



# KN Market View

## Main Topics

**Key Events.** China GDP came at 4.7% yoy, missing market forecasts of 5.1%. This week, the focus will be on the US Q2 GDP growth rate and Global PMI.

**Government Bonds and Currencies.** The DXY recovers ground, despite the anticipation of rate cuts.

**Commodities.** Natural Gas prices have retreated from recent highs. Copper continued under pressure on China concerns demand. Lumber recovering on rising demand expectations.

**Stocks.** Earnings season highlights. Big losses for the tech sector.

**Crypto.** Donald Trump wants to crush China in the crypto field!

**Weekly Paper Picks.** Gen AI: too much spend, too little benefit? / The Simple Macroeconomics of AI

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## Key Events

### Economy at a glance

**China GDP came at 4.7% yoy**, missing market forecasts of 5.1%, while **retail sales rose by 2% yoy falling short of market forecasts of 3.3%**.

“China's ruling party has concluded the Third Plenum of its 20th Central Committee with a communique described as vague and cliché by China watchers, who said it lacks specific measures to address China's economic difficulties” [link](#).



Source: Trading Economics



This week, the focus will be on the **US Q2 GDP growth rate**, PCE inflation, and existing home sales. **PMI** data will be published for the US, Australia, Japan, India, France, Germany, the Euro Area, and the United Kingdom. Canada, Turkey, and China are set to announce their interest rate decision.

## Next week's earnings

	Company	Release Date	Exp. EPS	Time	MktCap (USD)	Country	Sector
<b>SAPGF</b>	SAP SE	Mon, Jul 22	-	BMO	\$221,773	DE	Technology
<b>VZ</b>	Verizon Communications Inc.	Mon, Jul 22	\$1.15	BMO	\$170,138	US	Communication Services
<b>HDB</b>	HDFC Bank Limited	Mon, Jul 22	\$0.49	BMO	\$142,212	IN	Financial Services
<b>GOOG</b>	Alphabet Inc.	Tue, Jul 23	\$1.85	AMC	\$2,191,489	US	Communication Services
<b>V</b>	Visa Inc.	Tue, Jul 23	\$2.41	AMC	\$549,614	US	Financial Services
<b>TSLA</b>	Tesla, Inc.	Tue, Jul 23	\$0.62	AMC	\$544,269	US	Consumer Cyclical
<b>LVMHF</b>	LVMH Moët Hennessy - Louis Vuitton, Société Européenne	Tue, Jul 23	-	BMO	\$395,100	FR	Consumer Cyclical
<b>KO</b>	The Coca-Cola Company	Tue, Jul 23	\$0.80	BMO	\$273,770	US	Consumer Defensive
<b>DHR</b>	Danaher Corporation	Tue, Jul 23	\$1.57	BMO	\$193,504	US	Healthcare
<b>TXN</b>	Texas Instruments Incorporated	Tue, Jul 23	\$1.16	AMC	\$179,766	US	Technology
<b>GE</b>	General Electric Company	Tue, Jul 23	\$0.98	BMO	\$175,532	US	Industrials
<b>PM</b>	Philip Morris International Inc.	Tue, Jul 23	\$1.55	BMO	\$161,394	US	Consumer Defensive
<b>CMCSA</b>	Comcast Corporation	Tue, Jul 23	\$1.11	BMO	\$149,991	US	Communication Services
<b>CHDRY</b>	Christian Dior SE	Tue, Jul 23	-	BMO	\$146,703	FR	Consumer Cyclical
<b>TMO</b>	Thermo Fisher Scientific Inc.	Wed, Jul 24	\$5.13	BMO	\$219,826	US	Healthcare
<b>IBM</b>	International Business Machines Corporation	Wed, Jul 24	\$2.16	AMC	\$155,538	US	Technology
<b>NEE</b>	NextEra Energy, Inc.	Wed, Jul 24	\$0.93	BMO	\$149,447	US	Utilities
<b>NOW</b>	ServiceNow, Inc.	Wed, Jul 24	\$2.85	AMC	\$145,968	US	Technology
<b>T-PC</b>	AT&T Inc.	Wed, Jul 24	-	BMO	\$142,370	US	Communication Services
<b>ABBV</b>	AbbVie Inc.	Thu, Jul 25	\$2.64	BMO	\$296,136	US	Healthcare
<b>NSRGY</b>	Nestlé S.A.	Thu, Jul 25	-	BMO	\$270,427	CH	Consumer Defensive
<b>SSNLF</b>	Samsung Electronics Co., Ltd.	Thu, Jul 25	\$1,101.60	BMO	\$269,651	KR	Technology
<b>AZN</b>	AstraZeneca PLC	Thu, Jul 25	\$0.96	BMO	\$245,654	GB	Healthcare

