

## WEEKLY MARKET RECAP: February 05 – February 09, 2024

Happy Friday, traders.

Welcome to our weekly market wrap, where we look back at these last five trading days with a focus on the market news, economic data and headlines that had the most impact on the financial market – and may continue to into the future for the US Dollar and other key correlated assets.

Last week, the Middle East conflict escalated with the tragic attacks on U.S. troops and more threats on ships in the Red Sea. Along with causing more volatility in oil prices, the conflict is negatively impacting global maritime trade. Just in the past two months, traffic through the Suez Canal, which handled 12-15% of global maritime trade in 2023, has been reduced by 42% according to the UN. This is primarily delaying ships traveling between Europe and Asia, and some factories in Europe have even paused production as they wait on parts from Asia.

So far, the disruptions are hardly being reflected in the data due to lagged effects. This week's chart shows the Markit global PMI suppliers' delivery times index, which measures how quickly purchasing managers receive orders from their suppliers. A reading above 50 indicates more delays or supply chain stress while a reading below 50 indicates faster delivery times. Notably, January was the first month that the index has exceeded 50 since February 2023. Still, compared to the post-pandemic period, supply chains are in much better shape today. There is a chance these disruptions could cause a temporary re-acceleration in global core inflation as goods have been the main driver of disinflation recently compared to still-strong services price growth. It will be key to monitor if global central bankers begin to consider these trade disruptions when making policy decisions.

While geopolitical events often create more uncertainty, the market impacts are typically short-lived. Investors should realize that alternating to cash or "safer" assets due to global unrest, although it can make the volatility easier to stomach, often results in long-term underperformance.

**Thanks for reading! Have a great weekend.**

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