

■ First to Market

July 18, 2024

All Part of the Plan?

A daily market update from FS Insight – what you need to know ahead of opening bell

Today's First To Market was published with a delay due to a technical issue.

We apologize for the inconvenience.

“Raymond Shaw is the kindest, bravest, warmest, most wonderful human being I’ve ever known in my life.” – *The Manchurian Candidate*

Overnight

Nasdaq slides on shift from tech to small-caps, as does the S&P 500, while the Dow gains [Barron's](#)

Biden seriously considering proposing major Supreme Court changes [ABC](#)

Bloomberg's interview with the Republican presidential nominee on his economic plans [BBG](#)

Trump says Powell should not cut rates until election passes [Barron's](#)

U.S. crude oil inventories fall for third straight week [WSJ](#)

Google, Microsoft help Chinese firms skirt ban on Nvidia chips [I](#)

China deploys censors to create socialist AI [ET](#)

Novo Nordisk and Eli Lilly shares slide on new obesity drug trial from Roche [CNBC](#)



Biden administration will give GlobalWafers \$400 million in chips grants to expand semiconductor production in Texas and Missouri [WH](#)

\$5 billion from the bipartisan infrastructure law to go toward repairing or replacing large bridges across 13 states [TG](#)

Intel and GlobalFoundries avoided the semiconductor sector's worst selloff in four years, could benefit from potential semiconductor-industry restrictions on China and Taiwan [MW](#)

Nvidia, AMD are among the chip stocks falling on China fears, but it's no cause for panic [MW](#)

Prosecutors push for arrest of tech billionaire at centre of K-pop bidding battle [FT](#)

Ex-Goldman Sachs associate gets 28 months in insider trading case [BBG](#)

Warburg Pincus names Jeffrey Perlman CEO, succeeding Chip Kaye [RT](#)

Morgan Stanley sells \$8 billion of bonds as demand soars [BBG](#)

Capital One pledges \$265 billion in lending, philanthropy as it tries to clinch Discover deal [RT](#)

IRS sweetens offer for land tax-break deals it has blasted [WSJ](#)

Prologis says demand for data centers is boosting the industrial property outlook [WSJ](#)

Data breaches highlight lack of basic cyber controls [WSJ](#)

Anthropic launches \$100M AI fund together with Menlo Ventures [CNN](#)

TSMC's net sales are up 40% YoY to NT\$ 673.5B (\$20.6B) in Q2 [CNBC](#)

Cybersecurity startup funding is up 144% YoY to \$4.2B in Q2 [CB](#)

Beyond Meat engages bondholders for restructuring talks [WSJ](#)

Natural disasters are costing U.S. households, Fed finds [WSJ](#)

The India-Russia relationship is less than meets the eye [WSJ](#)

Chart of the Day

SMALL-CAPS: Look at the Oct to Dec 2023 rally



MARKET LEVELS

Overnight

S&P Futures **+16 ▲** point(s) **(+0.3% ▲)**
 overnight range: **-1 ▼** to **+25 ▲** point(s)



APAC

Nikkei -2.36% ▼
Topix -1.60% ▼
China SHCOMP +0.48% ▲
Hang Seng +0.22% ▲
Korea -0.67% ▼
Singapore -0.53% ▼
Australia -0.27% ▼
India +0.76% ▲
Taiwan -1.56% ▼

Europe

Stoxx 50 +0.56% ▲
Stoxx 600 +0.57% ▲
FTSE 100 +0.77% ▲
DAX +0.34% ▲
CAC 40 +0.96% ▲
Italy +0.95% ▲
IBEX +0.90% ▲

FX

Dollar Index (DXY) +0.11% ▲ to 103.86
EUR/USD -0.13% ▼ to 1.0925
GBP/USD -0.21% ▼ to 1.2982
USD/JPY -0.12% ▼ to 156.38
USD/CNY +0.05% ▲ to 7.2585
USD/CNH +0.00% ▲ to 7.2717
USD/CHF -0.03% ▼ to 0.8837
USD/CAD +0.02% ▲ to 1.3680
AUD/USD +0.10% ▲ to 0.6736



