

MARKET UPDATE

25/06/2024

European stocks mostly weaken.

European stock markets mostly weakened Tuesday, with sentiment hit by the overnight selloff of influential Big Tech stocks on Wall Street.

Investors' confidence has been hit Tuesday after the sharp losses to the Big Tech sector on Wall Street overnight, with the Nasdaq Composite index closing almost 200 points, or 1,1% lower.

Nvidia (NASDAQ:NVDA) bore a brunt of the selling, falling 6.7% and tumbling for a third straight session after it briefly became the most valuable company on Wall Street last week.

Still, Nvidia is up about 138% so far this year, with analysts remaining positive on the stock in the face of a massive artificial intelligence-driven demand boom.

The Big Tech sector has been behind a lot of the gains on Wall Street over the last year or so, but the hefty gains have stirred concerns that the tech rally might be getting stretched.

Dollar edges higher.

The U.S. dollar drifted higher Tuesday, with the safe haven benefiting from weakness on Wall Street, although gains are limited ahead of the release of key inflation data later in the week.

At 04:20 ET (08:20 GMT), the Dollar Index, which tracks the greenback against a basket of six other currencies, traded 0.1% higher at 105.160, after touching a high of 105.91 last week.

Safe haven dollar sees demand

The draining confidence in the tech sector on Wall Street has helped the U.S. currency push higher Tuesday, but gains are minimal as traders await Friday's PCE price index data.

Fed officials have called for more data showing a slowing of inflation before agreeing to cut interest rates, and the U.S. central bank's preferred inflation gauge is likely to factor into the outlook for interest rates. Politics were also at the forefront of investors' minds, with the first U.S. presidential debate between President Joe Biden and his predecessor Donald Trump set for Thursday.

European shares fall as Airbus hammers aerospace shares.

European shares declined on Tuesday as Airbus tumbled after a profit warning and dragged down aerospace-related stocks, while technology shares slumped tracking the overnight selloff on Wall Street.

The continent-wide STOXX 600 fell 0.3% by 0819 GMT.

Airbus tumbled nearly 11%, and was among the biggest drags on the index, after Europe's largest aerospace group cut its industrial and financial targets and took a hefty 900 million euro (\$965 million) charge for its troubled space activities.

Its profit warning and forecast for fewer plane deliveries dragged jet-engine manufacturers Rolls-Royce (OTC:RYCEY) and MTU Aero Engines (OTC:MTUAY) lower.

Indeed, the wider STOXX Europe aerospace and defence index slid 5.1%, on track for its biggest one-day drop since November 2021.

The tech sub-index, which houses some of Europe's biggest chip-related firms, dropped 1.4%, tracking the Nvidia-led pullback in U.S. stocks. [.N]

Still, some market strategists spotted an opportunity in tech stocks, whose 14% gain so far this year places it among the best-performing sectors in Europe.

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