

# BLACKSHIELD WEEKLY INSIGHTS

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Dynamics by key assets

Top charts of the week:

- inflation expectations
- FedEx as a barometer of the economy
- the state of consumers and the U.S. presidential election

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One of **the most important tasks of an investment firm is** to respond in a timely manner to the challenges of the economy and market conditions. While many risks of a geopolitical and financial nature cannot be predicted, it is worth staying informed to understand what is happening in a meaningful way.

Interest rates, the real estate market, employment and unemployment, inflation and corporate profits are just a few of the variety of factors affecting asset and security pricing.

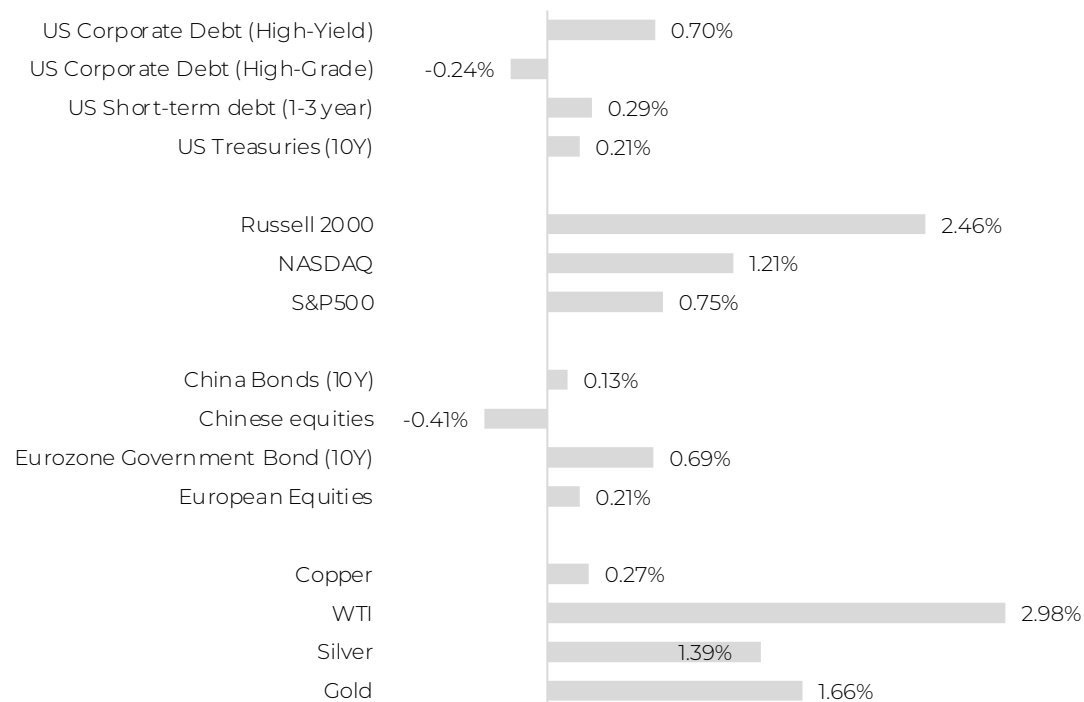
**Our goal is to provide a deeper and clearer understanding** of what is happening in the markets with an emphasis on illustrations, charts and visuals.

**Weekly Insights** will provide a more detailed look at industry specifics, delve into the nuances of price mechanics, and provide a more detailed understanding of our strategic vision offered in our quarterly strategic reports.