Source: KaxaNuk and FMP









## Government Bonds and Currencies

### The DXY recovers ground, despite the anticipation of rate cuts

After a week where various currencies such as the Mexican and the Chilean peso appreciated against the dollar, the latter has regained strength in the FX market. "The dollar is surging by the most this month as traders reconsider the effect of Donald Trump's potential return to the White House" [link](#).

Many analysts anticipate that with Trump's potential victory, the so-called "[Trump Trades](#)" could lead to an economic scenario characterized by a strong dollar and a more protectionist economy. Given his proposals to cut taxes and increase tariffs, which would likely intensify inflationary pressures, the Federal Reserve might reconsider its decision to begin lowering interest rates. This could weaken longer-term bonds and create a steeper US Treasury yield curve.

**Main Currencies Movers WoW**

Major	Price	Day	%	Weekly	Monthly	YoY	Date
 <b>USDNOK</b>	10.91040	▲ 0.09951	0.92%	5.05%	3.50%	8.35%	Jul/19
 <b>USDCLP</b>	944.360	▲ 1.980	0.21%	4.29%	1.28%	15.72%	Jul/19
 <b>USDBRL</b>	5.59590	▲ 0.05140	0.93%	3.06%	2.60%	16.63%	Jul/19
 <b>USDMXN</b>	18.0412	▲ 0.0759	0.42%	2.42%	-1.69%	6.92%	Jul/19
 <b>USDSEK</b>	10.67240	▲ 0.07894	0.75%	1.84%	1.69%	3.20%	Jul/19
 <b>USDZAR</b>	18.2741	▲ 0.0235	0.13%	1.79%	1.66%	2.10%	Jul/19

Source: Trading Economics



On the other hand, both Mexico and Brazil are starting to lose ground in the international market. Investors are beginning to seek less risky alternatives, such as Australia and New Zealand, which has led to a depreciation of **3.06%** in the Brazilian real and **2.42%** in the Mexican peso against the dollar. Additionally, the 10-year yield on their government bonds has risen by **0.31%** and **0.26%** respectively during this week.

“From Mexico’s surprise election results to Brazil’s deteriorating fiscal outlook — are part of the explanation. But traders are also fretting about volatility tied to the US presidential race. They’re turning to developed-world destinations that have relatively attractive interest rates and may be less vulnerable to market turbulence as the November vote approaches” [link](#).

## Commodities

### Natural Gas prices have retreated from recent highs

“US natural gas futures fell by over 10% to below \$2.1/MMBtu this week, influenced by milder weather forecasts and reduced feedgas to LNG export plants. Gas flows to US LNG export facilities decreased to 11.6 bcf/d so far in July, down from 12.8 bcf/d in June, primarily due to the Freeport LNG shutdown and cuts at Cheniere Energy's Corpus Christi plant. **Freeport LNG has been offline longer than anticipated after halting for Hurricane Beryl, delaying seven to ten shipments.**” [link](#).



### Natural Gas



Source: Trading Economics

### Copper continued under pressure on China concerns demand

“Copper futures fell past \$4.3 per pound in July, **the lowest in three months, as pessimism over industrial demand in top consumer China continued to weigh on base metal prices.** Remarks from President Xi Jinping following the conclusion of the CCP’s Third Plenum refrained from signaling specific stimulus measures to boost domestic consumption in the near term, exacerbating concerns of poor factory demand in the world’s top manufacturing sector and copper consumer” [link](#).



### Copper



Source: Trading Economics

### Lumber recovering on rising demand expectations

“Lumber prices surged above \$500 per thousand board feet, rebounding from a year-and-a-half low of \$419 on July 15th, driven by rising demand expectations for wood and construction materials” [link](#).

