

■ First to Market

August 7, 2024

## Not All Bad

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

“Some things are in our control, and others are not. Things in our control are opinion, pursuit, desire, aversion, and, in a word, whatever are our own actions. Things not in our control are body, property, reputation, command, and, in one word, whatever are not our own actions.” – Epictetus

### Overnight

Dow, S&P 500 rise after global selloff; Japan’s Nikkei jumps 10% [WSJ](#)

A ‘textbook turnaround Tuesday’ doesn’t mean the meltdown is over [BBG](#)

The dollar/yen exchange rate rebounds 4% from Monday’s 7-month low to reclaim a foothold above 147 [RT](#)

This doesn’t look like a recession; here’s how one could happen [WSJ](#)

Airbnb shares fall on earnings miss [Barron’s](#)

Left behind in the retail real-estate comeback: department stores [WSJ](#)

Domino’s downgrades forecast after deliveries fall [FT](#)

Uber says consumer spending has ‘never been stronger’ as profits jump [FT](#)

Super Micro earnings: A stock split is on the way, but shares are falling [MW](#)

Saudi Aramco to pay out \$124bn as it says oil demand underestimated [FT](#)

Klarna weighs secondary share sale ahead of IPO [II](#)



SoftBank's latest big purchase could be one of its best [WSJ](#)

Saudi Aramco to pay out \$124bn as it says oil demand underestimated [FT](#)

Saudi PIF poured \$750 million into depleted AR firm Magic Leap [BBG](#)

KKR nears \$800mn deal to acquire corporate PR firm from WPP [FT](#)

KKR founders sued for allegedly getting giant payday for no work [WSJ](#)

Equity residential buys apartment portfolio for nearly \$1 billion [WSJ](#)

Disney raises prices of most streaming plans [WSJ](#)

Disney posts first-ever streaming profit, warns of pressure on theme-parks business [WSJ](#)

The EPA used its emergency suspension authority for the first time in 40 years to issue an emergency suspension of the common weedkiller DCPA, also known as Dacthal, citing risks to unborn children [CNN](#)

Florida's space coast braces for impact – from Elon Musk [WSJ](#)

The next world's tallest building could be a 3,000-foot-high battery [CNN](#)

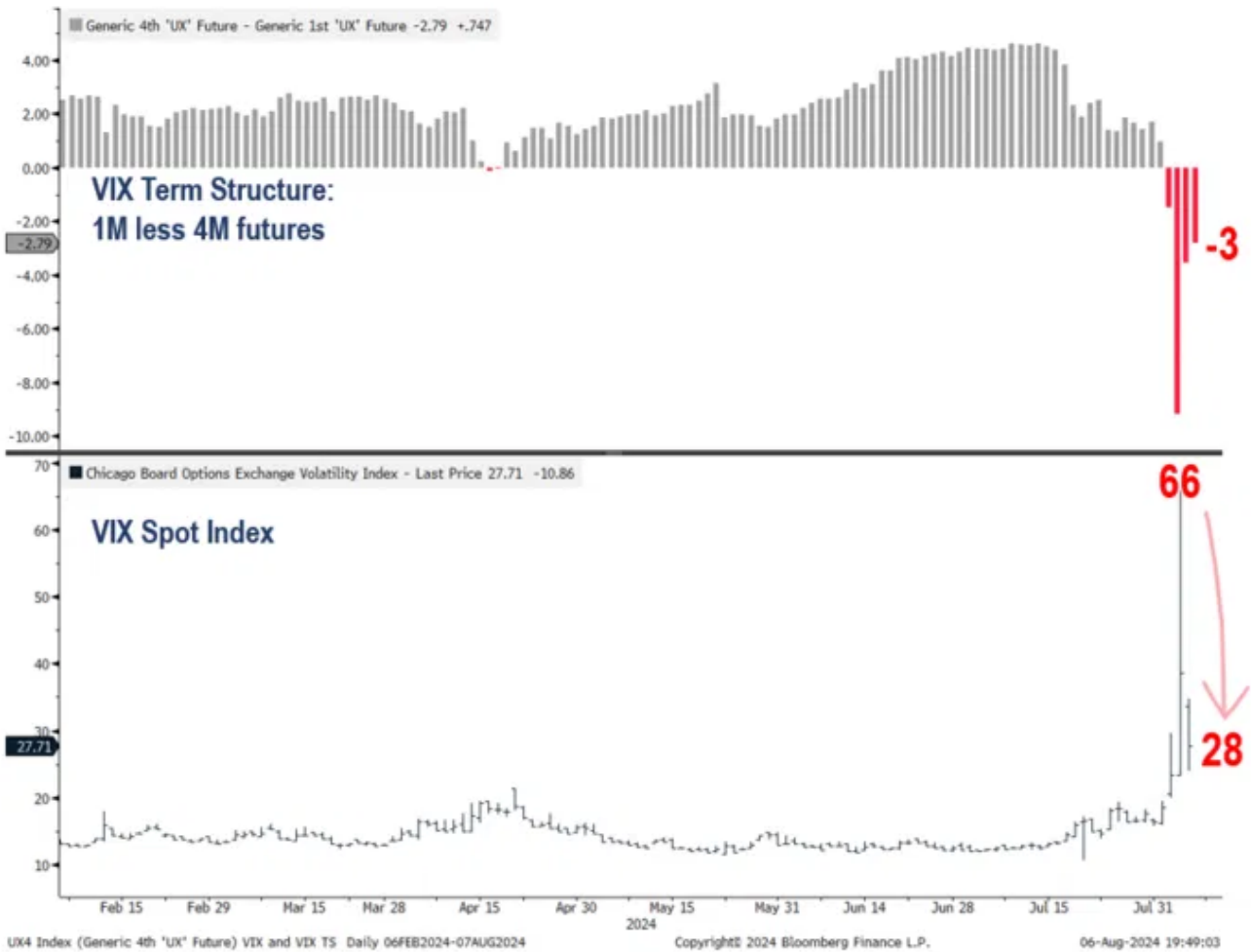
EV fire prompts parking garage bans, safety fears in Korea [BBG](#)

