

Key Highlights



FEDERAL RESERVE MEETING

As expected, the Fed kept interest rates unchanged at 5.25-5.50% in its 19-20 March meeting. The Fed also kept its projection of three 25 bps rate cuts by year-end intact. In the runup to the meeting, the markets had been expecting the Fed to take a hawkish stance and potentially project only 2 rate cuts by year-end. In the presser following the meeting J. Powell said the FOMC may "...begin dialing back policy restraint at some point this year."



TAYLOR SWIFT AND THE AVERAGE JOE

The strong economic data in the US masks a weakening consumer. The small top-end 'Taylor Swift Economy' has large, accumulated savings and investment gains and hence continue to splurge on recreation, tourism and of course \$7,000 Taylor Swift tickets but the large majority who are in the 'Average Joe Economy' have run out of savings and raking up higher credit card debt and delinquencies while job openings are falling, and layoffs are rising.



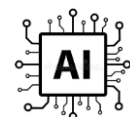
BANK OF JAPAN

Bank of Japan has ended its negative interest rate policy, raising rates to 0-0.10%. BOJ will continue to purchase government bonds – keeping the monetary policy stance ultra-accommodative. This symbolic move seems to be just preemptive before major central banks start cutting rates. BOJ was the first central bank to cut rates to zero in 1990s after the real estate and equities bubble burst. It was also the first to take rates into the negative territory in 2016.



STOCK MARKETS RALLY

The Fed meeting was taken as a dovish signal by investors who had been fearful after stronger than expected inflation data. Equities rallied, led by Magnificent 7 and technology stocks taking the S&P 500 and Nasdaq indices to new all-time highs. Swiss rate cut and dovish signals from central banks boosted equities in Europe. In Japan Nikkei 225 closed at a record high after the yen dropped to a multi-decade low following a symbolic rate hike by BOJ.



NVIDIA AND MICRON TECH.

Nvidia held its much awaited annual GTC conference last week and announced a range of more powerful graphic processing units for AI models, propelling its stock by 7.35% in the week after two weeks of sideways moves. Stocks of Micron Technology surged 18% during the week after surprisingly strong earnings driven by demand for its memory chips in AI applications. With this, it has suddenly joined the list of hot AI stocks in the market.



RATES AND FIXED INCOME

Major central banks had their key meetings in the past week and most of them struck a dovish tone indicating that rate cuts are coming by mid-year. The Fed stuck to its projection of three rate cuts this year, BOJ announced a very dovish rate adjustment, the Swiss National Bank unexpectedly cut rates and the Bank of England dropped its hawkish statements after its rate setting meeting. As a result, bond prices rose and yields fell across the board.

1 Week YTD'24 2023

Mover of the Week

Nvidia	7.35%	90.40%	329.00%
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Global Equities

Magnificent 7	4.31%	18.70%	80.89%
Dow Jones Ind.	1.97%	4.74%	13.70%
S&P 500	2.29%	9.74%	24.23%
Nasdaq Comp.	2.98%	9.00%	43.42%
Euro stoxx 600	0.96%	6.40%	12.74%
FTSE 100	2.63%	2.56%	3.78%
India Nifty50	0.33%	1.68%	20.03%
Nikkei 225	5.36%	22.19%	28.26%
Shanghai Comp.	-0.70%	3.32%	-1.93%

Regional Equities

Dubai DFM	0.42%	5.43%	21.69%
Abu Dhabi ADX	1.09%	-2.68%	-6.20%
Saudi Tadawul	2.29%	9.74%	13.87%

Bonds

US IG Bond Index	0.73%	-1.00%	5.15%
GCC Bnd/Suk Index	0.62%	-0.97%	5.14%

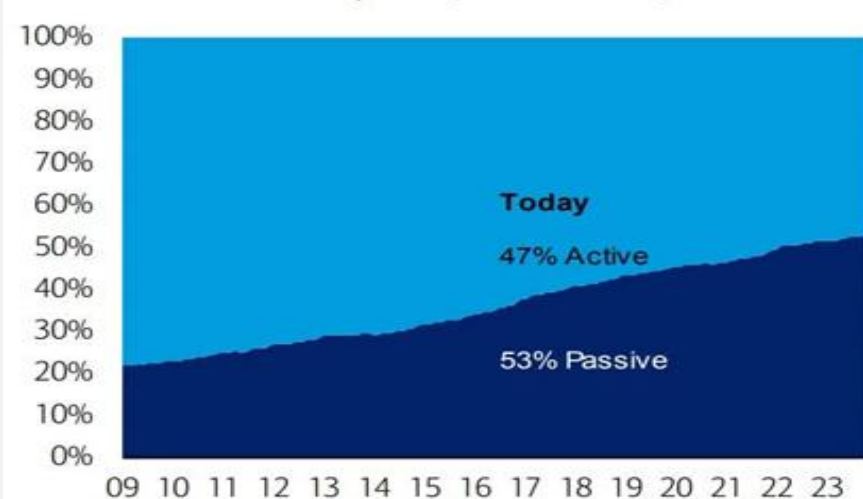
Currencies

Dollar Index	0.96%	3.06%	-2.11%
Euro	-0.72%	-2.33%	3.30%
GBP	-1.08%	-1.34%	5.50%
JPY	-1.57%	-6.99%	7.50%
CHF	-1.64%	-6.63%	8.97%
AUD	-0.61%	-4.64%	0.23%
CNH	-0.97%	-2.14%	-2.94%
INR	-0.85%	-0.40%	-0.63%
SGD	-0.86%	-2.28%	1.49%