### Lumber



Source: Trading Economics



## Stocks

**Tech and Semiconductors suffer losses** after the US stance against Taiwan and the global chip supply is revealed.

### Main Equity Markets Movers WoW

Major	Price	Day	%	Weekly	Monthly	YoY
NZX 50	12326	▼ 4	-0.03%	1.57%	4.70%	3.30%
MOEX	3004	▲ 27	0.92%	0.95%	-3.78%	2.96%
US30	40288	▼ 377	-0.93%	0.72%	2.95%	14.37%
SHANGHAI	2982	▲ 5	0.17%	0.37%	-0.77%	-5.91%
ASX200	7972	▼ 65	-0.81%	0.15%	2.60%	8.83%
SENSEX	80605	▼ 739	-0.91%	0.11%	4.03%	19.29%
TSX	22690	▼ 36	-0.16%	0.07%	5.14%	11.03%
IPC	53679	▲ 636	1.20%	-2.32%	0.65%	0.22%
FR40	7535	▼ 52	-0.69%	-2.46%	-1.78%	2.03%
JP225	40064	▼ 63	-0.16%	-2.74%	3.70%	23.31%
DE40	18172	▼ 183	-1.00%	-3.07%	-0.45%	12.14%
US100	19523	▼ 182	-0.93%	-3.98%	-1.16%	26.23%
NL25	907	▼ 9	-0.95%	-3.98%	-2.84%	17.89%
EU50	4826	▼ 45	-0.91%	-4.31%	-2.47%	10.33%
HK50	17418	▼ 361	-2.03%	-4.79%	-5.00%	-7.98%

Source: Trading Economics

**Energy this week's victory**, as the sector with the best return WoW.

### US Sector Performance

	WoW	YTD
<b>Technology (XLK)</b>	-5.53%	18.24%
<b>Consumer Discretionary (XLY)</b>	-1.92%	6.48%





<b>Utilities (XLU)</b>	-1.59%	10.95%
<b>Communication Services (XLC)</b>	-1.39%	18.44%
<b>Materials (XLB)</b>	-0.43%	6.41%
<b>Health Care (XLV)</b>	-0.27%	7.35%
<b>Industrials (XLI)</b>	0.56%	11.38%
<b>Consumer Staples (XLP)</b>	0.83%	8.81%
<b>Financials (XLF)</b>	1.16%	14.41%
<b>Real Estate (XLRE)</b>	1.30%	1.91%
<b>Energy (XLE)</b>	2.04%	10.77%

Source: FMP

## Earnings season highlights

The second quarter earnings season is underway, and here are some highlights from companies that reported this week.

### Taiwan Semiconductor Manufacturing Company (TSM)

- The company exceeded expectations largely due to the hype surrounding AI.
- The expected revenue reached **\$657.58 billion** New Taiwan dollars but the company surpassed it, achieving **NT\$673.51 billion** (\$20.82 Us billion), marking a **40%** increase compared to the same period last year (in US dollars it increased **32.8%** year-over-year).
- **Net income** amounted to **NT\$247.85** billion, and **EPS** reached **NT\$9.56**, both increasing by **36.3%** compared to the same period last year. The **gross margin** was **53.2%**, and the **net profit margin** was **36.8%**.



- However, the strong results were overshadowed by Trump's statements that Taiwan should pay for its own defense, causing the stock to drop by **10.98%** by the end of the week.

## **Netflix (NFLX)**

- The number one streaming company by subscribers also exceeded expectations during this second quarter.
- The number of **subscribers** increased by **8.05 million** during the period, bringing the total subscriber base to **277.65 million** compared to the **5.89 million** subscribers gained during the second quarter of 2023.
- Netflix achieved a **revenue** of **\$9.56 billion**, which is **16.8%** higher than Q2 2023. The company also improved its **operating margin**, increasing from **22.3% to 27.2%** over the same period the previous year.
- **Net income** amounted to **\$2.15 billion**, and **EPS** reached \$4.88 dollars, increasing by **44%** and **48%** respectively compared to the same period last year.

## **BlackRock (BLK)**

- The revenue reached **\$4,805 million**, marking an **8%** increase compared to the same period last year.