# Dynamics by key assets

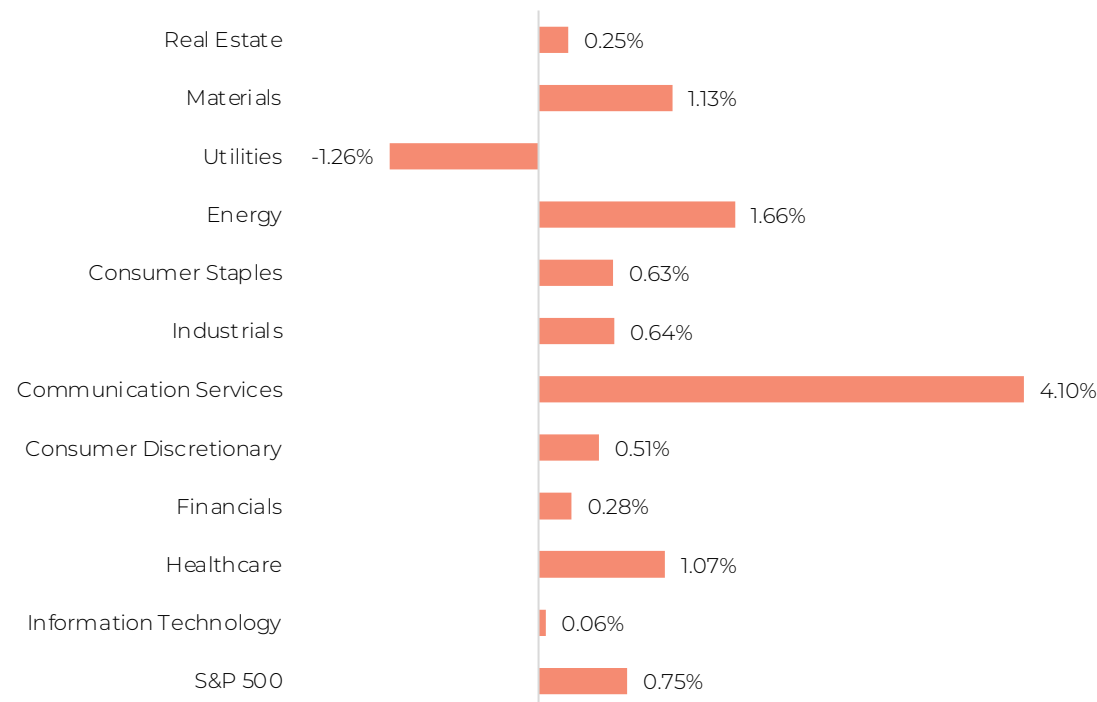
Pre-holiday markets continued their New Year rally, closing the week in the positive zone. Commodity markets and stock indices were the most dynamic, with small-capitalization companies leading the growth and volatility.

### Dynamics by key assets for the week



- Commodity markets showed a slight gain amid demand for alternative assets and a decline in the dollar index. European low-risk debt instruments grew actively on the back of declining inflation and a new structure of expectations of future interest rate cuts. Chinese equities, in turn, are still in search of active government support and have not formed a structural basis for a turnaround.

### S&P 500 index sectors dynamics for the week

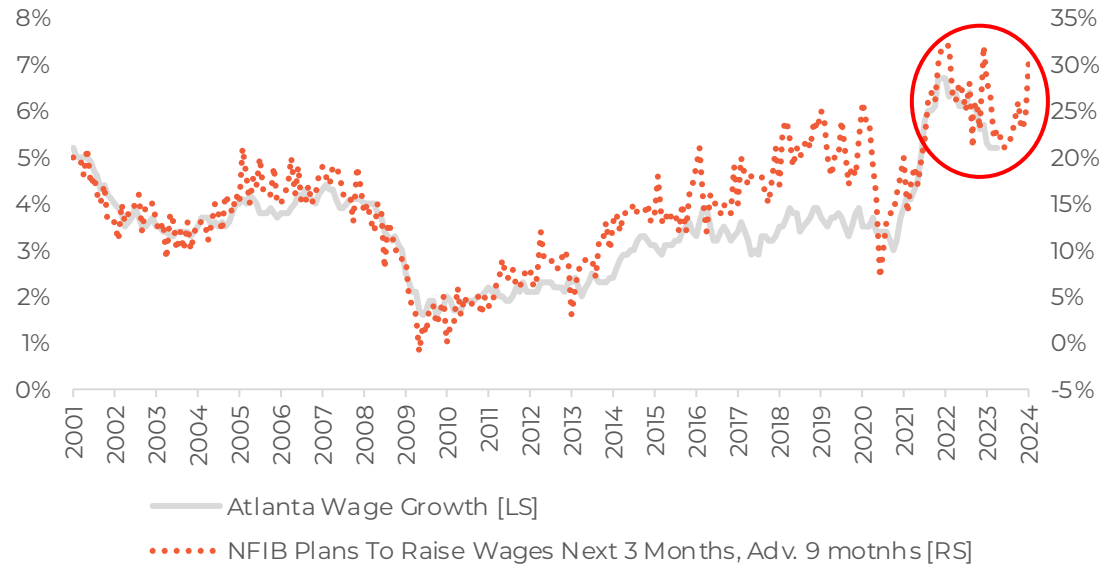


- Soft Fed rhetoric and sharp rotation in small-cap companies in recent weeks culminated in a little profit taking on the eve of the holidays. The up days were spent on low volume and with a large imbalance in the derivatives market. This led to a small sector rotation from more actively growing assets to defensive assets. This week communications and commodities were actively growing in sectoral terms.

