

MARKET UPDATE

27/06/2024

US stock futures edge lower.

U.S. stock index futures slipped lower Thursday, retreating after disappointing guidance from chipmaker Micron and ahead of the release of key economic data.

At 06:00 ET (10:00 GMT), Dow Jones Futures fell 50 points, or 0.2%, S&P 500 Futures dropped 7 points, or 0.1%, while Nasdaq 100 Futures fell 25 points, or 0.1%.

Wall Street indexes ended marginally higher on Wednesday, buoyed by Amazon (NASDAQ:AMZN) crossing the \$2 trillion valuation mark after it announced a major foray into generative AI.

Micron slides on lackluster guidance, other chipmakers follow

However, sentiment has deteriorated Thursday following the release after hours from Micron Technology (NASDAQ:MU), a company often seen as an industry bellwether due to its exposure to varied chip types and customers.

Micron's quarterly earnings blew past market expectations, on strong demand from AI, but the in-line revenue guidance disappointed investors who were expecting more, especially given that Micron more than doubled in value over the past year. Its stock fell over 5% in premarket trade.

US dollar rally unlikely to be sustained.

The U.S. dollar has been in demand of late, climbing close to its highest level of the year. However, this rally is unlikely to be sustained in the coming months, according to UBS.

At 08:05 ET (12:05 GMT), the Dollar Index, which tracks the greenback against a basket of six other currencies, traded at 105.597, up around 1% in June, and only marginally below the 2024 high of 106.52 set in April.

This strength reflects a combination of factors, including the fact that the Federal Reserve has been keeping rates high for longer while other major central banks—including the European Central Bank, Swiss National Bank, and Bank of Canada—have already started cutting, analysts at UBS said, in a note dated June 27.

Since investors often view the U.S. currency as a safe haven, it has also likely been benefiting from political uncertainty surrounding the French legislative elections—with the first round of voting taking place this Sunday. Notably, the U.S. dollar has gained around 14% against the yen since the start of the year, breaking above the 160 level this week to push the Japanese currency to its weakest level since 1986.



Oil prices supported by Middle East tensions.

Oil prices edged higher Thursday as concerns over Middle East tensions weighing on global supplies overshadowed a surprise build in U.S. inventories.

At 07:35 ET (11:35 GMT), Brent oil futures rose 0.4% to \$84.81 a barrel, while West Texas Intermediate crude futures gained 0.4% to \$81.25 a barrel.

Middle East tensions rise

Concerns over the potential for the Israel-Hamas war in Gaza to spread throughout the Middle East, an oil-rich region, has provided underlying support for the market for some time now.

Cross-border strains between Israel and Lebanon's Hezbollah have been escalating in recent weeks, and Turkish President Tayyip Erdogan added to these by saying his country stood in solidarity with Lebanon and called on the region's countries to show their support.

This raised fears other regional powers could be drawn into the conflict, including major oil producer Iran.

Meanwhile, Israeli forces continued to bombard Gaza, in its prolonged war with the Iranian-backed Hamas militant group

US inventories unexpectedly grow, gasoline inventories surge

Government data released on Wednesday showed that U.S. oil inventories grew about 3.6 million barrels (mb) in the week to June 21, confounding expectations for a draw of 2.6 mb.

More worrying was a 2.7 mb build in gasoline inventories, which indicated that fuel consumption remained weak even with the onset of the travel-heavy summer season.

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