

7/21/24[★]

Sunday Dump

WEEKLY NEWSLETTER



Welcome to the Sunday Dump, your weekly 5 minute digest of the most exciting developments in finance, economics and current events.

Markets



Tech Tumble

Markets experienced a rocky week, with the NASDAQ posting its worst day since 2022, a nosedive of 5%, and the S&P falling 3%. But what marked this tumultuous week? A market-wide rotational trade away from tech stocks. A rotational trade, or sector rotation, is where investors move their positions, their money, from one sector to another in anticipation of some economic change. In the case of this rotational trade we are observing, investors are anticipating a likely rate cut from the Federal Reserve in September, with the potential for a following cut later in the year. But how exactly do rate cuts affect the markets? Low interest rates allow companies to borrow and finance more inventory, materials, and equipment than they currently can. Big Tech such as Apple and Microsoft already have an abundance of cash, so borrowing money doesn't happen very often. Therefore, a rate cut won't really affect their businesses. On the other hand, low rates would greatly benefit smaller companies prevalent in the Russell 2000 index, which typically have to borrow money in order to grow. That's why traders pivoted out of big tech and shifted towards small to mid-cap stocks.

Markets continued



Chip Dip

Global chip stocks declined, with Nvidia, ASML, and SMCI all sliding more than 10% this week. Why did people stop reaching into the chip bags? Restrictive trade policies from the looming presidential election.

In an effort to crack down on Chinese chip production, the Biden Administration is considering implementing a foreign direct product rule (FDPR). This FDPR places export restrictions on any sort of American equipment and technology present in chips produced by foreign companies. With the potential lack of access to these key chip materials, global chip stocks sank. Similarly, the Trump campaign stated that Taiwan should pay the US for its defensive efforts. This casts a shadow over the US's commitment to defending Taiwan from Chinese attacks, placing geopolitical pressure on Taiwanese semiconductor heavyweight TSMC, which closed down 12% this week.

Economic Data



Traditionally, 2 percent inflation has served as a benchmark for the Fed to start decreasing rates. But even though inflation hasn't cooled to that target yet, Fed chair Jerome Powell has suggested that as long as there are strong signs that the economy will cool down, the Fed will lower interest rates. High interest rates remain the primary economic focus in the United States right now. With the promising CPI report last week, which showed the inflation rate fall for the first time in almost two years, the prospect of a September rate cut looks promising.

Around the World:

While the United States deals with inflation, China is against the opposite problem: deflation. Tensions with the US and the EU have kept China's exports down while a slumping domestic real estate market has inserted caution into Chinese consumers. Chinese inflation is at a strikingly low 0.2 percent, reflecting its slowing demand.

Crypto



In our first [newsletter](#), we spoke about the SEC delaying the release of a spot Ethereum ETF. This past week, the Chicago Board Options Exchange announced that 5 spot Ethereum ETFs will be listed on their exchange starting this Tuesday, July 23rd. But what's the difference between buying an Ethereum token and buying any of these ETFs? When you buy an Ethereum token, you have to create a crypto wallet and buy directly off the [blockchain](#). You can use this token to make transactions on the blockchain which can include sending a token to someone else. However, you deal with fees every time you make a transaction with this token.

When you invest in the spot ETF, you avoid a complicated process because it's like buying any other ETF. You pay lower fees, and many of the ETF issuers are considering waiving their fees, for now, in order to gain attention and market share. This makes investing in cryptocurrency cheaper (in terms of fees) and easier than ever before. It's important to note that since institutions must buy Ethereum to fill up their ETFs, we may see the price of Ethereum increase due to high demand.

[Learn more about blockchain](#)

Stock of the Week



UnitedHealth Group (UNH) experienced significant stock activity over the past week, ending at \$564, which marks a nearly \$50 increase and approximately a 10% rise. Additionally, the stock is up about 18% over the past month, indicating strong market performance and investor confidence. In Q2 2024, UNH reported earnings per share ([EPS](#)) of \$6.80, surpassing analyst estimates of \$6.66, with revenue reaching \$98.9 billion, a 6.4% increase from the previous year. The company's P/E ratio stands at 37.42, and it has a market capitalization of \$520.32 billion. The company managed to maintain its annual guidance despite financial impacts from a significant cyberattack and Medicaid headwinds. The company's strategic approach to member growth, stability in its Medical Care Ratio, and profitability in its Optum segment highlight its strong position in the healthcare industry.

Sunday Dump

Upcoming Week...

WEEK OF 7/21/24

Monday

Tuesday

- \$GM Earnings
- \$KO Earnings

Wednesday

- Flash Manufacturing PMI

Thursday

- Advance GDP q/q
- Unemployment Claims

Friday

- Core PCE Price Index m/m

Sat-Sun

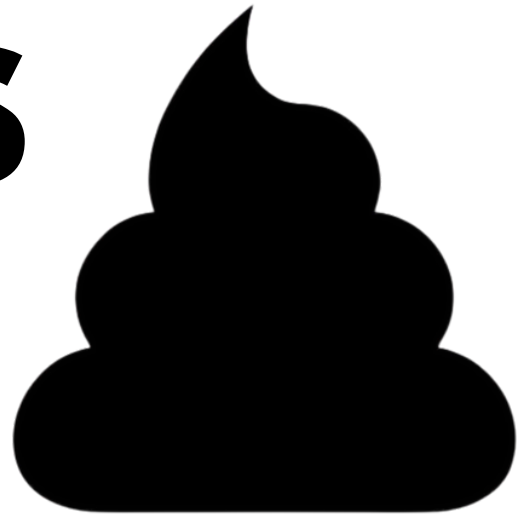
- Sunday Dump Seminar

● Key Economic Data

● Key Stock Events

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Thanks for reading



SUNDAY DUMP'S WEEKLY
NEWSLETTER

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