# Top charts of the week – inflation expectations

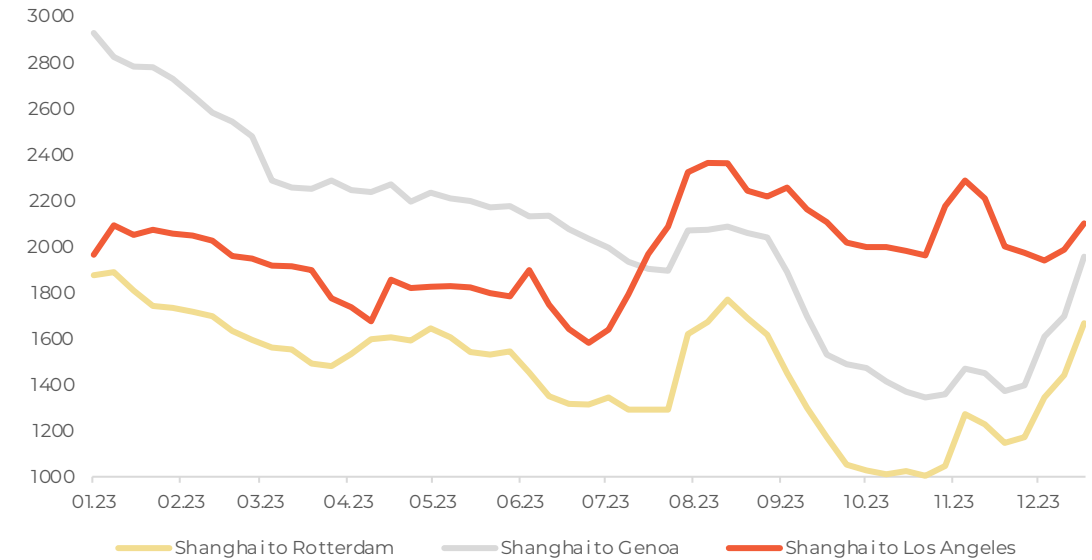
Despite the slowdown in inflation growth, inflation expectations among households remained at high levels, while in the corporate sector there is a likelihood of a new rise in wage inflation.

### Salary growth expectations: survey among companies



- Business surveys clearly indicate a rise in expectations for wage growth plans over the next 3 months. It should be noted that this indicator historically correlates with actual wage growth according to the Atlanta Wage Growth index.
- The latest data indicates that among those surveyed, 30% of companies said they expect wages to rise. Compared to a month earlier, this value increased by 6% and is the highest level since December 2021.

### Cost of shipping from China to other parts of the world



- Another factor of potential inflation growth is the commodity market. Geopolitical risks in the Red Sea region stimulate the search for longer logistic routes to bypass. This may lead to an increase in the transportation component in commodity prices.
- As of Tuesday (Dec. 19), the cost of shipping a container from China to the Mediterranean was \$2,413, up 44% in December due to disruptions.

