



May 5, 2024

KN Market View

Key Topics

Next week seems to be quiet after the Fed dovish tone and jobs data made a case for policy easing, helping markets finish on positive territory. This week, we will have **Balance Trade, Inflation Rate, PMI, Manufacturing Production, Retail Sales,** and **Unemployment Rates** for many countries.

Regarding earnings, *“80% of the companies in the S&P 500 have reported actual results for Q1 2024 to date. Of these companies, 77% have reported actual EPS above estimates, which is equal to the 5-year average of 77% but above the 10-year average of 74%”* [link](#).

Natural Gas continues with its positive trend since February **+11.80% WoW**, while **Cocoa** on profit taking mode **-24.85% WoW**. **Iron Ore +7.14%** and **Platinum +4.55%** led metals.

Worth hearing this week's **Systematic Investor** podcast about commodities' strategies [link](#).

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Bonds

US 10Y bonds retraced after reaching new highs not seen since November 2023 (**4.66%**), **Mexico 10Y** had the highest movement after closing near its highest level since 2005 (**10.37%**).

Mexico Government Bonds 10Y Yield

Mexico 10Y Bond Yield

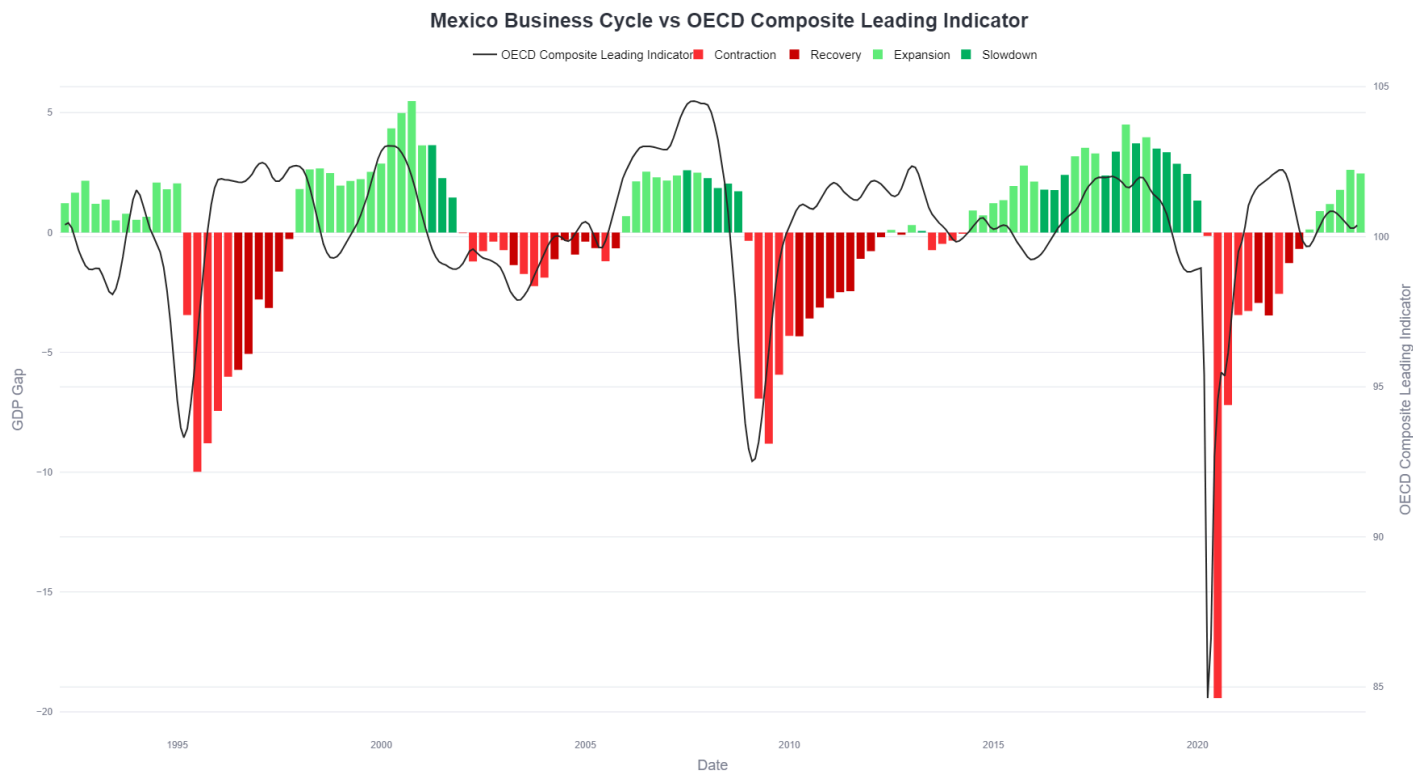


source: tradingeconomics.com

Source: Trading Economics



Mexico Business Cycle Chart



Source: Econdb and KaxaNuk

US Economy

Last week, the Fed announced their Monetary Policy Interest Rate Decision, **holding their rates at the two-decade peak of 5.5%**. At the beginning of 2024, more than a couple of analysts would have thought that the Fed would start to cut rates for May's announcement, but the macroeconomic and global scenarios have changed.



