



May 26, 2024

KN Market View

Key Topics

It was a quiet week, most asset classes traded on the sidelines. We saw some profit-taking in global Indexes like **Hong Kong -4.8%**, Mexico -3.8%, Russia -3%, Brazil -3%, Italy -2.7% and China 2.1% WoW; **India +2%** outperformed peers closing at its all-time high.

Taiwan closed on positive territory, despite concerns regarding China's 'Punishment' war games [link](#). **Taiwanese exports surged 10.8%** YoY to USD\$47.1bn in April 2024, surpassing market forecasts of 4.5% and driven by a strong demand for electronic products.

Worth mentioning **US crude oil inventories increased 2.48mn barrels**, the market was anticipating a 3.1mn decline. **Natural gas traded under pressure -5.5%** WoW, after closing at its highest level since November.

This week many countries will be reporting their **GDP Growth Rates** and Industrial Production, also worth watching Germany Ifo Business Climate, Japan and Germany Consumer Confidence and **Euro Area Inflation**.

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Bonds

Japan's 10Y government bond yield topped 1% this week for the first time since May 2013 as traders piled on bets that the Bank of Japan would tighten policy further this year. Japan, at the G7 meet, renews push to keep **yen bears in check** [link](#).

Japan Government Bonds 10Y Yield



Source: Trading Economics



Currencies

Regarding currencies, Chilean Peso **USDCLP +1.5%** and Brazil Real **USDBRL +1.3%** WoW traded under pressure, following commodities prices.

USDMXN seems to be consolidating around MXN\$16.5, local elections will take place next June 2nd [link](#). There are some notes highlighting **US elections could also create volatility for Mexican peso regarding USMCA trade deal** [link](#).

USDMXN



Source: Trading Economics



Commodities

Metals on profit taking mode led by Copper -6%, Platinum -5.5%, Silver -4.2% and Gold -3.8% WoW. On the other side, soft commodities ended higher with Wheat prices reaching their highest levels since July; Russia clinched more grain control just as wheat prices spiked [link](#).

Wheat

Wheat | SMA (52)



Source: Trading Economics



Stocks

Technology names outperformed the broader market led by **NVDA** which closed at its all-time high after better than expected 1Q results. Real Estate and Consumer Discretionary continued with their underperformance YTD.

US Sectors



Source: Koyfin



According to LSEG, “The estimated **earnings growth rate for the S&P 500 for 24Q2 is 10.9%**. If the energy sector is excluded, the growth rate declines to 10.6%. The S&P 500 expects to see share-weighted earnings of \$496.7B in 24Q2, compared to share weighted earnings of \$447.8B (based on the year-ago earnings of the current 503 constituents) in 23Q2.

8 of the 11 sectors in the index expect to see an improvement in earnings relative to 23Q2. The **communication services** and **health care sectors** have the highest earnings growth rates for the quarter, while the materials sector has the weakest anticipated growth compared to 23Q2” [link](#).

Q2 2024: Earnings Growth Rates

EXHIBIT 5A. S&P 500: Q2 2024 EARNINGS GROWTH

Sector	Earnings \$B	Earnings \$B	Growth \$B	Growth %
	24Q2	23Q2	24Q2	24Q2
Consumer Discretionary	43.7	40.6	3.1	7.6%
Consumer Staples	30.8	30.6	0.2	0.6%
Energy	34.3	29.7	4.5	15.3%
Financials	88.6	80.9	7.7	9.5%
Health Care	67.0	55.7	11.3	20.3%
Industrials	43.2	43.9	-0.7	-1.7%
Materials	13.0	14.0	-1.0	-6.9%
Real Estate	12.0	12.2	-0.2	-1.9%
Information Technology	100.6	86.4	14.2	16.5%
Communication Services	50.6	41.7	8.9	21.4%
Utilities	12.9	12.0	0.9	7.3%
S&P 500	496.7	447.8	48.9	10.9%

Source: LSEG I/B/E/S

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Next week Earnings

Ticker	Company	Date	Sector
TSM	Taiwan Semiconductor Manufacturing Company Limited	Mon, May 27	Technology
ESOCF	Enel SpA	Mon, May 27	Utilities
RCRRF	Recruit Holdings Co., Ltd.	Mon, May 27	Industrials
MFG	Mizuho Financial Group, Inc.	Mon, May 27	Financial Services
MSBHF	Mitsubishi Corporation	Tue, May 28	Industrials
NTDOY	Nintendo Co., Ltd.	Tue, May 28	Communication Services
ITOCY	ITOCHU Corporation	Tue, May 28	Industrials
BNS	The Bank of Nova Scotia	Tue, May 28	Financial Services
SSNLF	Samsung Electronics Co., Ltd.	Wed, May 29	Technology
CRM	Salesforce, Inc.	Wed, May 29	Technology
WFC	Wells Fargo & Company	Wed, May 29	Financial Services
BMO	Bank of Montreal	Wed, May 29	Financial Services
COST	Costco Wholesale Corporation	Thu, May 30	Consumer Defensive
RY	Royal Bank of Canada	Thu, May 30	Financial Services
SNEJF	Sony Group Corporation	Thu, May 30	Technology
SFTBY	SoftBank Group Corp.	Thu, May 30	Communication Services
DELL	Dell Technologies Inc.	Thu, May 30	Technology
VMW	VMware, Inc.	Thu, May 30	Technology
MRVL	Marvell Technology, Inc.	Thu, May 30	Technology
NGG	National Grid plc	Thu, May 30	Utilities
RHHVF	Roche Holding AG	Fri, May 31	Healthcare
CSUAY	China Shenhua Energy Company Limited	Fri, May 31	Energy

Source: KaxaNuk and FMP



The Latest News On Semiconductors

With earnings season cooling off, **the jaw dropping performance of NVIDIA and the rumors on China invading Taiwan**, every investor is wondering how the hottest sector is going to react.