UST Term Structure

2Y-3 ▼M Spread widened 1.2bps to **-90.0bps ▼**

10Y-2 ▼Y Spread widened 1.1bps to **-27.1bps ▼**

30Y-10 ▼Y Spread widened 0.3bps to 21.8bps

Yesterday's Recap

SPX **-1.39% ▼**

SPX Eq Wt **-0.41% ▼**

NASDAQ 100 **-2.94% ▼**

NASDAQ Comp **-2.77% ▼**

Russell Midcap **-0.87% ▼**

R2k **-1.06% ▼**

R1k Value **+0.17% ▲**

R1k Growth **-2.82% ▼**

R2k Value **-0.13% ▼**

R2k Growth **-1.97% ▼**

FANG+ **-3.27% ▼**

Semis **-7.12% ▼**

Software **-2.18% ▼**

Biotech **-2.01% ▼**

Regional Banks **+1.21% ▲** SPX GICS1 Sorted: Tech **-3.72% ▼**

Comm Srvcs **-2.09% ▼**

Cons Disc **-1.80% ▼**

SPX **-1.39% ▼**

Indu **-1.30% ▼**

Materials **-0.20% ▼**

Utes **+0.04% ▲**

Healthcare **+0.48% ▲**

REITs **+0.81% ▲**

Fin **+0.85% ▲**



Energy +1.08% ▲

Cons Staples +1.43% ▲

USD HY OaS

- All Sectors -1.3bps ▼ to 353bps
- All Sectors ex-Energy -1.3bps ▼ 327bps
- Cons Disc -1.2bps ▼ 284bps
- Indu -1.2bps ▼ 250bps
- Tech -1.0bps ▼ 387bps
- Comm Srvcs -2.4bps ▼ 662bps
- Materials -0.9bps ▼ 315bps
- Energy -1.5bps ▼ 267bps
- Fin Snr -1.9bps ▼ 313bps
- Fin Sub -2.3bps ▼ 227bps
- Cons Staples -0.6bps ▼ 297bps
- Healthcare +0.0bps ▲ 381bps
- Utes -1.2bps ▼ 214bps *

DATE	TIME	DESCRIPTION	ESTIMATE	LAST
7/18	4:00 PM	May Net TIC Flows	n/a	66.198
7/23	10:00 AM	Jun Existing Home Sales	3.96	4.11
7/23	10:00 AM	Jun Existing Home Sales m/m	-3.76	-0.72
7/24	9:45 AM	Jul P S&P Manu PMI	n/a	51.6
7/24	9:45 AM	Jul P S&P Srvcs PMI	n/a	55.3
7/24	10:00 AM	Jun New Home Sales	640	619
7/24	10:00 AM	Jun New Home Sales m/m	3.4	-11.3

MORNING INSIGHT

Good morning!



We want to re-emphasize that this is the summer of Small-caps, with an expected 10-week rally of 40% or more. Mark Newton also sees a Technology breather (DeMark 13 sells confirmed), fueling this rotation out of Technology to Small-caps, regional banks, and Biotech: \$IWM \$KRE \$BTK.

More in today's Macro Minute Video linked [HERE](#).

TECHNICAL

U.S. Equity indices remain within established uptrends despite Wednesday's sharp pullback to three-day lows. While Technology bore the brunt of this selling, the broader market held up much better, with six sectors higher on the day and REITS, Energy, Financials, and Staples all finishing higher by more than +0.50%. The U.S. Dollar and Yields are both headed lower, as DXY officially broke \$104 today and should eventually prove bullish for Emerging markets and Commodities. The post-expiration selloff looks to have gotten underway earlier than expected. However, given that breadth levels have improved markedly and there looks to be solid evidence of the "great rotation" getting underway, we expect this deterioration to prove short-lived and buyable, likely into end of week, or next week at a maximum. SPX should not fall under 5500 before turning back up to push to 5800. Meanwhile, QQQ has strong support between 473-475.

Click [HERE](#) for more.

CRYPTO



Grayscale has announced the creation of the Grayscale Decentralized AI Fund, seeking to provide investors with exposure to protocols in the crypto artificial intelligence sector.

Grayscale believes decentralized AI leveraging blockchain technology can help mitigate the risks emerging with the proliferation of centralized AI services by distributing ownership and governance. The fund will consist of decentralized AI assets falling into three categories: protocols building decentralized AI services such as chatbots and generative AI, projects attempting to solve centralized AI problems like deep fakes and misinformation, and underlying infrastructure critical to AI development, including data marketplaces and storage solutions. The current assets included in the fund include Bittensor (#TAO), Filecoin (#FIL), Livepeer (#LPT), Near (#NEAR), and Render (#RNDR), with each asset's weighting seen below.

After months of negotiations, the CFTC and FTX Bankruptcy Estate have agreed to a \$12.7 billion settlement, pending approval from a judge. The CFTC has agreed to receive nothing from the estate if FTX complies with its reorganization plan, foregoing the pursuit of a monetary penalty in light of FTX insiders' convictions and its desire to accelerate FTX's emergence from Chapter 11. Of the \$12.7 billion, \$8.7 billion is defined as restitution, with the other \$4 billion serving as disgorgement, subordinated to prior payment of all creditors. The settlement allows the estate to focus on its May reorganization plan, in which creditors would receive at least 118% of their reported claims upon court approval. Some creditors have opposed the plan, favoring receiving lost assets in-kind, which would likely equate to higher amounts, with all creditors' votes due by August 16th. A hearing regarding the proposed settlement is set for August 6th, and a court decision on the repayment plan is due in October.

Click [HERE](#) for more.

First News

Manchurian-Style. A company called Austin Private Wealth LLC, with ~\$1 Billion in assets under management, shorted 12,000,000 shares of \$DJT via a put option on July 12th – *the day before the assassination attempt* on Donald Trump. This was by far – roughly an order of magnitude – the largest put placed. [X](#)

In the meantime, The prospect of Trump's return is dominating the European Security Summit now taking place. A prominent conservative foreign policy expert views the approach of Trump-Vance as a chance for Europe to strengthen its own defense capabilities, leading to less European reliance on U.S. security guarantees – a real opportunity for Europe to move away from a dependency model of alliances, where the focus is always on Washington's actions.