On the hawkish side, the **US Business Cycle** remains strong and **Inflation's latest** spike of 3.5% makes it hard to believe the 2% target is near.

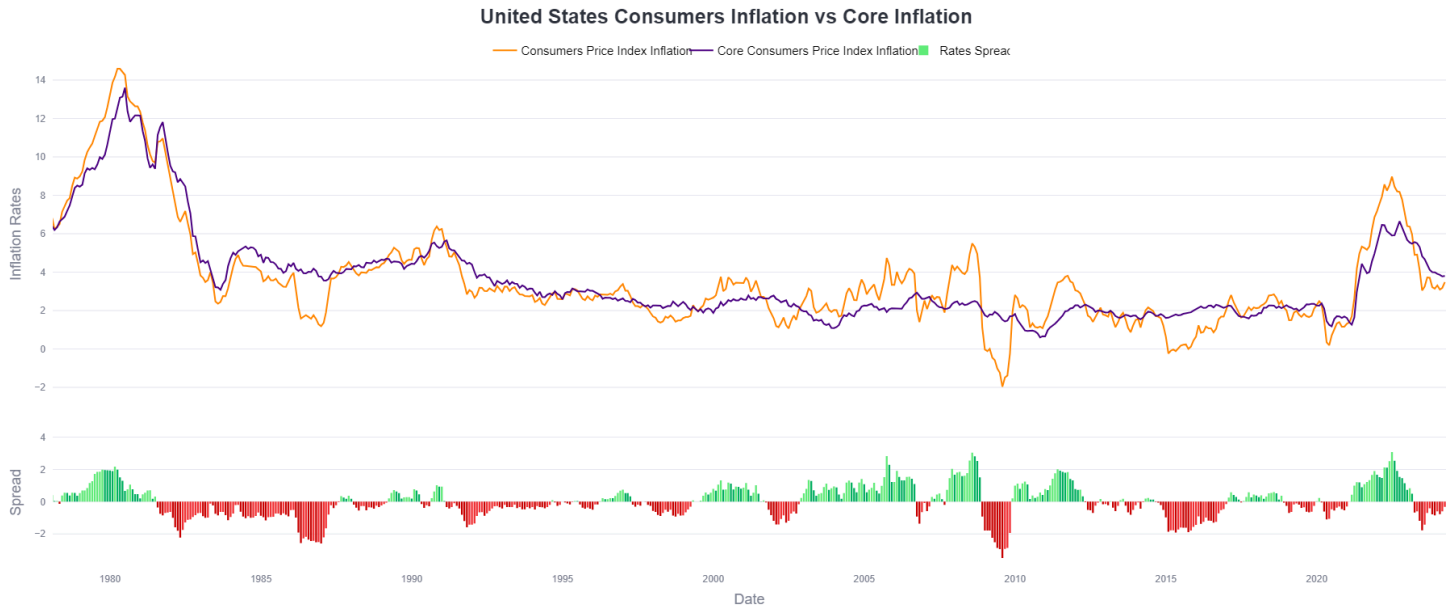
US Business Cycle Chart



Source: Econdb and KaxaNuk



US Inflation

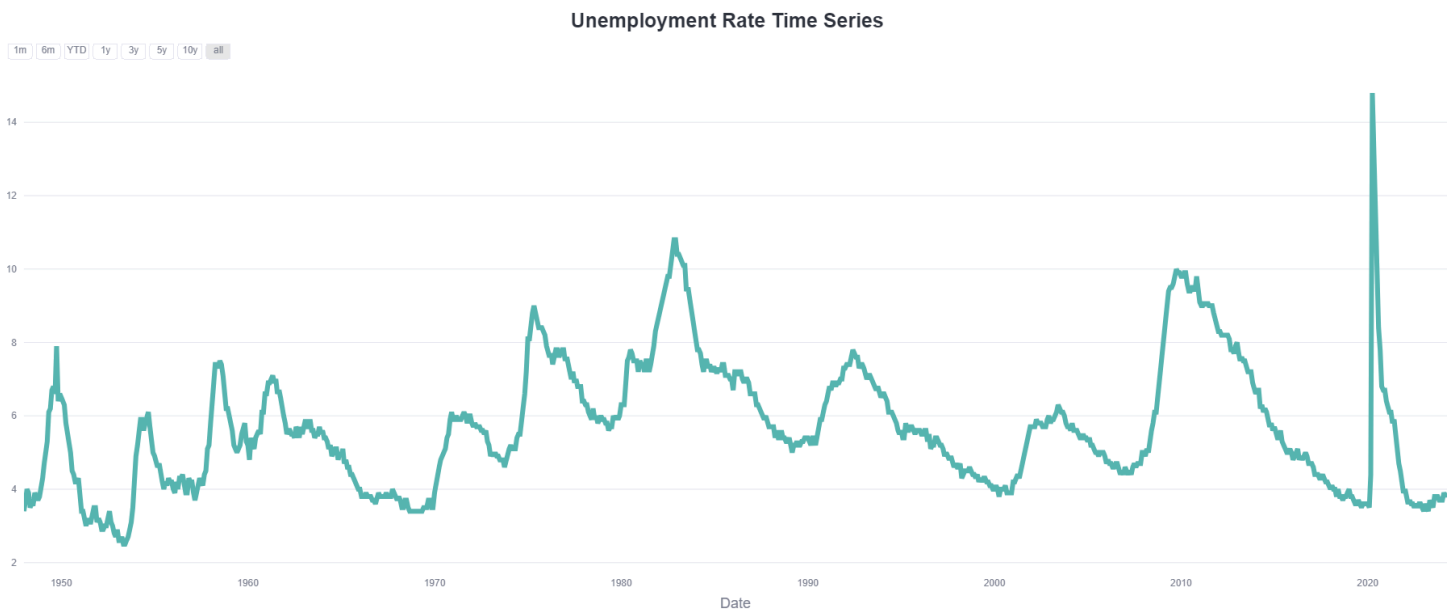


Source: Econdb and KaxaNuk

However, the **latest US jobs report for April indicates a possible slowdown in hiring**. While the unemployment rate remained steady at 3.9%, this is a slight increase from the previous month's 3.8%. This shift, following a period of near-unchanging unemployment rates since August 2023, suggests the labor market dynamics might be evolving.



US Unemployment



Source: Econdb and KaxaNuk

Early signs of a potential economic slowdown are emerging in the US, with key indicators like **Purchasing Managers' Indexes** (PMIs) for manufacturing and services **dipping below consensus estimates**.

Currencies

Regarding currencies, **USDJPY** recovered after closing at its highest level since May 1990 managing to finish at **¥152.99**.



USDJPY

US Dollar Japanese Yen



source: tradingeconomics.com

Source: Trading Economics

Commodities

Natural Gas continues with its positive trend since February **+53%**, closing at its highest level since January. *“Back in March, the U.S. The Energy Information Administration predicted that the country’s **natural gas production will decline in 2024** at a time when demand is expected to hit a record high” [link](#).*