Nvidia's Q1 results announced on Wednesday after the market closed, revealed adjusted earnings per share (EPS) of \$6.12 and revenue of \$26 billion, marking a whopping increase of 461% and 262% respectively, when compared to the previous year.

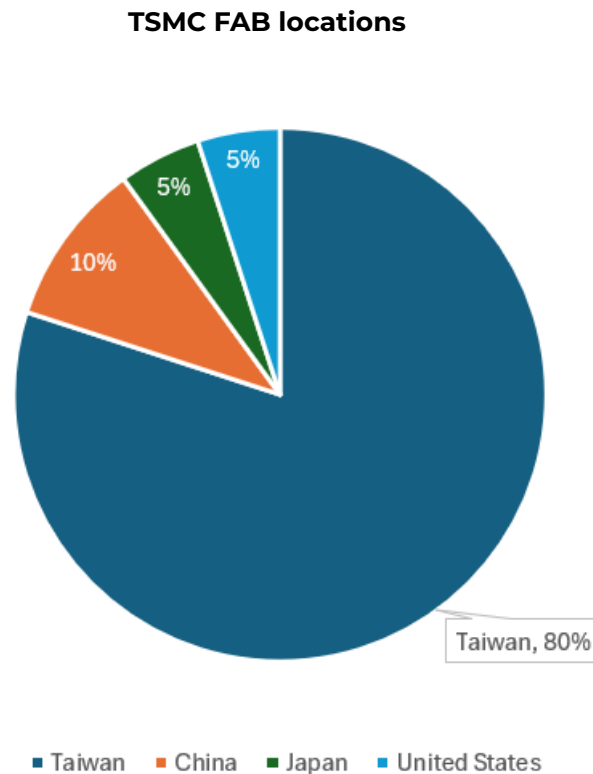
The icing on the cake was the announcement of a 10-for-1 stock split and a higher dividend, aligning with other major tech companies in boosting quarterly payouts to shareholders using some of their available cash.

After NVDA news broke on Wednesday's close, more semiconductor stocks like Taiwan Semiconductors, Advanced Micro Devices, Supermicro Computer and ASML Holding opened on Thursday above their previous close.

That same Thursday, **China started to hold military drills around the island of Taiwan, worrying** some investors over the current state of the semiconductor industry, specially **the health of TSMC**, given that they



hold about 60% of the world wide production of chips, and Samsung follows with about 11%.



Source: TSMC and Kaxanuk

The company currently has 20 semiconductor fabrication plants (FABS). Sixteen are located in Taiwan, two in China, and the two remaining are located in Japan and the United States. Most of the worldwide production of chips is located in Taiwanese lands.

China knows that disrupting TSMC will make a huge dent in the global supply chain of chips, with bigger consequences than those seen in 2021



with the global chip shortage during the COVID-19 era. **That's why China's government has opted for a pacific reunification.**

Chinese military state that these drills serve as a "stern warning against the interference and provocation by external forces" **which is their way of saying they don't want the US involved in the conflict, as they are lobbying their way to move TSMC facilities into the American territory with Biden's CHIPS Act** (see our previous market views).

Overall, you should keep an eye on this conflict, as uncertainty may bring buying opportunities, but be careful if there is an armed conflict on the island, as it will lengthen turmoil to worldwide supply chains.

Crypto

Last week crypto continued with a positive trend, after *"the U.S. Securities and Exchange Commission (SEC) on Thursday **approved applications from Nasdaq, CBOE and NYSE to list exchange-traded funds (ETFs) tied to the price of ether**, potentially paving the way for the products to begin trading later this year.*

While the ETF issuers also have to get the green light before the products can launch, Thursday's approval is a major surprise win for those firms



and the cryptocurrency industry, which until Monday had expected the SEC to reject the filings” [link](#).

Ether

Ether / US Dollar



Source: Trading Economics

Weekly Paper Picks

[Evaluating the Performance of Systematic Trend-Following and Global Macro](#)



The paper "Evaluating the Performance of Systematic Trend-Following and Global Macro Strategies" by Aidan Vyas explores the performance of systematic trend-following and global macro strategies, both independently and in combination.

The study utilizes a comprehensive dataset encompassing diverse countries, asset classes, and economic indicators to evaluate these strategies. It introduces an innovative approach to systematic trend-following by **incorporating the magnitude of price movements, alongside their direction, which significantly enhances strategy performance.**

The paper also delves into the intricate relationship between macroeconomic variables and market dynamics in global macro strategies. When these strategies are integrated, they complement each other's strengths and demonstrate a remarkable synergy, yielding a diversified portfolio approach with minimal correlation to the equity market. The findings suggest that these strategies have the potential to redefine portfolio management paradigms by offering a potent tool for **risk mitigation and portfolio diversification.**



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