- Net income amounted to **\$1,495 million**, and **EPS** reached **\$9.99**, both increasing by **9%** and **10%** respectively compared to the same period last year. The operating margin was **37.5%**.
- Assets under management (AUM) reached **\$10,645,721 million**, reflecting a 13% increase year-over-year.

## Big losses for the tech sector

Tech ETF performance (XLK)



Source: FMP

**This week, the market saw a sell off from the tech sector**, with companies like ASML holdings losing -16%, SMCI -12.48%, NVDA -6.53%,



AMD -15.18%, ARM -10%, with Week over week losses. And the XLK (tech sector) ended the week with a loss of -5.53%.

**The hit came in specifically for the semis sector, after former president Trump and President Biden mentioned their stance against the current global supply chain on semiconductors.** Bloomberg reported that the Biden administration is contemplating stricter regulations on foreign-made products that incorporate even minimal amounts of American technology.

**Adding to the decline in chip stocks were remarks from former president Donald Trump, who stated that Taiwan "should pay" the US for protection against potential Chinese aggression.** "You know, we're no different than an insurance company. Taiwan doesn't give us anything," Trump said in an interview with Bloomberg Businessweek published on Tuesday, also stating that Taiwan has taken about 100% of the US chip business.

**While the majority of semiconductor stocks were down tuesday, morning when this statements were made public,** there were also some stocks who saw a slide upside, like Intel (INTC) and GlobalFoundries (GFS), which are the same companies that have won incentives by the Byden administration to take supply of semiconductors to the US.



Overall, the sell off seen this week was a reaction to the potential impact of the US administration to the global supply chain of semis, and as we have gotten in past issues of our MarketView, the US is trying to move away some part of the production in Taiwan into the US, as currently taiwan has a monopoly on the global production. This week, the market didn't price the earnings surprise some companies had like TSM and ASML, meaning that the market is adjusting the price for the uncertainty of future cash flows these companies may have.

Lets see in the following weeks how markets react to earnings of companies like ARM and AMD, as it looks that some stocks could be a good opportunity to buy at the current discount...

## Crypto

### Donald Trump wants to crush China in the crypto field!

“Former U.S. President Donald Trump has recently reiterated his strong support for the crypto industry, emphasizing its strategic importance for the United States. In an interview, Trump asserted that crypto could bring significant benefits to the nation! While warning against the risk of allowing other countries, particularly China, to gain an advantage in this field” [link](#).



### Main Crypto Movers WoW

Crypto	Price	Day	%	Weekly	Monthly	YoY
Solana	173.7955	▼ 0.1078	-0.06%	17.04%	30.43%	609.95%
Avalanche	30.75	▲ 1.61	5.53%	15.51%	20.26%	128.29%
Bitcoin	67248	▲ 543	0.81%	13.40%	4.96%	124.68%
Ripple	0.58646	▲ 0.01550	2.72%	10.95%	20.05%	-24.99%
Ether	3502.75	▼ 2.05	-0.06%	10.15%	-0.41%	84.88%
Binance	596.4	▲ 3.2	0.54%	9.41%	1.19%	147.26%
Algorand	0.16	▼ 0.00	-1.83%	8.66%	11.23%	35.45%
Chainlink	14.6454	▲ 0.3848	2.70%	8.56%	8.55%	86.55%
Litecoin	73.490	▲ 0.063	0.09%	5.12%	-0.75%	-21.75%
Bitcoin Cash	394.07	▲ 4.00	1.03%	4.49%	3.02%	59.87%
Monero	164.212	▲ 2.822	1.75%	4.30%	2.87%	1.18%
Cosmos	6.44	▼ 0.08	-1.23%	3.51%	-5.13%	-31.79%
Polkadot	6.29	▲ 0.19	3.19%	3.39%	11.48%	17.64%

Source: Trading Economics

## Weekly Paper Picks

### Gen AI: too much spend, too little benefit?

Link: <https://www.goldmansachs.com/intelligence/pages/gen-ai-too-much-spend-too-little-benefit.html>

