

Market Weekly Insights

25th March 2024

Global Outlook

Canadian Inflation Cools to 2.8% in February

Canadian inflation unexpectedly cooled to 2.8% in February, a welcome relief for consumers as pressure on wallets eased. This development defied economists' expectations of a modest uptick to 3.1%, reflecting the unpredictability of the economic climate. This marks the second consecutive month where inflation remained within the Bank of Canada's target range of 1% to 3%. Despite ongoing concerns about underlying inflationary pressures, lower cellphone and internet service costs contributed to the slowdown.

However, gasoline and travel tour prices increased, partially offsetting the overall decrease in inflation. The Bank of Canada is expected to make its next rate decision in April, possibly considering rate cuts amidst the current economic landscape.

China's Struggling Economy Takes Another Hit

China has recently entered a recession, and it is juggling a rapid rise in unemployment with a struggling real estate market. Unemployment grew to 5.3%, increasing for the third consecutive month; measures taken to prevent it have been unsuccessful. This increase in unemployment, particularly among the youth, where rates soared above 20% before methodological adjustments, indicates underemployment and economic weaknesses are the main issues at hand, despite improvements in industrial production and investment.

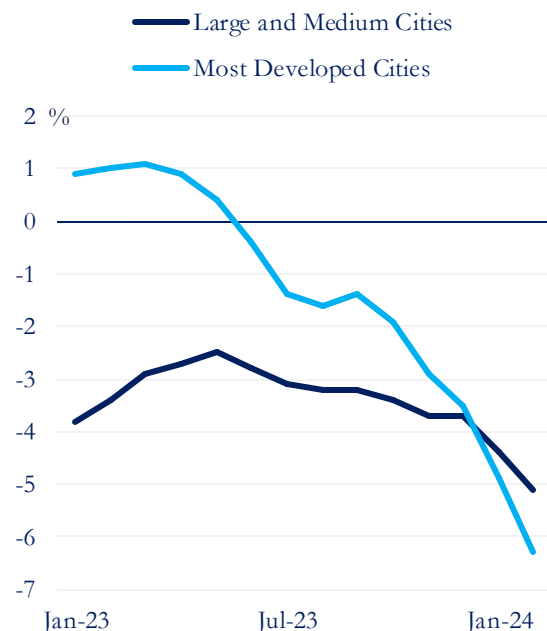
To make matters worse, the real-estate sector has hit record lows. In February, the price of secondhand homes in major cities plummeted by 6.3% year-on-year, the steepest decline since records began in 2011. This downturn reflects widespread price drops nationwide and a surge in secondhand home sales.

Bank Indonesia Maintains Stability Amid Global Economic Uncertainty

During its March Meeting, Indonesia's central bank, the Bank Indonesia (BI), maintained its policy focus on maintaining a stable Rupiah and

WoW % change

S&P 500	\$5,234.18 +2.29%
DJIA	\$39,475.90 +1.97%
NASDAQ	\$16,428.82 +2.85%
Russell 2000	\$2,072.00 +1.60%
FTSE 100	\$7,930.92 +2.63%
Nikkei 225	\$40,888.43 +5.63%
WTI Crude	\$80.81 -0.25%
10-yr Treasury	4.3% -3.04%

YoY CHANGE IN CHINA'S
SECONDHAND HOME PRICES
(in %)

Sources: Wall Street Journal, Yahoo Finance, Wind, China's National Bureau of Statistics

controlling inflation. The decision to keep their benchmark interest rate fixed at 6% for the fifth consecutive time was in line with market expectations. The bank also kept its overnight deposit and lending facility rates steady, hinting at a potential rate cut later in the year if conditions allow. Governor Perry Warjiyo highlighted the stability of the Rupiah and controlled inflation, indicating a positive economic outlook with solid growth projections of 4.7% to 5.5% for the year.

Economists anticipate that BI will proceed cautiously with policy adjustments, which will likely influence the timing of rate cuts by the US Federal Reserve. The resolution of political uncertainty post-presidential elections has bolstered growth prospects, although volatile food inflation persists. Analysts expect the bank to align its rate cuts with the Fed's easing cycle, possibly starting in June. The Fed's upcoming meeting will impact global interest rates and currency markets, requiring BI to maintain a favorable interest rate differential between Indonesia and the US.