Judge denies Harvard's request to drop lawsuit over antisemitism on campus [WSJ](#)

The Treasury market scandal hiding in plain sight [MW](#)

## Chart of the Day

## VIX: Reversing from 3<sup>rd</sup> highest ever reading



## MARKET LEVELS

### Overnight

S&P Futures +60 ▲ point(s) (+1.1% ▲)  
Overnight range: -30 ▼ to +61 ▲ point(s)

### APAC



Nikkei +1.19% ▲  
Topix +2.26% ▲  
China SHCOMP +0.09% ▲  
Hang Seng +1.38% ▲  
Korea +1.83% ▲  
Singapore +1.6% ▲  
Australia +0.25% ▲  
India +1.19% ▲  
Taiwan +3.87% ▲

## Europe

Stoxx 50 +1.62% ▲  
Stoxx 600 +1.21% ▲  
FTSE 100 +0.78% ▲  
DAX +1.24% ▲  
CAC 40 +1.53% ▲  
Italy +1.76% ▲  
IBEX +1.48% ▲

## FX

Dollar Index (DXY) +0.27% ▲ to 103.25  
EUR/USD -0.17% ▼ to 1.0912  
GBP/USD +0.09% ▲ to 1.2702  
USD/JPY +2.09% ▲ to 147.35  
USD/CNY +0.39% ▲ to 7.184  
USD/CNH +0.45% ▲ to 7.1911  
USD/CHF +1.27% ▲ to 0.8623  
USD/CAD -0.23% ▼ to 1.3753  
AUD/USD +0.64% ▲ to 0.6562

## Crypto



BTC +1.68% ▲ to 57522.98  
ETH +1.52% ▲ to 2527.52  
XRP +1.25% ▲ to 0.5166  
Cardano +1.81% ▲ to 0.3383  
Solana +6.63% ▲ to 154.04  
Avalanche +2.5% ▲ to 21.42  
Dogecoin +4.24% ▲ to 0.1009  
Chainlink +3.17% ▲ to 10.38

### Commodities and Others

VIX -16.13% ▼ to 23.24  
WTI Crude +0.89% ▲ to 73.85  
Brent Crude +0.85% ▲ to 77.13  
Nat Gas +1.84% ▲ to 2.05  
RBOB Gas -0.15% ▼ to 2.323  
Heating Oil +0.73% ▲ to 2.313  
Gold +0.21% ▲ to 2395.78  
Silver -0.01% ▼ to 26.98  
Copper -1.24% ▼ to 3.977

### US Treasuries

1M +0.4bps ▲ to 5.333%  
3M +1.5bps ▲ to 5.215%  
6M +0.3bps ▲ to 4.9451%  
12M -4.8bps ▼ to 4.4477%  
2Y +4.9bps ▲ to 4.024%  
5Y +4.3bps ▲ to 3.7741%  
7Y +4.1bps ▲ to 3.8239%  
10Y +4.2bps ▲ to 3.9335%  
20Y +4.2bps ▲ to 4.3135%  
30Y +4.3bps ▲ to 4.2223%