Natural Gas



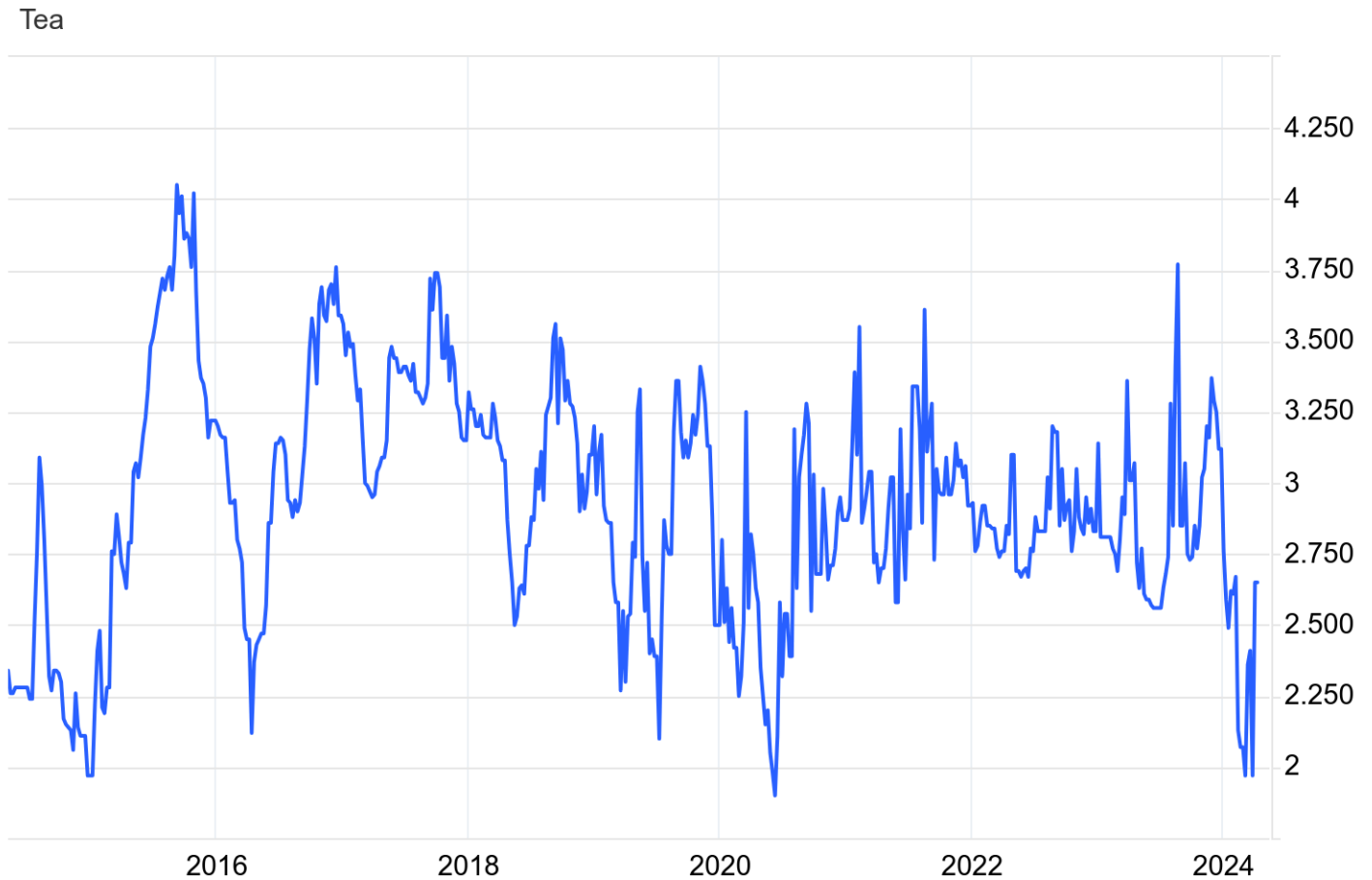
source: tradingeconomics.com

Source: Trading Economics

On the agricultural front, **Tea +34.52%** and **Milk +18.56%** skyrocket. “The Kochi tea auction market witnessed a significant drop in offerings this week in the absence of declining production across plantations