Economic Struggles, Political Uncertainties, and Exodus of Foreign Companies in Hong Kong

Amidst increasing influence by Beijing-appointed leaders, Hong Kong has introduced national security legislation that grant authorities significant power to crack down on opposition, impose harsh penalties, and prevent foreign interference. This development has raised apprehensions among already cautious foreign companies, resulting in many relocating their business operations to Singapore. This legislative move adds another layer of strain to Hong Kong's already challenging economic landscape, characterized by a declining stock market, rising interest rates, and the prolonged recovery from the COVID-19 pandemic's long-term impacts. These factors combined chip away at the overall confidence in the city's financial stability.

In addition to economic struggles, improvements in infrastructure in Chinese cities have diminished Hong Kong's role as a global hub. Many foreign critics argue that the new security legislation will usher in an era of authoritarianism in Hong Kong, resulting in potential constraints on freedoms. The shift in Hong Kong's political landscape has left many uncertainties regarding the law's implementation and its impact on business activities.

America This Week

Landmark \$418 Million Settlement to Reshape Real Estate Industry Commission Practices

This past week, the National Association of Realtors reached a settlement of \$418 million over claims that the industry purposefully kept agent commissions high. The settlement states that the association will abandon its rule that requires home-sale listings to include upfront offers about how much buyer's agents will get paid. Instead, buyers can negotiate compensation upfront with their agents. Buyers can now be price-conscious when choosing an agent and save more money. Furthermore, this agreement will address legal threats, specifically antitrust laws. One instance of this was a \$1.8 billion verdict in Kansas City, which found the organization and two other national brokerages guilty of artificially keeping commission rates high.

While this settlement may help right now, the NAR still faces many challenges with criticism about its leadership for placing the association in a place of vulnerability. Top analysts are predicting a 30% reduction in the \$100 billion that Americans pay yearly in commissions, which will be a drastic hit for the industry. The settlement also includes a requirement for agents to sign agreements with their clients about the services they will provide and how much

Sources: Wall Street Journal, New York Times

compensation they will receive. Many predict that this will make the industry vulnerable to technological forces which will most likely lead to fewer NAR memberships. If approved by the federal court, this will take effect in mid-July and will bring massive changes to the real estate industry.

JPMorgan Chase Launches Sports Investment Banking Team Amid Growing Industry Value

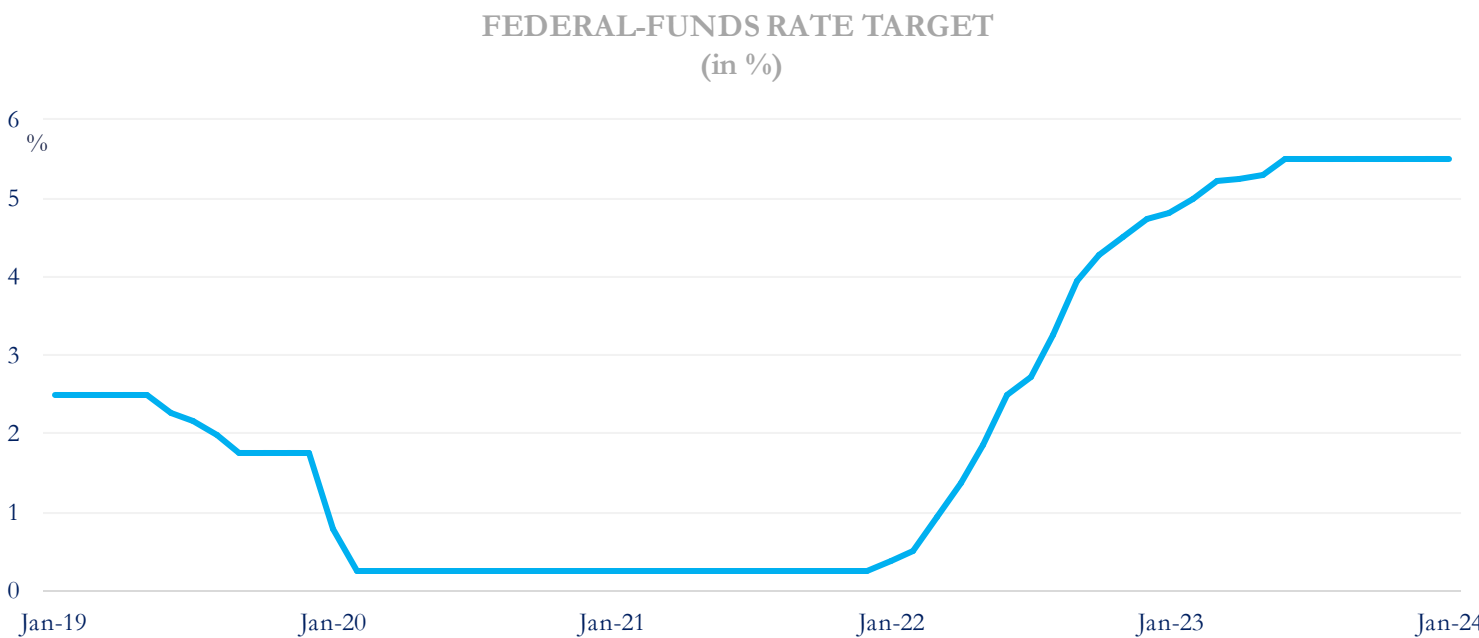
JPMorgan Chase has established a new sports-focused investment banking team to capitalize on the growing sports industry. This new "sports investment banking coverage group" will provide advisory and financing services globally, targeting activities such as investing in sports franchises. Fred Turpin, the global head of media and communications investment banking, highlighted the expanding significance of sports as an asset class, with top franchises in the US and Europe collectively valued at over \$400 billion. Eric Menell and Gian Piero Sammartano will co-lead the new team, reporting to Turpin.