## UST Term Structure

2Y-3 ▼M Spread widened 2.1bps to -121.2 ▼ bps

10Y-2 ▼Y Spread narrowed 0.7bps to -9.5 ▼ bps

30Y-10 ▼Y Spread widened 0.1bps to 28.7 bps

## Yesterday's Recap

SPX +1.04% ▲

SPX Eq Wt +1.03% ▲

NASDAQ 100 +1.02% ▲

NASDAQ Comp +1.03% ▲

Russell Midcap +1.17% ▲

R2k +1.23% ▲

R1k Value +0.86% ▲

R1k Growth +1.2% ▲

R2k Value +1.03% ▲

R2k Growth +1.44% ▲

FANG+ +1.31% ▲

Semis +1.95% ▲

Software +1.5% ▲

Biotech +1.08% ▲

Regional Banks +0.23% ▲ SPX GICS1 Sorted: REITs +2.3% ▲

Fin +1.46% ▲

Comm Svcs +1.22% ▲

Indu +1.18% ▲

Tech +1.11% ▲

Cons Disc +1.04% ▲

SPX +1.04% ▲

Utes +0.82% ▲

Materials +0.56% ▲

Cons Staples +0.55% ▲



Healthcare +0.48% ▲

Energy +0.4% ▲

### USD HY OaS

- All Sectors -10.3bp ▼ to 407bp
- All Sectors ex-Energy -13.7bp ▼ to 381bp
- Cons Disc +20.4bp ▲ to 355bp
- Indu -20.5bp ▼ to 303bp
- Tech -22.3bp ▼ to 410bp
- Comm Srvcs -24.4bp ▼ to 695bp
- Materials -15.2bp ▼ to 382bp
- Energy -19.6bp ▼ to 331bp
- Fin Snr -19.2bp ▼ to 364bp
- Fin Sub -4.2bp ▼ to 255bp
- Cons Staples -18.1bp ▼ to 346bp
- Healthcare -17.9bp ▼ to 445bp
- Utes -16.1bp ▼ to 258bp \*

DATE	TIME	DESCRIPTION	ESTIMATE	LAST
8/12	11AM	Jul NYFed 1yr Inf Exp	n/a	3.02
8/13	6AM	Jul Small Biz Optimisum	91.5	91.5
8/13	8:30AM	Jul PPI m/m	0.2	0.2
8/13	8:30AM	Jul Core PPI m/m	0.2	0.4

## MORNING INSIGHT

Good morning!

After a crushing 3 consecutive days of selling, equity markets managed to rally strongly Tuesday. To us, this is very constructive and strongly supports the idea that the “worst of the selling is behind us.”



- August historically is a bad month (39% win-ratio, as we noted) but with the S&P 500 down -3% in just the first trading day (Monday), we wonder if stocks could climb the rest of the month. Thus, the “badness” is front-loaded.
- The VIX closed at 28 Tuesday, down from 66 peak intraday Monday. And that Monday reading was the 3rd highest ever, after the GFC and after COVID panic lows. So there was certainly a lot of anxiety built over 3 days.

Click [HERE](#) for more.

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## TECHNICAL

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Tuesday’s gains looked constructive given that breadth picked up quite a bit on this broad-based rise, and signaled a greater than 4/1 Advance/Decline along with a similar ratio of volume into advancing vs. declining issues.

To speak about this on a more granular level, all 11 sectors rose more than 1% on the day, and 5 sectors out of 11 rose more than 2% – a pretty constructive bounce, directly following Monday’s huge down day and VIX spike.

While some backing and filling could be possible until prices can reclaim the area at 7/25 prior lows (5391 area), it’s right to expect a push back up into September following this big three-wave decline.

Movement above the first stated resistance (from Tuesday’s intra-day Flash Insights) of 5300 should help to drive price up to test the 5390-5 area.

Click [HERE](#) for more.

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## CRYPTO

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ETF flows were mixed on Monday, with Bitcoin ETFs experiencing \$168 million in aggregate net outflows, including over \$50 million from \$FBTC and \$ARKB. In contrast, BlackRock's \$IBIT saw no net flows, which is impressive given the weekend's volatility. Ethereum ETFs, however, attracted nearly \$50 million in aggregate inflows, largely driven by \$47 million into BlackRock's \$ETHA. Significantly, Grayscale's \$ETHE recorded its lowest daily outflows since launch, with \$47 million, marking the third consecutive trading day with outflows under \$50 million. This suggests that the worst of the outflows are likely behind us. Despite these net outflows, there remains a consistent spot bid on Coinbase relative to Binance, indicating that recent flows are more reflective of Coinbase's native volume rather than ETF-driven activity.