due to the prevailing hot weather” [link](#).



Tea



source: tradingeconomics.com

Source: Trading Economics

Stocks

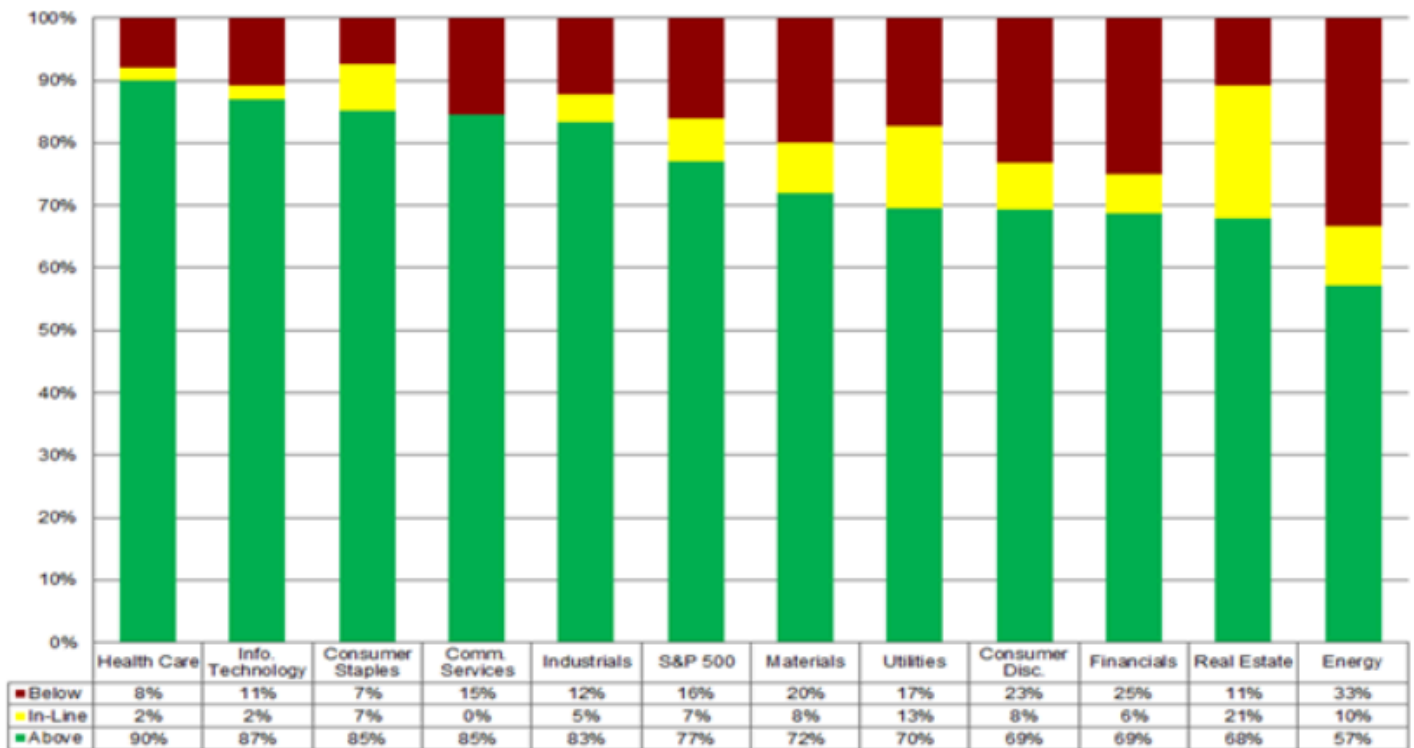
Global equities rebounded for consecutive weeks led by **Argentina** +13.5%, **Egypt** +6%, **Hong Kong** +4.7% and **Turkey** +3.6%, in local currencies.