Commodities

WTI Crude	-0.51%	12.53%	-10.73%
Brent Crude	0.11%	10.89%	-10.32%
Nat Gas	0.24%	-34.01%	-43.82%
Gold	0.11%	4.48%	13.47%
Silver	-2.17%	2.88%	0.18%
Copper	-2.83%	2.71%	2.10%

Passive now accounts for the majority of US domiciled AUM
US AUM allocation active vs. passive (2009 to 11/2023)



Source: Strategic Insights, SimFund, BofA US Equity & US Quant Strategy

Chart of the Week

Passive strategies i.e. Exchange Traded Funds (ETFs) were launched to provide exposure to broad market indices like S&P500 and Nasdaq, at reduced fees and easy execution (on stock markets just like equities), have grown in popularity and have now overtaken active strategies. Active strategies like mutual funds are more expensive, are more difficult to trade, and according to the latest SPIVA report, about 90% of them underperform their respective benchmarks. Clearly, the case of ETFs has become stronger with time. However, on the flip side, an unintended consequence is the increase of concentration in a few top stocks. This is because most ETFs, in order to mimic the index, allocate funds in proportion to the market capitalization of the underlying stocks. Hence, the larger Mega Tech stocks have progressively been getting more investments due to this self-reinforcing feedback loop.

25 March 2024

Weekly Economy and Market Watch

بنك دبي التجاري
Commercial Bank of Dubai



Key Highlights: Currencies



FX CHRONICLES

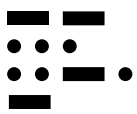
EUR/USD remains under bearish pressure near 1.0850 on Friday, supported by a cautious market sentiment favoring the US dollar's strength, indicating a potential second week of decline. AUD/USD retreats to the lower end of its range after US data overshadows strong Australian employment figures, surprising analysts with its swift turnaround despite the disparity between the two datasets. Meanwhile, GBP/USD loses momentum and declines towards 1.2600 following an earlier recovery attempt, influenced by bearish activity despite declining yields, which bolsters the US dollar. Despite upbeat sentiment towards the US dollar, USD/JPY fell to 151.00, while the USD Index reaches a monthly high on a positive US economic outlook. Japan's increased inflation in February adds credibility to the BoJ's shift towards policy normalization.



Unleashing the potential : A guide to FX options

In the realm of foreign exchange markets, FX options emerge as a key tool for both companies and individuals to mitigate currency risk effectively. FX options, derivative contracts offering the right but not the obligation to buy or sell currency at predetermined rates, provide flexible hedging strategies tailored to specific needs. For companies, these options ensure predictable costs, protect profit margins, and offer flexibility in hedging approaches. Individuals benefit by safeguarding savings, investments, and speculating on currency movements. Practical examples illustrate their utility, such as a corporation hedging against EUR depreciation or an investor speculating on GBP appreciation. Ultimately, understanding and utilizing FX options empower entities to navigate currency fluctuations with confidence, enhancing financial stability and seizing opportunities in global markets.

Key Highlights: Commodities



Decoding copper prices : Unveiling China influence

China extensive infrastructure development, rapid urbanization, and large-scale manufacturing industry make it the largest user of copper globally. Last year, copper prices experienced fluctuations due to shifting economic indicators and production adjustment. Initially propelled by positive signs, concerns about China's economic stability, practically its debt-burdened property sector, tempered market optimism. Despite an uptick in China industrial production, remaining doubts about demand led to increase copper inventories and cautions investor behavior. Copper was on track for a weekly decline of 2.83%, reaching \$8,889 a ton on the London Metal Exchange by Friday.



Shadows of conflict : Oil Insights

The potential ceasefire between Israel and Hamas led to a drop in oil prices, while the conflict between Russia and Ukraine stabilized the decline. WTI saw fluctuations, closing lower at \$80.63. Natural gas prices also fell slightly on the NYMEX. Concerns over escalating conflicts in the Middle East were noted. Investors are watching for stimulus measures in China, targeting 5% growth in 2024. EIA forecasts lower natural gas prices and production in 2024. Despite US crude oil production growth, a tight balance between global oil supply and demand is expected, with uncertainties remaining about conflicts and OPEC+ cuts.

CBD Tradr



Margin Trading Mastery : Leveraging opportunities , Managing risks

Margin trading allows investors to buy more than they could with their own funds, essentially borrowing money to increase their buying power. This approach offers several advantages, such as leveraging potential returns by controlling larger positions with a smaller initial investment. It provides flexibility for short-term trading opportunities and portfolio diversification. However, margin trading carries inherent risks. While it magnifies potential gains, it also amplifies losses, and investors must pay interest on borrowed funds. Moreover, it requires a solid understanding of market dynamics and risk management strategies. Failure to meet margin requirements can lead to forced liquidation of positions, resulting in substantial losses. Careful consideration and expertise are essential for successful margin trading.

Benefits of CBD Tradr

- 24 Hour access to the platform.
- Seamless trading experience with all settings carried between IOS, android and web browser.
- Charting access to the platform

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