Despite a decade-low in global mergers and acquisitions (M&A) volumes, sports M&A activity reached \$22.6 billion last year, indicating the sector's resilience. Deloitte anticipates record valuations for premium sports properties in the current year, driven by increasing interest from institutional investors. JPMorgan has been actively involved in the sports industry, advising on deals such as Sir Jim Ratcliffe's acquisition of a minority stake in Manchester United and providing financing for stadiums and arenas for various sports teams, including Real Madrid FC's Santiago Bernabeu stadium.

Macro Highlights

Fed Officials Maintain Rate Cut Outlook

In the latest Federal Reserve meeting, officials reaffirmed projections for three interest-rate cuts this year, bolstering investor confidence and leading to record highs in the stock market. Despite recent firmer inflation, Chair Jerome



Sources: Reuters, Wall Street Journal, Federal Reserve

Powell emphasized the expectation that inflation will resume its decline gradually. The decision to hold the benchmark federal funds rate steady at 5.25% to 5.5% reflects a cautious approach amidst uncertainties. Market reactions were positive, with indices such as the Dow Jones Industrial Average, the S&P 500, and the Nasdaq Composite reaching new highs. Futures markets indicate increased expectations of rate cuts by June, reflecting investor optimism.

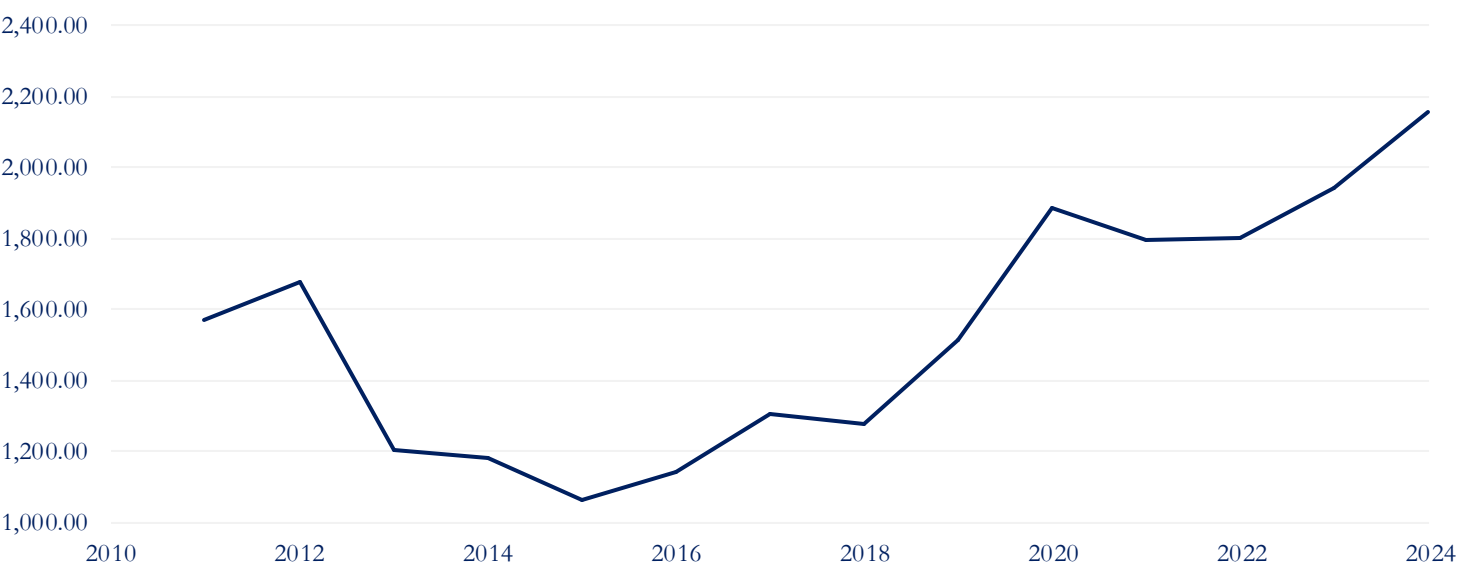
While inflation has proven stickier than anticipated in recent months, Fed officials maintain their outlook for a gradual decline toward the 2% target. Economic data remains mixed, with consumer spending cooling and employment growth showing resilience. The Fed's delicate balancing act involves managing the risks of easing too soon against the potential economic consequences of moving too slowly. With inflation concerns persisting, the central bank faces pressure from various quarters, including calls from some lawmakers to cut rates.