According to Factset, ***“Eight of the eleven sectors are reporting year-over-year earnings growth, led by the Communication Services,***



Utilities, Consumer Discretionary, and Information Technology sectors. On the other hand, three sectors are reporting a year-over-year decline in earnings: Energy, Health Care, and Materials” [link](#).

S&P 500 Earnings Above, In-line, Below Estimates: Q1 2024



Source: Factset

Next week Earnings

Ticker	Company	Release Date	Sector
BRK-A	Berkshire Hathaway Inc.	Mon, May 06	Financial Services
VRTX	Vertex Pharmaceuticals Incorporated	Mon, May 06	Healthcare



BMYMP	Bristol-Myers Squibb Company PFD CONV 2	Tue, May 07	None
DIS	The Walt Disney Company	Tue, May 07	Communication Services
BP	BP p.l.c.	Tue, May 07	Energy
UBS	UBS Group AG	Tue, May 07	Financial Services
ANET	Arista Networks, Inc.	Tue, May 07	Technology
IVSBF	Investor AB (publ)	Tue, May 07	Financial Services
TOYOF	Toyota Motor Corporation	Wed, May 08	Consumer Cyclical
BAC-PS	Bank of America Corporation	Wed, May 08	Financial Services
UBER	Uber Technologies, Inc.	Wed, May 08	Technology
ARM	Arm Holdings plc American Depositary Shares	Wed, May 08	Technology
BUDFF	Anheuser-Busch InBev SA/NV	Wed, May 08	Consumer Defensive
DTEGF	Deutsche Telekom AG	Wed, May 08	Communication Services
ABNB	Airbnb, Inc.	Wed, May 08	Consumer Cyclical
SHOP	Shopify Inc.	Wed, May 08	Technology
GLAXF	GSK plc	Wed, May 08	Healthcare
EQIX	Equinix, Inc.	Wed, May 08	Real Estate
TOELY	Tokyo Electron Limited	Thu, May 09	Technology
PBR	Petróleo Brasileiro S.A. - Petrobras	Thu, May 09	Energy
SFTBY	SoftBank Group Corp.	Thu, May 09	Communication Services