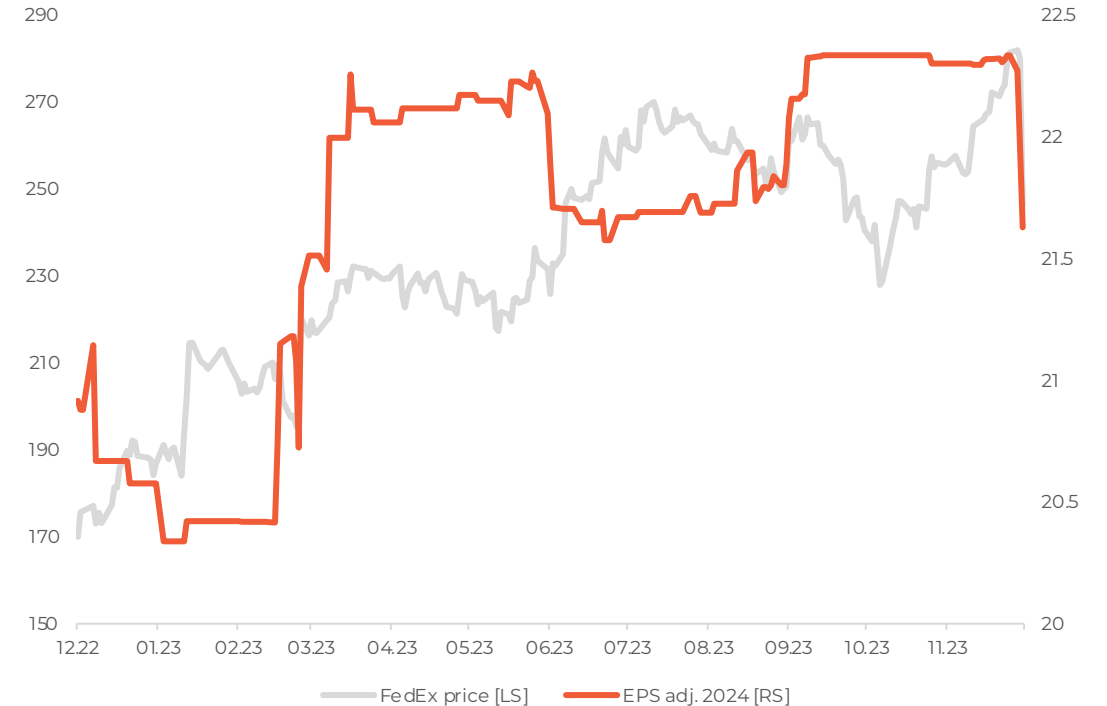
# Top charts of the week – FedEx as a barometer of the economy

FedEx has historically been considered a barometer of the economy, as its financial results and stock performance are directly tied to the level of business and retail activity. In its Q3 report, the company reported mixed results, with revenue projections for 2024 coming in below expectations.

FedEx stock dynamics



FedEx stock dynamics and EPS expectations for 2024



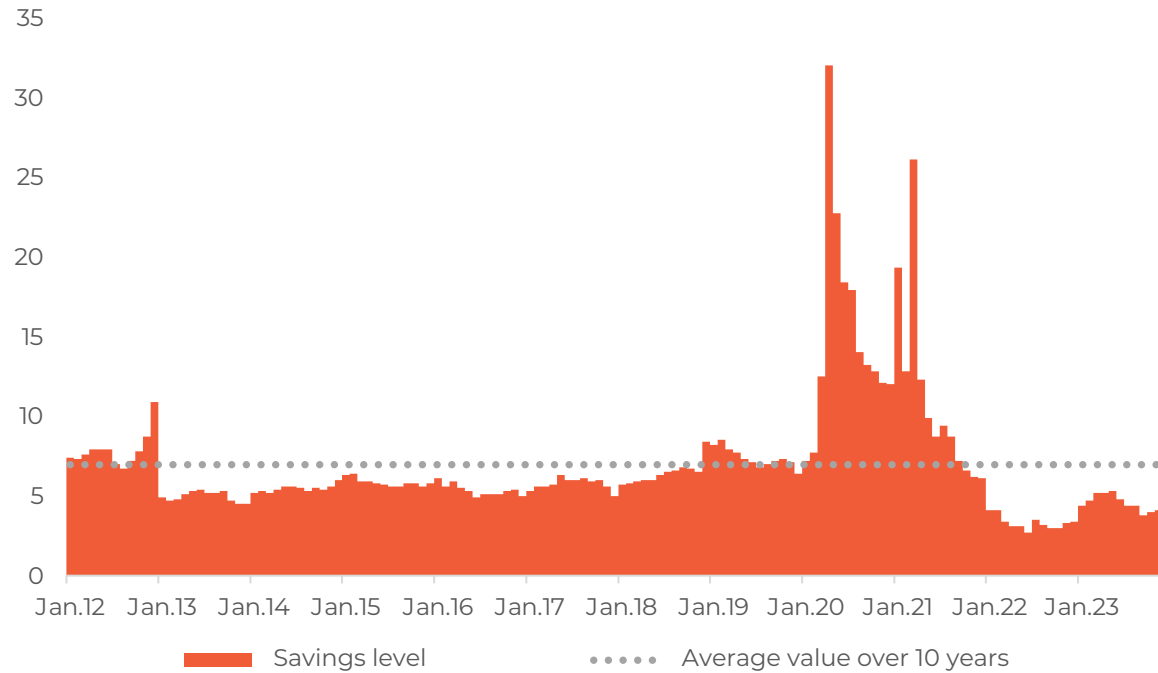
- Given the importance of the FedEx report as a proxy for the health of the economy, the market often looks at this company's financial performance with an eye on the overall market.
- At the Q3 2023 reporting, FedEx reported a deterioration in revenue and profit expectations for 2024, particularly in the Express air delivery segment. The main reason is the decline in order volumes.

