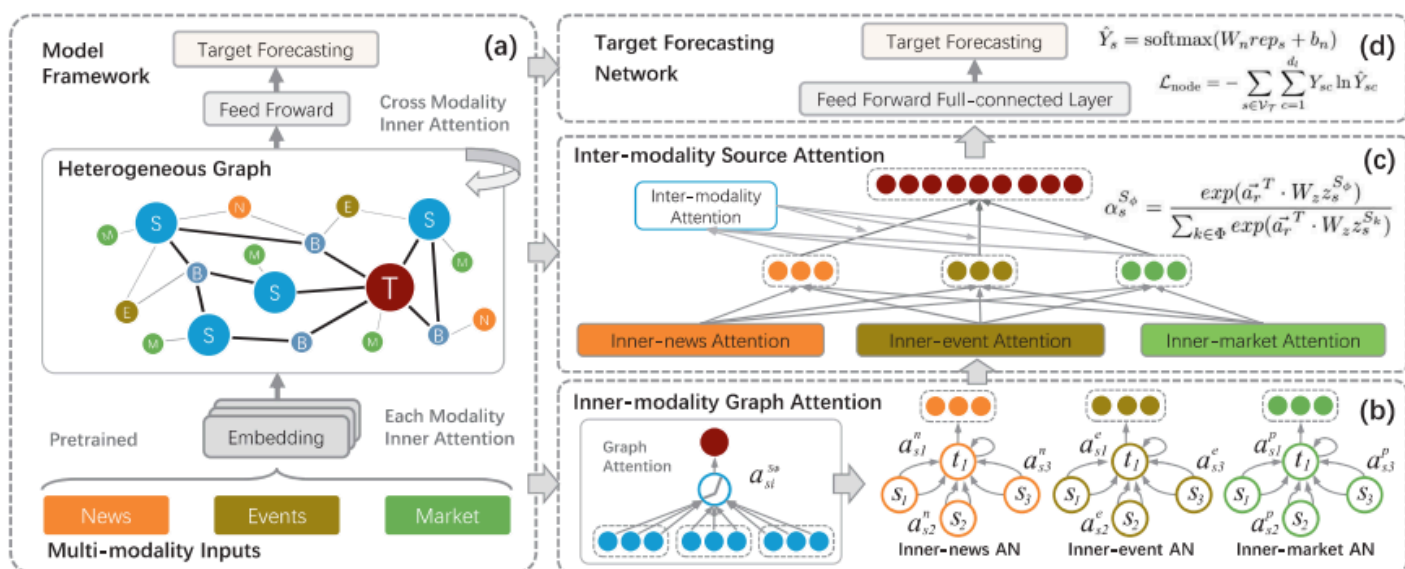


Fig. 2. The general framework of the proposed multi-modality graph neural network. It includes multi-modality inputs, inner-modality graph attention layer, inter-modality source attention layer and the target forecasting network. In the heterogeneous graph, the symbol of S, B, E, N, M, T denotes the source, bridge, events, news, market and target nodes respectively.



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