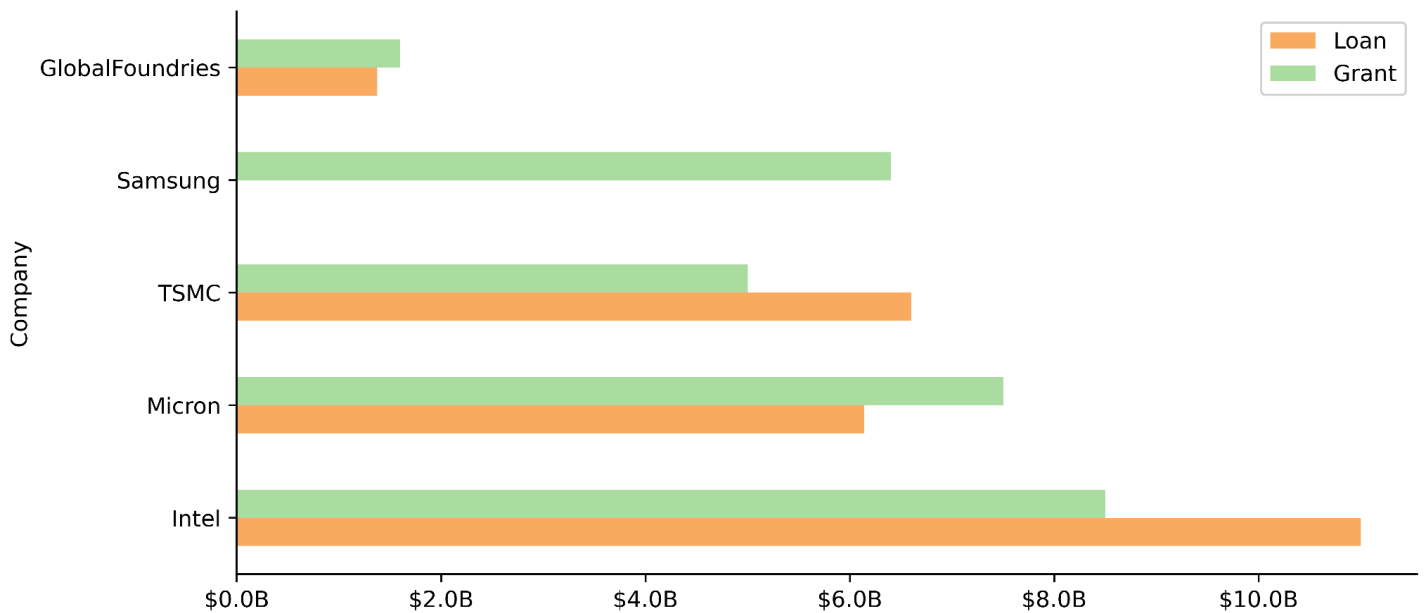
MS-PA	Morgan Stanley	Thu, May 09	Financial Services
ALIZY	Allianz SE	Fri, May 10	Financial Services
NPPXF	Nippon Telegraph and Telephone Corporation	Fri, May 10	Communication Services
CSUAY	China Shenhua Energy Company Limited	Fri, May 10	Energy

Source: FMP and KaxaNuk

Latest Chips boost - Micron With The Big Win

- **Micron semiconductors has received \$13Bn in government support** to push the US tech industry to build more facilities in New York and Idaho.
- **Micron's stocks have surged over 30% since the beginning of the year.** The company exceeded revenue expectations in March and achieved profitability for the first time in a year and a half, attributing this success to the high demand for AI products.
- **This is the latest grant from the CHIPS act**, a statute signed into law by Joe Biden, which **aims to strengthen the American supply chain and move away from the Asian dependency.**
- The **Biden administration's goal is for the US to produce 20% of the world's leading-edge chips by the end of 2023**, aiming to reduce reliance on Asia for critical chip manufacturing. Currently, Taiwan's TSMC dominates the production of the most advanced chips globally.