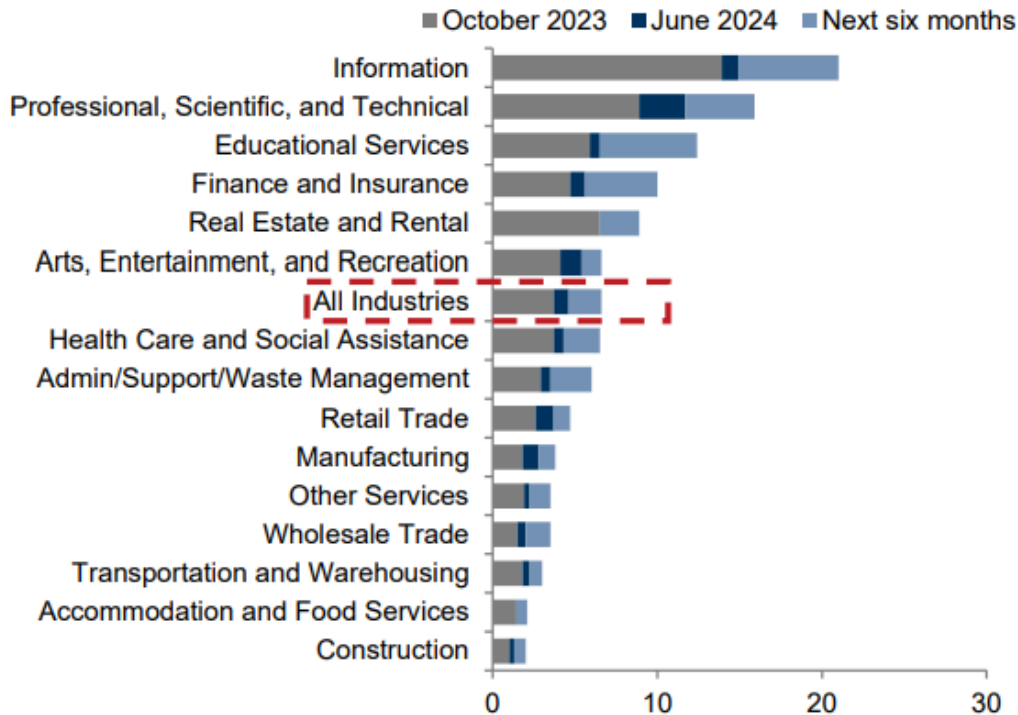
The promise of generative AI technology to transform companies, industries, and societies **is leading tech giants and beyond to spend an estimated ~\$1tn on capex in coming years**, including significant investments in data centers, chips, other AI infrastructure, and the power grid. But this spending has little to show for it so far. Whether this large



spend will ever pay off in terms of AI benefits and returns, and the implications for economies, companies, and markets if it does—or if it doesn't—is Top of Mind.