Industry News

Gold Prices Surge to Record Highs Amid Market Volatility

Gold prices, an investment traditionally in demand during periods of market volatility, are surging to record highs, surprising analysts struggling to explain the intensity of the rise. Several factors have contributed to the increase in prices, such as interest rate expectations, economic and geopolitical risks, and inflation hedging. The recent drop in consumer sentiment and moderate inflation data have raised hopes that the Federal Reserve will cut interest rates this year. Lower rates make gold more attractive relative to income-bearing assets.

GOLD FUTURES PRICE
(in troy ounces)



Additionally, concerns about growing economic and geopolitical risks outside the U.S. have fueled demand for gold. Many central banks and investors have been buying gold, with central banks buying up to 30% of global mining production over the past two years. Lastly, Investors in countries like India buy gold to hedge against inflation in fast growing economies. Despite gold’s rally, many investors remain cautious of gold’s future performance instead of

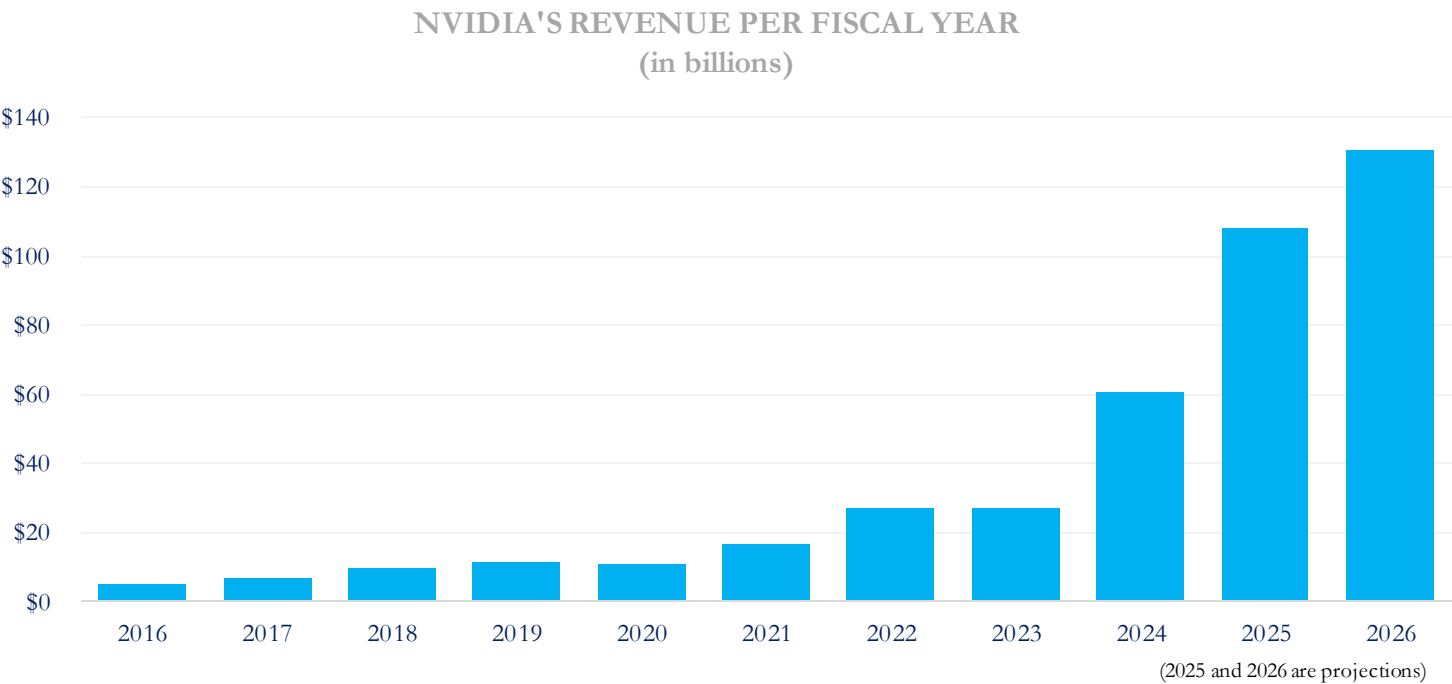
Sources: Wall Street Journal, FactSet

waiting for more precise signals from the Federal Reserve regarding interest rate cuts. In contrast, other investors have turned to mining companies, which they believe may outperform gold itself.

Nvidia's Strategic Leap: Unveiling Next-Gen AI Chips at GTC to Lead the Tech Evolution to Wall Street

Nvidia, now the third most valuable company in the world, displayed its latest AI systems at its annual GTC (GPU Technology Conference), showcasing significant growth from its earlier focus on video gaming PCs to becoming a massive name in the AI and data-center chip market. They introduced the Blackwell B100 systems, a system primarily used to enhance performance in AI inferencing—a critical area for Nvidia amidst growing competition. Despite high expectations, Nvidia's stock saw only a slight increase, reflecting broader market trends and recent selloffs in the chip sector. However, many remain confident in Nvidia's competitive edge with the B100 systems.

The larger challenge for Nvidia lies in the demand for generative AI services from major tech firms, which heavily invest in Nvidia's technology. Despite mixed feedback on AI tools from companies like Microsoft and Adobe, Nvidia's current position seems secure, buoyed by robust capital spending forecasts and its significant technical and pricing advantages in the AI market.



Tech Giants Challenge Apple: A United Front Against App Store Payment Policies