Semiconductors

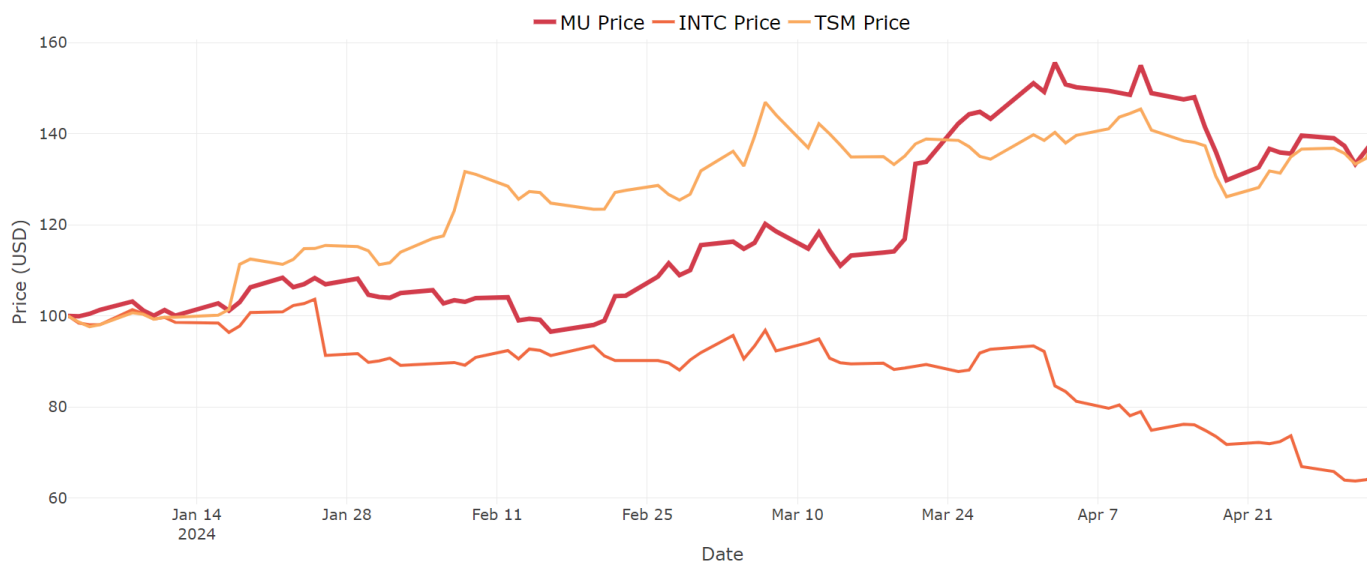


Source: Semiconductors.org and Kaxanuk

- Remember that **companies like NVIDIA and AMD own the patents and the IP of the CPUs/GPUs, but they don't build the graphics cards nor the chips used in them.** The chips are manufactured by TSMC in Taiwan and then transported to the facilities where the PC parts are built.
- **US Companies like Intel and Micron have received stimulus from the US government to increase its local production and increase their US facilities,** while Samsung and TSMC have received grants and loans to expand facilities and move some production to american land.



Stocks YTD Return



Source: FMP and KaxaNuk

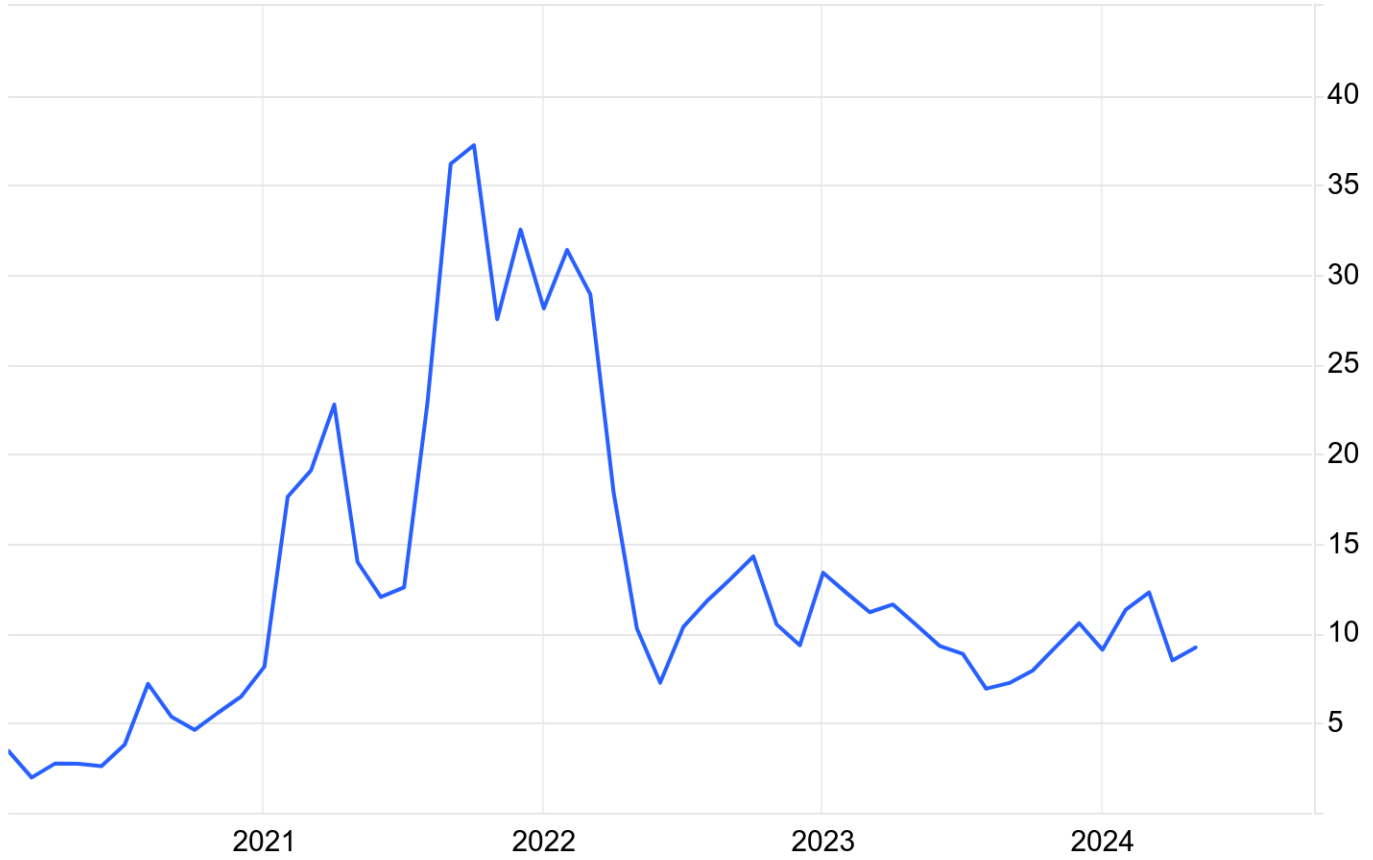
Crypto

This week the main outperformers were **Comos** +12.63%, **Avalanche** +10.12% and **Pikadot** +7.31%, laggards **Uniswap** -5.8% and **Stellar** -3.13%.



