

■ First to Market

August 5, 2024

... Is A Virtue

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

“Virtue does not come from wealth, but wealth, and every other good thing which men have, comes from virtue.” – Socrates

Over the Weekend

Global selloff intensifies; Nasdaq futures slide over 4% [WSJ](#)

Oil prices sharply lower as global stock-market rout sparks selling [WSJ](#)

Lousy jobs report forces Fed to reckon with hard landing [WSJ](#)

Apple stock leads Big Tech drop; worries about an AI bubble are back [WSJ](#)

Warren Buffett accelerates de-risking of Berkshire's stock portfolio, dumping Apple [SA](#)

The Nikkei's 4,451-point loss was the biggest ever, eclipsing the 3,836 points it lost on Oct. 20, 1987, when the Black Monday crash hit Japan [Axios](#)

Taiwan's stock market crashes to worst day in 57 years [BBG](#)

Hurricane Debby, a Category 1 storm, is nearing landfall, with the eyewall moving onshore in the Florida Big Bend area [CNN](#)

Wall Street's fear gauge, the VIX, is trading at levels not seen since June 2020 [BBG](#)

Nvidia shares tumble in pre-market trading after report of production delay [TI](#)

Fannie, Freddie poised to tighten real-estate lending rules [WSJ](#)



Morgan Stanley allows financial advisors to offer Bitcoin ETFs [TI](#)

Mars in advanced talks to buy Cheez-It, Eggo maker Kellanova [WSJ](#)

A 20-year-old was detained at the Lukeville port of entry after attempting to transport around 4 million fentanyl pills weighing more than 1,000 pounds [CNN](#)

Ecstasy drug trials missed suicidal thoughts of subjects [WSJ](#)

Iran warns pilots to avoid airspace as Middle East awaits attack [WSJ](#)

Plea deals for 9/11 defendants revoked, leaving cases in limbo [WSJ](#)

IDF eliminates Hamas's economy minister, who served as an operative in the terrorist organization's manufacturing division, increasing its weapons capabilities and liaising with other terror organizations [X](#)

Ukraine claims sinking of Russian submarine in missile strike [WSJ](#)

Ukraine confirmed that F-16 fighter jets have arrived in the country for the first time since Russia's invasion began [RT](#)

Bangladesh PM resigns after weeks of protests [WSJ](#)

Tight job market delivered widespread rewards; they are at risk [WSJ](#)

The 401(k) investors convinced that target-date funds miss the mark [WSJ](#)

Thrive Capital raises \$5 billion for venture funds on heels of OpenAI bet [WSJ](#)

Judge questions Tesla's argument for restoring Musk's pay package [WSJ](#)

From venture capital to a shocking Olympic gold: the wild ride of an American cyclist [WSJ](#)

Noah Lyles won Olympic gold in the 100-meter dash, ending a 20-year drought in the event for Team USA [CNN](#)

Michigan's Alma Cooper, a U.S. Army officer, was named Miss USA on Sunday, becoming the third person to hold the title this year [CNN](#)

Chart of the Day

RUSSELL 2000: At support...



MARKET LEVELS

Overnight

S&P Futures **-237 ▼** point(s) (**-4.4% ▼**)
 overnight range: **-248 ▼** to **-31 ▼** point(s)

APAC

Nikkei **-12.40% ▼**
 Topix **-12.23% ▼**
 China SHCOMP **-1.54% ▼**
 Hang Seng **-1.46% ▼**
 Korea **-8.77% ▼**



Singapore -4.07% ▼

Australia -3.70% ▼

India -2.68% ▼

Taiwan -8.35% ▼

Europe

Stoxx 50 -3.40% ▼

Stoxx 600 -3.50% ▼

FTSE 100 -3.05% ▼

DAX -3.46% ▼

CAC 40 -2.81% ▼

Italy -3.98% ▼

IBEX -3.41% ▼

FX

Dollar Index (DXY) -0.78% ▼ to 102.40

EUR/USD +0.59% ▲ to 1.0975

GBP/USD -0.35% ▼ to 1.2756

USD/JPY +3.16% ▲ to 142.04

USD/CNY +0.77% ▲ to 7.1175

USD/CNH +1.06% ▲ to 7.0885

USD/CHF +1.69% ▲ to 0.8447

USD/CAD +0.28% ▲ to 1.3834

AUD/USD -1.04% ▼ to 0.6443

UST Term Structure

2Y-3 ▼M Spread narrowed -13.2bps ▼ to -143.9bps ▼

10Y-2 ▼Y Spread widened 10.0bps to 0.6bps

30Y-10 ▼Y Spread widened 2.4bps to 33.9bps



Yesterday's Recap

SPX	-1.84%	▼
SPX Eq Wt	-1.72%	▼
NASDAQ 100	-2.38%	▼
NASDAQ Comp	-2.43%	▼
Russell Midcap	-2.09%	▼
R2k	-3.52%	▼
R1k Value	-1.72%	▼
R1k Growth	-2.14%	▼
R2k Value	-3.38%	▼
R2k Growth	-3.66%	▼
FANG+	-2.87%	▼
Semis	-5.45%	▼
Software	-3.34%	▼
Biotech	-2.23%	▼
Regional Banks	-3.31%	▼
SPX GICS1 Sorted: Cons Disc	-4.61%	▼
Fin	-2.42%	▼
Energy	-2.26%	▼
Indu	-2.20%	▼
Tech	-1.99%	▼
Comm Svcs	-1.92%	▼
Materials	-1.88%	▼
SPX	-1.84%	▼
Healthcare	-0.21%	▼
REITs	+0.09%	▲
Utes	+0.14%	▲
Cons Staples	+0.86%	▲