At the same event, EU Ambassador to the US Jovita Neliupšienė cautioned against potential future trade barriers between the US and EU, arguing they could hinder efforts to reduce economic ties with China. Notable attendees included Taiwan's de facto ambassador to the U.S., Alexander Tah-ray Yui, who expressed his view that the recent attempt on Trump's life should be seen as a moment for American unity. [Semafor](#), [WSJ](#)

Aiming for Edison. Anthropic, an AI company, is partnering with Menlo Ventures to create a \$100 million fund supporting startups that use Anthropic's technology. The fund, named Anthology, will see Menlo Ventures providing the investment capital while Anthropic offers \$25,000 in credits for its large language models to each startup, plus coaching, quarterly meetups, and direct support – but won't take equity. This is redolent of the cloud-computing credits that Microsoft offered OpenAI as part of their partnership earlier this year.

The model is similar to Apple's iFund, which supports developers on Apple's platforms. Competing with OpenAI's \$175 million Startup Fund it aims to create a feedback loop for Anthropic to enhance its products. Some context: AI startup funding exceeded \$24 billion in Q2, so this is small change hoping for big change. The ecosystem of coaching and other support will prove at least as important as the money the startups will get. [CNBC](#)

Disclosures

This research is for the clients of FS Insight only. FSI Subscription entitles the subscriber to 1 user, research cannot be shared or redistributed. For additional information, please contact your sales representative or FS Insight at fsinsight.com.

Conflicts of Interest

This research contains the views, opinions and recommendations of FS Insight. At the time of publication of this report, FS Insight does not know of, or have reason to know of any material conflicts of interest.

General Disclosures

FS Insight is an independent research company and is not a registered investment advisor and is not acting as a broker dealer under any federal or state securities laws.

FS Insight is a member of IRC Securities' Research Prime Services Platform. IRC Securities is a FINRA registered broker-dealer that is focused on supporting the independent research industry. Certain personnel of FS Insight (i.e. Research Analysts) are registered representatives of IRC Securities, a FINRA member firm registered as a broker-dealer with the Securities and Exchange Commission and certain state securities regulators. As registered representatives and independent contractors of IRC Securities, such personnel may receive commissions paid to or shared with IRC Securities for transactions placed by FS Insight clients directly with IRC Securities or with securities firms that may share commissions with IRC Securities in accordance with applicable SEC and FINRA requirements. IRC Securities does not distribute the research of FS Insight, which is available to select institutional clients that have engaged FS Insight.

As registered representatives of IRC Securities our analysts must follow IRC Securities' Written Supervisory Procedures. Notable compliance policies include (1) prohibition of insider trading or the facilitation thereof, (2) maintaining client confidentiality, (3) archival of electronic communications, and (4) appropriate use of electronic communications, amongst other compliance related policies.

FS Insight does not have the same conflicts that traditional sell-side research organizations have because FS Insight (1) does not conduct any investment banking activities, and (2) does not manage any investment funds.

This communication is issued by FS Insight and/or affiliates of FS Insight. This is not a personal recommendation, nor an offer to buy or sell nor a solicitation to buy or sell any securities, investment products or other financial instruments or services. This material is distributed for general informational and educational purposes only and is not intended to constitute legal, tax, accounting or investment advice. The statements in this document shall not be considered as an objective or independent explanation of the matters. Please note that this document (a) has not been prepared in accordance with legal requirements designed to promote the independence of investment research, and (b) is not subject



to any prohibition on dealing ahead of the dissemination or publication of investment research. Intended for recipient only and not for further distribution without the consent of FS Insight.

This research is for the clients of FS Insight only. Additional information is available upon request. Information has been obtained from sources believed to be reliable, but FS Insight does not warrant its completeness or accuracy except with respect to any disclosures relative to FS Insight and the analyst's involvement (if any) with any of the subject companies of the research. All pricing is as of the market close for the securities discussed, unless otherwise stated. Opinions and estimates constitute our judgment as of the date of this material and are subject to change without notice. Past performance is not indicative of future results. This material is not intended as an offer or solicitation for the purchase or sale of any financial instrument. The opinions and recommendations herein do not take into account individual client circumstances, risk tolerance, objectives, or needs and are not intended as recommendations of particular securities, financial instruments or strategies. The recipient of this report must make its own independent decision regarding any securities or financial instruments mentioned herein. Except in circumstances where FS Insight expressly agrees otherwise in writing, FS Insight is not acting as a municipal advisor and the opinions or views contained herein are not intended to be, and do not constitute, advice, including within the meaning of Section 15B of the Securities Exchange Act of 1934. All research reports are disseminated and available to all clients simultaneously through electronic publication to our internal client website, fsinsight.com. Not all research content is redistributed to our clients or made available to third-party aggregators or the media. Please contact your sales representative if you would like to receive any of our research publications.

Copyright © 2024 FS Insight LLC. All rights reserved. No part of this material may be reprinted, sold or redistributed without the prior written consent of FS Insight LLC.