

Fundamentals:

The S&P 500 and Nasdaq slumped to multi-week lows on Wednesday after Tesla and Alphabet disappointed with lackluster earnings, prompting investors to question if the Big Tech and AI-fueled 2024 equity rally was sustainable in the long run.

As the first of the Magnificent Seven stocks reported quarterly numbers, investors had been awaiting new data to see if lofty valuations were justified.

With these seven companies having such sway over markets, their performance was bound to have wider repercussions.

The benchmark S&P 500 touched its lowest since July 1, and the tech-heavy Nasdaq Composite fell to a six-week low.

Tesla weighed heavily, slumping 11.2% and set to lose more than \$80 billion in market value at current levels from Tuesday's close, if losses hold. The electric-vehicle maker reported its lowest profit margin in more than five years and missed second-quarter earnings estimates.

Google parent Alphabet shed 4.9% despite a second-quarter earnings beat, as investors focused on an advertising-growth slowdown and the company flagged high capital expenses for the year.

Tesla and Alphabet dragged the S&P 500 Communication Services and Consumer Discretionary sector indexes down more than 3.2% each. Information Technology was the weakest performer of the 11 S&P sectors, tumbling 3.5% to a six-week low.

"There was obviously nothing positive (in the results) and this market requires something to exceed expectations to keep itself going," said Tom Plumb, chief executive and portfolio manager at Plumb Funds.

Alphabet's losses underscored the high earnings bar for the so-called Magnificent Seven, a set of megacap tech stocks that have notched double- and triple-digit percentage gains in 2024, riding on optimism around AI adoption and expectations of an early start to the Federal Reserve's interest-rate cuts.

"I can't help thinking (that) if the tech sector does sneeze, the whole market could catch it," said David Morrison, senior market analyst at Trade Nation.

The other megacaps were also trading lower, with Apple, Microsoft, Amazon.com, Meta Platforms and Nvidia all down between 2.6% and 5.2%.

Meanwhile, the blue-chip Dow hit a nearly two-week low, with Visa dropping 3.7% after its third-quarter revenue growth fell short of expectations.

At 02:04 p.m. ET, the S&P 500 lost 100.20 points, or 1.80%, to 5,455.54 points, while the Nasdaq lost 539.51 points, or 3.00%, to 17,457.05. The Dow Jones Industrial Average fell 343.79 points, or 0.85%, to 40,014.30.

Chary of the high valuation of these companies, market participants started shifting to underperforming sectors in mid-July.

S&P 500 stocks, on average, are trading at a 21.4 price-to-earnings ratio, compared with the historical average of 15.9, LSEG data showed. Of the index companies that have reported second-quarter earnings to date, 78.9% have beaten results estimates.

A rotation into smaller-cap stocks has also been eyed, although they did not escape the ripples the megacaps caused: the Russell 2000 was down 0.5%.

In economic data, S&P Global's flash U.S. Composite PMI Output Index showed business activity climbed to a 27-month high in July.

Among others, AT&T gained 4.9% after beating forecasts for wireless subscriber additions, while solar inverter maker Enphase Energy jumped 13.2% after reporting a second-quarter operating profit beat.

Meanwhile, Roper Technologies was set for its worst day in four years, dropping 8.6%, after it signaled third-quarter profit would fall below estimates. Boston Scientific traded 0.8% down, despite lifting its 2024 profit target and beating second-quarter earnings estimates.

(Source: Reuters)

Contract	Close	Change	High	Low
E-Mini Dow SEP 24	40,110.00	-504.00	40,583.00	40,053.00
E-Mini S&P SEP 24	5,472.00	-126.00	5,598.00	5,462.00
E-Mini NASDAQ SEP 24	19,203.25	-721.75	19,983.00	19,168.75
Micro Russell 2K JUN 22	2214.5	-47.5	2274.4	2211.5
USD Nikkei SEP 24	38,175.0	-1,385.0	39,680.00	38,145.00
US Dollar Index	104.37	-0.080	104.56	104.12
DJIA	39,853.87	-504.220	40,258.44	39,807.45
S&P 500	5,435.02	-120.720	5,598.04	5,431.66
NASDAQ	17,342.41	-654.940	17,747.06	17,313.52
Nikkei 225	39,154.85	-439.540	39,643.27	39,096.50
Hang Seng	17,311.05	-158.310	17,516.95	17,251.26
Straits Times	3,460.82	-0.340	3,463.86	3,443.58
DAX	18,387.46	-170.240	18,456.39	18,348.99
CAC	7,513.73	-84.900	7,539.95	7,464.10
FTSE100	8,153.69	-13.680	8,170.68	8,112.03

Historical Volatility	10 Days	30 Days	60 Days	90 Days
E-Mini Dow Futures	16.66	10.57	10.87	10.97
E-Mini S&P Futures	17.09	11.63	10.90	11.16
E-Mini Nasdaq Futures	25.11	21.84	17.97	18.17

U.S. Government Treasuries Yield



COBE Volatility Index (VIX)



Dollar Index



Economic Releases	Period	Survey	Actual	Prior	Revised	
07/24/2024 21:45	S&P Global US Manufacturing PMI	Jul P	51.6	49.5	51.6	--
07/24/2024 21:45	S&P Global US Services PMI	Jul P	54.9	56	55.3	--
07/24/2024 21:45	S&P Global US Composite PMI	Jul P	54.2	55	54.8	--
07/24/2024 22:00	New Home Sales	Jun	640k	617k	619k	621k
07/24/2024 22:00	New Home Sales MoM	Jun	3.40%	-0.60%	-11.30%	-14.90%
07/25/2024 20:30	GDP Annualized QoQ	2Q A	2.00%	--	1.40%	--
07/25/2024 20:30	Personal Consumption	2Q A	2.00%	--	1.50%	--
07/25/2024 20:30	GDP Price Index	2Q A	2.60%	--	3.10%	--
07/25/2024 20:30	Core PCE Price Index QoQ	2Q A	2.70%	--	3.70%	--

E-Mini Dow Index Futures Daily Chart



OH4 Index (D3A HINI e-COT Sep24) DAILY REPORT CHART Daily 23APR2024-24JUL2024 Copyright 2024 Bloomberg Finance L.P. 25-Jul-2024 03:40:49

E-Mini S&P 500 Index Futures Daily Chart



ES4 Index (S&P500 EHNI FUT Sep24) DAILY REPORT CHART Daily 23APR2024-24JUL2024 Copyright 2024 Bloomberg Finance L.P. 25-Jul-2024 03:05:06

E-Mini NASDAQ 100 Index Futures Daily Chart



NQA Index (NASDAQ 100 E-MINI Sep24) DAILY REPORT CHART Daily 23APR2024-24JUL2024 Copyright 2024 Bloomberg Finance L.P. 25-Jul-2024 03:50:22

Micro E-Mini Russell 2000 Index Futures Daily Chart



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Technical Analysis

Dow		S&P	
1st Resistance:	40712	2nd Resistance:	41313
1st Support:	39508	2nd Resistance:	38907
MACD:	304.143	MACD:	22.971799
MACD DIFF:	-1.453	MACD DIFF:	-22.270462
RSI:	49.780	RSI:	40.349731

S&P		Micro Russell	
1st Resistance:	19491.30	2nd Resistance:	19779.35
1st Support:	18915.20	2nd Resistance:	18627.15
MACD:	9.194	MACD:	47.285
MACD DIFF:	-164.717	MACD DIFF:	11.136
RSI:	35.245	RSI:	59.948

Source: Bloomberg

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