### AI adoption remains modest on average across industries

Share of US firms using AI by sector, %

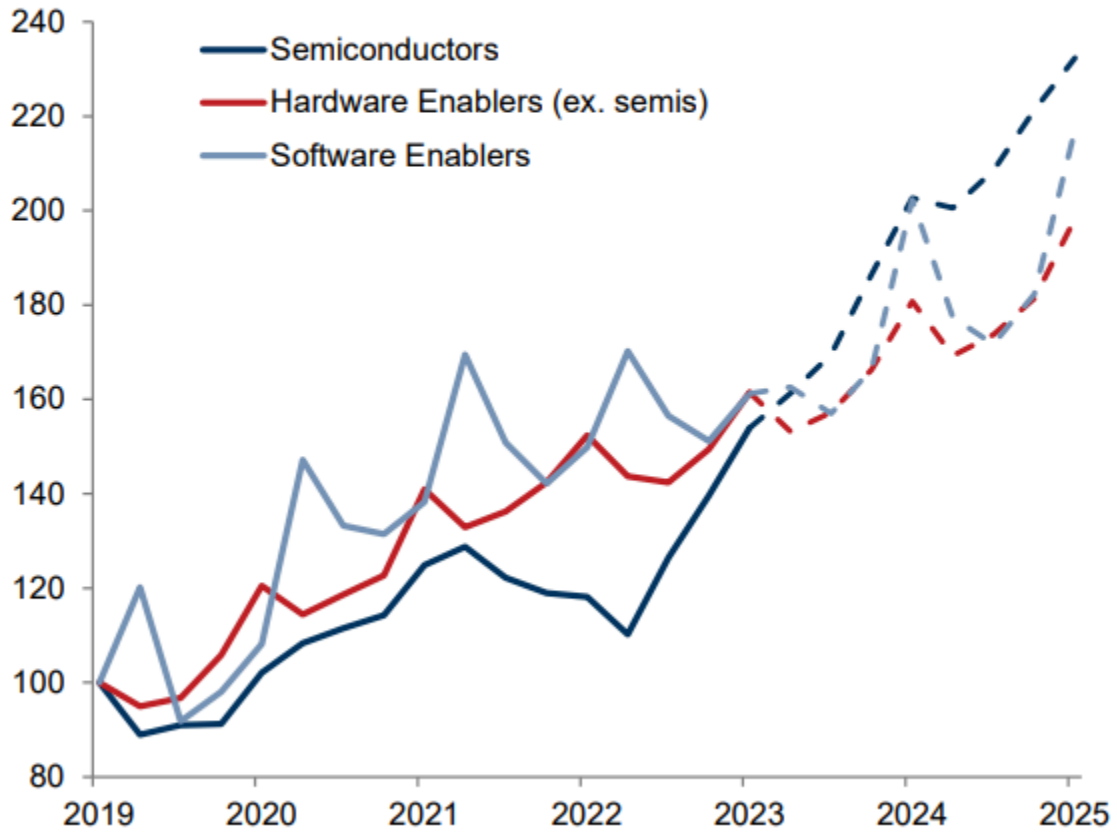


Source: Census Bureau, Goldman Sachs GIR.



## AI investment has surged over the last several years...

Actual and forecasted revenues by AI-exposed sector, index, 4Q19=100



*Dashed lines in this chart indicate consensus revenue forecasts.*

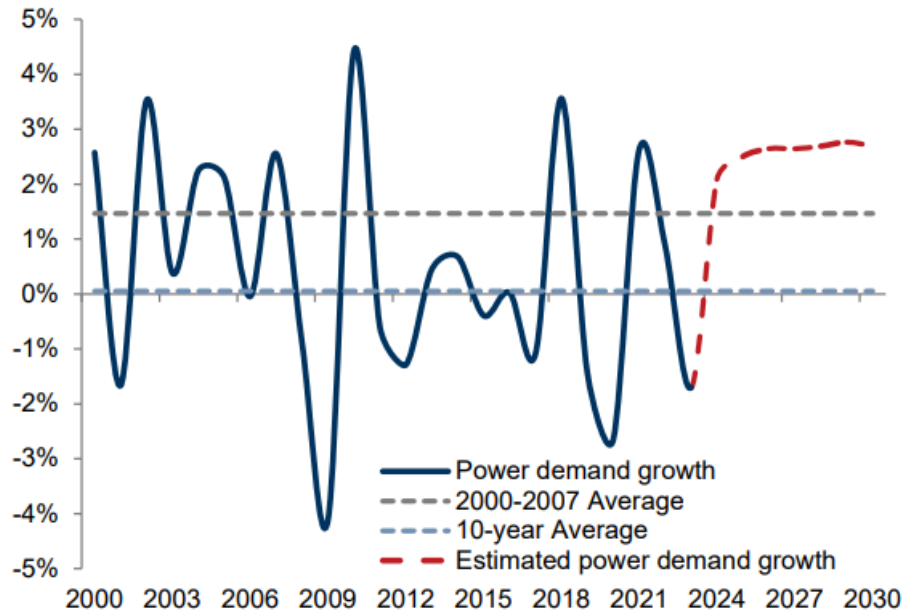
*Source: FactSet, Goldman Sachs GIR.*





After stagnating over the last decade, US power demand should grow by 2% per year on average through 2030