- This news caused the company's stock to drop by 10%, and the revenue and net income revisions themselves amounted to 1% and 5%, respectively. Despite such small values, this was enough for the market to discount future problems.
- Extrapolating to the economy, the company's results are not so rosy and go against market expectations of no recession risks.

# Top charts of the week – the state of consumers and the U.S. presidential election

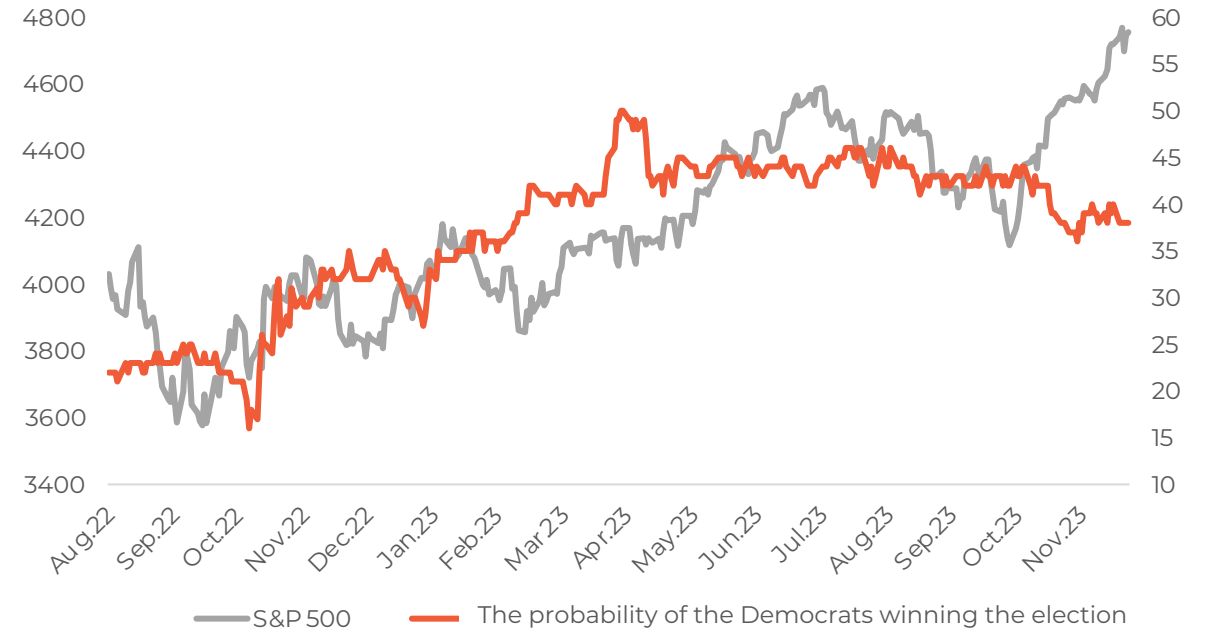
Besides the objective factors that have influenced markets and the economy this year, 2024 will add a factor of uncertainty in the form of the presidential election. With a weakening corporate and consumer sector, it is worth considering the potential stimulus measures and easing that could play an important role in the search for a new electorate.

### Savings level dynamics

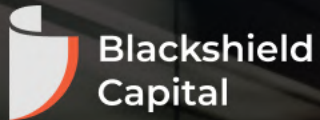


- Notably, the household savings rate fell to 4.1% from an average of 7% at the end of November. The new data release will provide insight into the state of consumers and their real purchasing power.
- There is a real possibility that even with the reduced inflation, the burden on the consumer has not decreased but continues to be high.

### Ratio of stock indices dynamics to the US election results



- In the coming months, we expect more convergence between the dynamics of stock indices and the election results. And this is possible both through a decline in stock indices and an increase in the probability of the Democrats winning the election.
- The low rating of the current president is not a statistical anomaly, and in most cases the dynamics of stock indices and the probability of election outcome are most synchronized in an election year.



# LET US HELP YOU TO FOCUS ON WHAT MATTERS MOST

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