Meta, Microsoft, Spotify, and Match Group have teamed up to file legal petitions against Apple, challenging their payment methods policies within the app store and in-app purchases. The firms are protesting Apple's plan to impose a 27% commission on payments made outside its App Store following a federal court ruling that ordered Apple to allow alternative payment methods. They hope to force Apple to ease their strict app store controls, including up to a

Sources: Wall Street Journal, Nvidia, FactSet

30% commission fee for in-app purchases.

The companies argue that Apple's policies still restrict their ability to direct users to alternative payment options, limiting potential discounts and subscription offers they could provide outside the App Store environment. This collective legal action highlights the ongoing tension between Apple and app developers over app store practices and commissions amidst broader scrutiny of Apple's business practices by the Justice Department and under new regulations like the European Digital Markets Act, which aims to open tech platforms to more competition.










Looking Ahead: Analyst Outlook

Kelly Yam - Nvidia: Managing its Growth in an Ever-growing Market

The chip industry has experienced significant growth in recent years, driven by increasing semiconductor demand across various sectors. As we enter 2024, the market for these chips looks strong and is predicted to reach more than US\$50 billion in sales for the year. However, many companies have capitalized on the growing industry. NVIDIA, known for its GPUs that power AI and deep learning applications, remains a crucial player and frontrunner in the chip market. With its stock surging almost 240% in 2023 and more than 55% in 2024, many analysts have forecasted that the stock price will continue to rise to \$1,000 and higher.

Looking ahead, Nvidia is well-positioned to benefit from the continued growth of the AI tech industry. If Nvidia can continue the momentum demonstrated in its first fiscal quarter of 2024, I believe it will have little difficulty surpassing the \$1,000 target price. Although Nvidia is expected to grow as more companies adopt AI and machine learning technologies to improve their operations, several risks must be acknowledged. As long as the chip industry remains profitable, Nvidia will face increased competition from other chipmakers, and AI companies could erode its market share and pricing power. In addition, regulatory scrutiny and changes in government policies regarding data privacy, antitrust, and AI ethics could impact NVIDIA's operations and growth strategy.

Market Insights Team

				
Momo Hassan	Varun Jhamvar	Rahul Kapur	Jack Miller	Kelly Yam
Director	Associate	Analyst	Analyst	Analyst
 Northeastern University	 Northeastern University	 Fidelity INVESTMENTS	PIPER SANDLER	 Northeastern University

Sources: Wall Street Journal