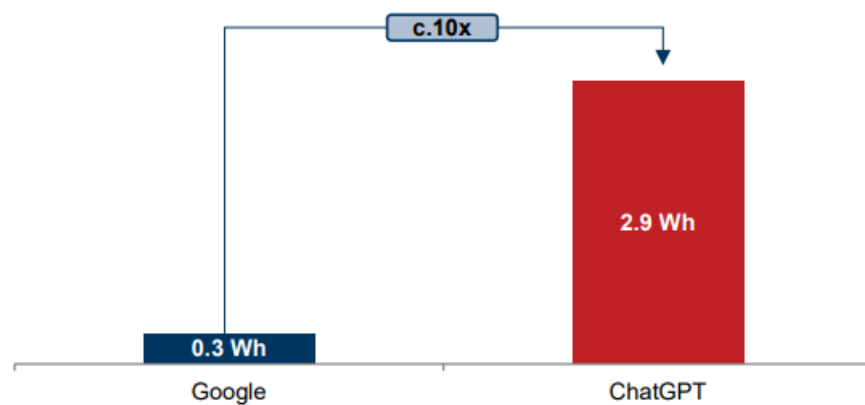
US power demand growth, %



Source: EIA, Goldman Sachs GIR.

ChatGPT queries are 10x as power intensive as Google searches

Power consumption per query/search, Watt-hour (Wh)

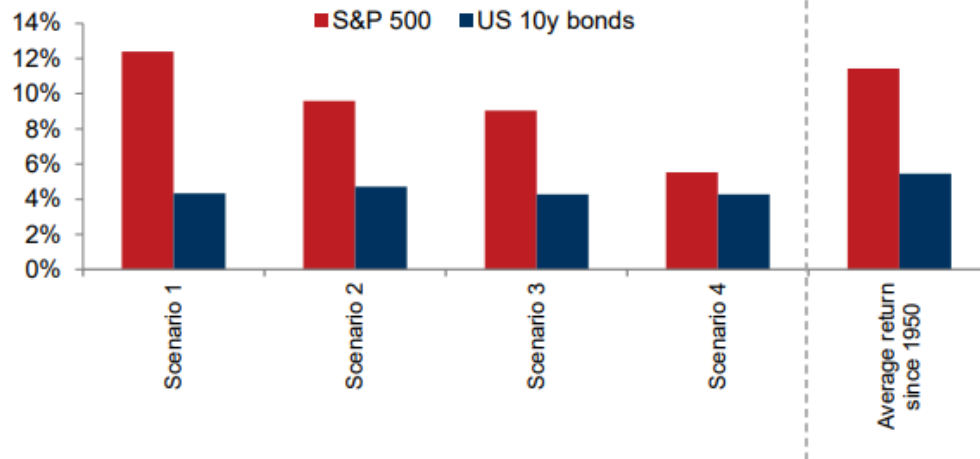


Source: Google, SemiAnalysis, compiled by Goldman Sachs GIR.



## A very favorable AI scenario may be required for above-average S&P 500 returns in the coming decade

10y nominal S&P 500 and US 10y bond return per annum across scenarios



Source: Goldman Sachs GIR.

## The Simple Macroeconomics of AI

Link: <https://economics.mit.edu/sites/default/files/2024-04/The%20Simple%20Macroeconomics%20of%20AI.pdf>

This paper evaluates claims about the large macroeconomic implications of new advances in AI. It starts from a task-based model of AI's effects, working through automation and task complementarities. It establishes that, so long as AI's microeconomic effects are driven by cost savings/productivity improvements at the task level, its macroeconomic consequences will be given by a version of Hulten's theorem: GDP and aggregate productivity gains can be estimated by what fraction of tasks are impacted and average task-level cost savings.



Using existing estimates on exposure to AI and productivity improvements at the task level, **these macroeconomic effects appear nontrivial but modest—no more than a 0.71% increase in total factor productivity over 10 years.** The paper then argues that even these estimates could be exaggerated, because early evidence is from easy-to-learn tasks, whereas some of the future effects will come from hard-to-learn tasks, where there are many context-dependent factors affecting decision-making and no objective outcome measures from which to learn successful performance.