Comos

Cosmos / US Dollar



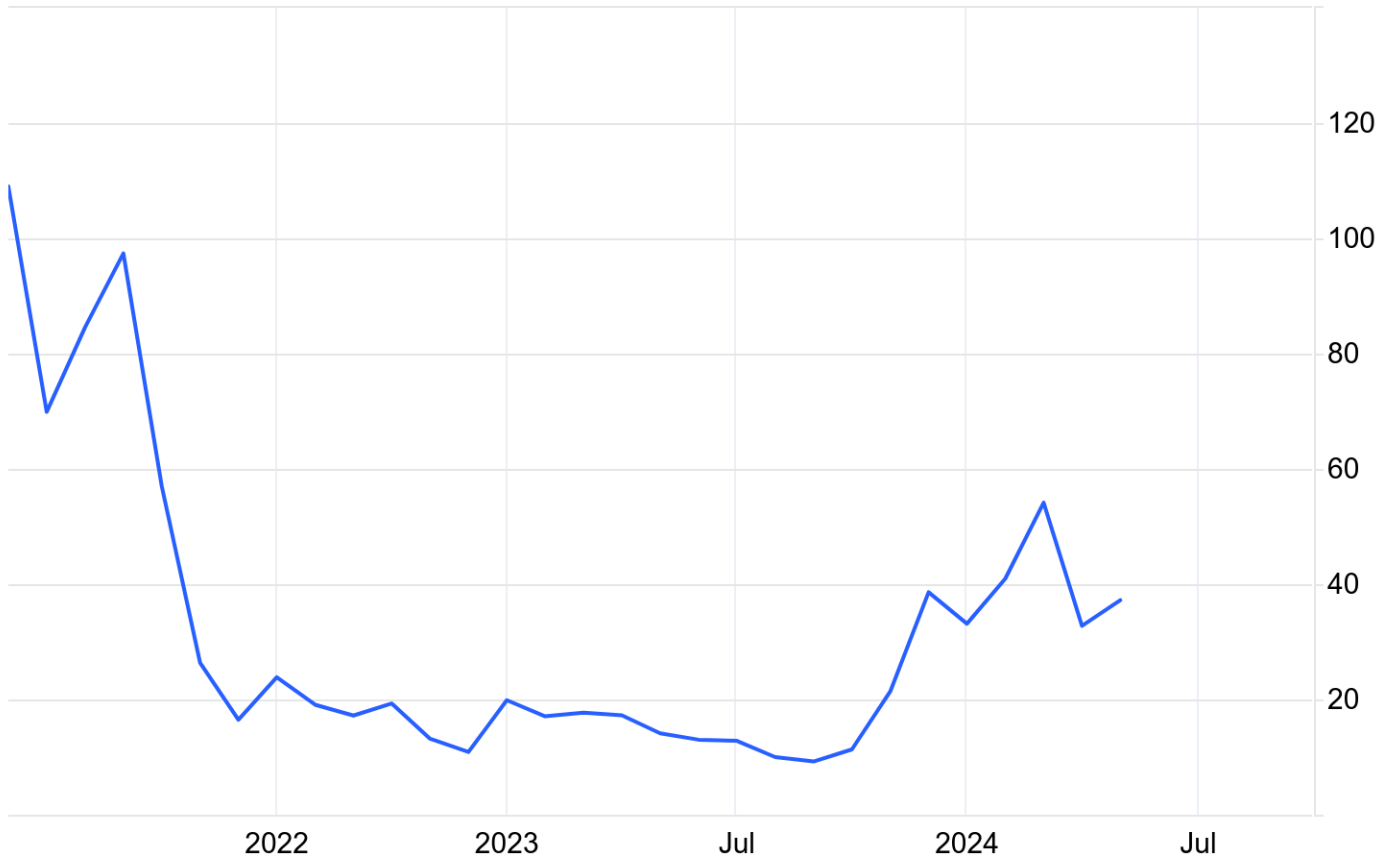
source: tradingeconomics.com

Source: Trading Economics



Avalanche

Avalanche / US Dollar



source: tradingeconomics.com

Source: Trading Economics



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