Core Scientific announced that CoreWeave has exercised its option for an additional 112 MW of infrastructure, expanding their total contracted high-performance computing (HPC) infrastructure to 382 MW across five sites. This new agreement increases the potential cumulative revenue to over \$6.7 billion over the next 12 years. Core Scientific plans to modify its infrastructure, funded by CoreWeave, with operations expected within 18 months. The company is also seeking additional sites to expand its HPC hosting capacity beyond the initial 500 MW, enhancing its position as a major data center operator in the U.S. \$CORZ is up over 11% on the day thus far, outperforming most other miners on the news. Notably, \$CORZ will report earnings tomorrow after the market close.

Click [HERE](#) for more.

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## First News

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**Finally Not Unter.** After tire-stripping layoffs and abandoned moonshots like driverless cars (we're looking at you, Apple) Uber is [profitable again](#). Despite higher prices (doubly so, as we know from constant comparisons to Lyft) its ridesharing business has stayed within the lane markers, and its push into in-app advertising (taking a positive cue from Apple this time) is now bringing in \$1 billion in ARR.

**Don't Cry Me a Rivian Yet.** In the meantime, Rivian, the maker of Rivian SUVs and pickup trucks, which tends not to end up being used as Uber vehicles on account of their not-low prices (and, to give credit where it is dues, commensurately high quality) lost ~\$860 million in Q2 of this year, roughly the same amount in Q22023, even though revenue from car sales is up slightly. On its way to losing \$2.7 billion by year-end, Rivian has seen its share price fall on par with other EV makers on the back of retreating demand – despite a \$5 billion vote of confidence from Volkswagen in the form of a software deal signed last month. Not yet having worked out economies of scale, Rivian still reliably loses thousands of dollars on every vehicle that comes off the assembly line. CEO JD Scaringe told investors the other day that the company is laser-focused on cutting costs and sees margins improving on upcoming models because of efficiency upgrades underway. As a reminder, Uber reliably, and seemingly gleefully, *lost money for a decade as a private company, and for half as long as a public one*, before notching its first profit in February of this year. [Semafor](#)

**The Law of Large Numbers.** Antitrust regulators scored their most significant win since the push to break up Microsoft in the 1990s. Next steps in shaping the future of a company named after a googol – a mathematical term for the number 1 followed by 100 zeroes – and one with acquisitive ambitions to match, could entail anything from a forced breakup, which is unlikely to happen, per ex-DOJ big Eric Posner, to greater consumer choice, which could simply be unlikely to meaningfully curb the company's dominance in search. [Semafor](#)

**Afternoon Plight.** No matter how sexy solar energy seems, cooling a room with green energy in the late afternoon is decidedly a turn-off – literally. While mornings and middays typically offer abundant solar energy, and evenings see smaller cooling needs, the late afternoon is problematic as solar power wanes as the sun sets – while the day's heat lingers.

To address this, innovative cooling technologies are emerging from the skunkworks to store energy during peak production times for use during high-demand periods. One such solution is the IceBrick by Nostromo Energy. This system freezes a 2-liter water-glycol mixture, creating ice that serves as coolant later in the day.

The Beverly Hilton (is that not where Pretty Woman stayed?) adopted the technology in 2023, installing a system with a 1.4 megawatt-hour capacity. Each morning, it produces a remarkable 150,000 pounds of ice, which is then used to cool the hotel, and the attendant red-hot pretty-woman-type activity, during the challenging late-afternoon hours. [MIT Tech Review](#)

**In This Year of the Dragon...** six companies in China – Moonshot, MiniMax, Zhipu, Baichuan, 01.AI, and StepFun – dubbed the Six Little Dragons, are known far and wide throughout the land as the country's leading companies in AI. If this sounds like the setup of an epic faux-medieval... well, epic about talented contenders, small but resourceful, taking on an evil empire – rest easy. It's merely a movie not coming to a theater near you. Why not? This tech is staying in China. Since OpenAI cut off access to China in July, and import controls on advanced AI chips have taken effect, the country has been in a sprint to fill the gap. The empire's strategic problems aside, there is clearly dry powder in the storehouses of the vassals backing the upstarts. The first five little dragons are all staked by Alibaba, and the first four by Tencent. Moonshot just scored a \$300 million round, pushing its valuation to \$3.3 billion. [Bloomberg](#)

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