USD HY 0aS

All Sectors	+20.6bps	▲	to 422bps
All Sectors ex-Energy	+19.2bps	▲	397bps
Cons Disc	+27.1bps	▲	337bps



Indu +17.3bps ▲ 332bps
 Tech +19.8bps ▲ 437bps
 Comm Svcs +21.6bps ▲ 719bps
 Materials +15.7bps ▲ 402bps
 Energy +19.1bps ▲ 355bps
 Fin Snr +17.2bps ▲ 389bps
 Fin Sub +16.4bps ▲ 267bps
 Cons Staples +18.2bps ▲ 377bps
 Healthcare +20.8bps ▲ 470bps
 Utes +17.9bps ▲ 287bps *

DATE	TIME	DESCRIPTION	ESTIMATE	LAST
8/5	9:45 AM	Jul F S&P Srvcs PMI	56	56
8/5	10:00 AM	Jul ISM Srvcs PMI	51	48.8
8/6	8:30 AM	Jun Trade Balance	-72.5	-75.071

MORNING INSIGHT

Good morning!

The tumult of the last 3 days has done technical damage to markets. Still, this has not changed our overall stance. August, historically, is a tough month, but we see small-caps outperforming in the near term, and our work continues to point to S&P 500 seeing solid gains in 2H – but after Sept.

Click [HERE](#) for more.

TECHNICAL



Big breakdowns in SPX and QQQ were not followed by large breakdowns in Equal-weighted SPX and/or many of the sectors outside of Technology. Key issues seem to be the severity of the USDJPY and 2-Year yield declines, while the U.S. Dollar began a meaningful decline given Friday's weakness. Economic data seems to have precipitated this recent severe drop in the U.S. Dollar and Treasury yields. However, it's hard to see long-term yields move too much lower in the short-run. Small-caps underperformed sharply this past week, but we feel that Small-caps should remain an area of focus between now and mid-September. Interestingly enough, three separate sectors rose to new all-time highs in the last week: Industrials and Financials on an Equal-weighted basis, while Healthcare's XLV just made its own all-time high. Given the break of SPX 5390, bounces early next week likely still could face selling pressure into late next week as the Cycle composite suggests a mid-August low should be in place. However, we're reluctant to give much credence to the idea that a larger market peak is upon us. While the "Tech Wreck" has proven violent, most of the other parts of the broader market remain in good shape.

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CRYPTO

Morpho Labs, the development company behind [Morpho](#), a decentralized lending protocol, raised \$50 million in a strategic round led by Ribbit Capital, with participation for a16z, Coinbase Ventures, Variant, Pantera, Brevan Howard and other notable names. The funding will be used to expand Morpho's ecosystem and support grants for contributors and become the most trusted infrastructure across defi.



Morpho currently has two main products: Morpho Blue and Morpho Optimizers. Morpho Blue is the current version of its lending protocol, which allows for permissionless lending and borrowing. Morpho Optimizers was the first version of the protocol, which was built on top of other lending protocols like Aave and Compound to optimize rates among defi users while maintaining the same liquidity and risk parameters.

Lending and borrowing are two of the critical activities that fuel financial markets, adding leverage to the system and allowing investors to take advantage of rate differentials. From there, savvy market participants can build structured products by combining different strategies. Morpho is evolving beyond a pure application into an infrastructure layer, allowing investors or protocols to create structured products on its foundational protocols. Morpho already has multiple “vaults” managed by professional investors that provide different risk and return profiles, providing investors with simplified defi strategies. Morpho has seen impressive traction in a short period, nearly tripling its TVL since the start of the year to over \$1.7 billion.

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First News

Gravity's Rainbow. On the heels of Friday's report about the dangers that seabed warfare can pose to the undersea fiber-optic cables that are essential to global communication, we have identified the world's largest suppliers of electric cables – crucial to transmitting electricity in an increasingly greening industrial world. The company is called Nexans, and its factory in Halden, Norway is very busy these days, as long-distance transmission and direct-current power are needed in ever larger quantities. A kilometer of cable from Nexans costs €1 million (\$1.1 million), and is selling like pannekaken, the local version of hot cakes. Nexans occupies the tallest building in the country, at 50 floors high, so that the cable stays straight through the use of gravity alone as it's being insulated – perhaps a bit of welcome news on a day when markets worldwide are seem to be in free fall, and a reminder that, whether it's through the 85 basis points worth of easing by the Fed this year that's priced in by swaps traders, or by a combination of other methods, while market gravity does its work, we are all awaiting a measure of insulation. (Nexans' capacity is sold out until 2028, and other companies are reporting backlogs of 12 years.) [Bloomberg](#)

Rope-a-Dope. In related news, some have likened the recent run-up in the S&P 500 and other indices to a market on steroids, and now view the current correction as justified. At the same time, there is hope for optimists in the Olympics-appropriate example of track and field records. The Cold War doping era produced seemingly unbeatable records in the shot put, hammer throw, and discus. Fueled by performance-enhancing substances, these achievements remained out of reach for clean athletes for decades. A prime example is Soviet athlete Yuriy Sedykh's 1986 hammer throw of 86.74 meters, a record that still stands. Still, recent developments in training techniques and technology have begun to challenge these long-standing records. Just this April, a Canadian hammer thrower came within 2.44 meters (~8 feet) of Sedykh's record. Then, a Lithuanian athlete broke the discus record in the same month. All of which seems to suggest that, with enough patience and clearheadedness, even the most formidable records of the past may be within reach soon enough. [WSJ](#)

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