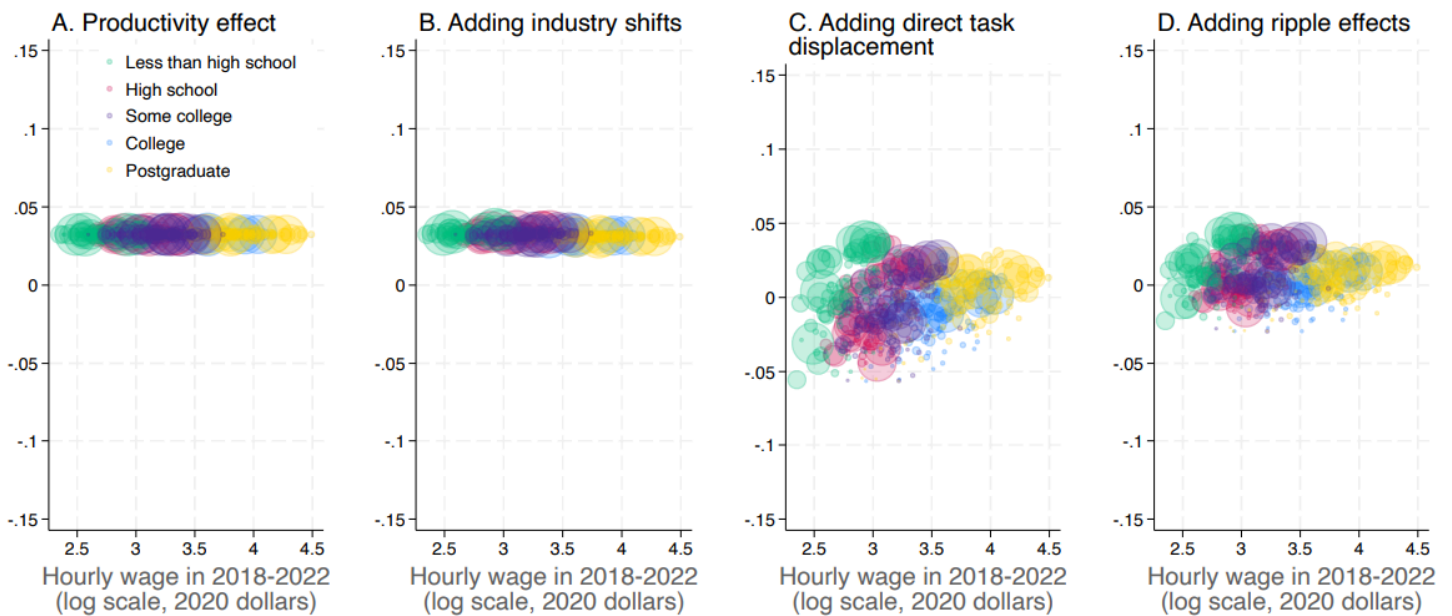
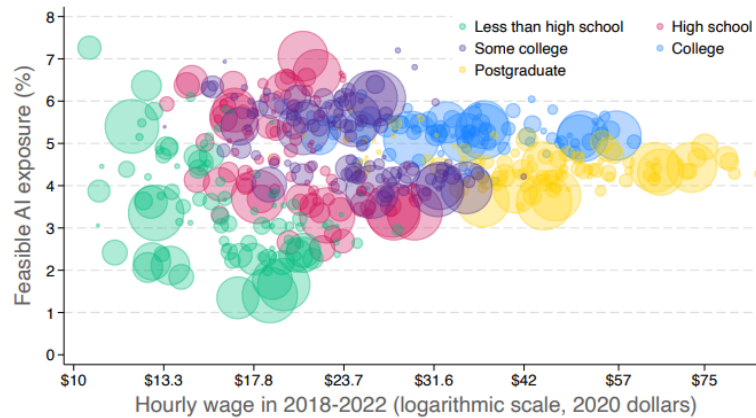
**Consequently, predicted TFP gains over the next 10 years are even more modest and are predicted to be less than 0.55%.** I also explore AI's wage and inequality effects. I show theoretically that even when AI improves the productivity of low-skill workers in certain tasks (without creating new tasks for them), this may increase rather than reduce inequality.

Empirically, I find that AI advances are unlikely to increase inequality as much as previous automation technologies because their impact is more equally distributed across demographic groups, **but there is also no evidence that AI will reduce labor income inequality.** AI is also predicted to widen the gap between capital and labor income. Finally, some of the new tasks created by AI may have negative social value (such as design of



algorithms for online manipulation), and I discuss how to incorporate the macroeconomic effects of new tasks that may have negative social value.

Figure 1: Distribution of AI exposure across the wage distribution



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