MARKET UPDATE

08/08/2024

Stock Market Today, S&P 500 closes lower.

The S&P 500 reversed early-day gains to close Wednesday, as a slump in Super Micro Computer pressured chips stocks, weighing on the broader market.

At 16:00 ET (20:00 GMT), the Dow Jones Industrial Average fell 234 points, or 0.60%, the S&P 500 fell 0.7%, and the NASDAQ Composite fell 1%.

Super Micro Computer slump puts chips in crosshairs

Super Micro Computer (NASDAQ:SMCI) stock fell 20% after the data center operator's June quarter earnings missed estimates, raising more concerns over just how much demand the artificial intelligence industry was generating.

"SMCI's results disappointed, with management attributing the majority of the miss to an abrupt customer shift towards liquid cooled systems," Wedbush said, as the company was "unable to procure enough components to support an unexpectedly sharp customer shift towards liquid cooled servers."

The worries about slowing AI momentum sparked a wave of selling pressure across chip stocks, which fell 2%, with NVIDIA Corporation (NASDAQ:NVDA), Broadcom Inc (NASDAQ:AVGO) and Wolfspeed Inc (NYSE:WOLF) leading to the downside.

Stocks to fall further.

Global equity allocations remain significantly above average levels, although there has been a noticeable pullback in recent weeks, the strategists said in a note to clients.

This retreat is attributed not only to falling equity prices but also to a surge in bond allocations. The current equity allocation stands at 46.5%, still well above the post-2015 average levels.

According to JPMorgan's calculations, for equity allocations to return to these average levels, equity prices would need to fall by another 8% from their current position.

"The cash allocation remains extremely low by historical standards posing vulnerability to both equities and bonds going forward," the analysts said.

Their latest analysis comes in the wake of last week's weak US payroll report and rising jobless claims, which have heightened concerns about a US recession.

Equinix raises annual adjusted core earnings forecast.

Equinix (NASDAQ:EQIX) raised its annual adjusted core earnings forecast on Wednesday, betting on strong demand for its data center operation services amid growing adoption of generative artificial intelligence technology.

Demand for companies offering data center services has remained strong as more businesses look to incorporate generative AI into their products and transition their workloads to the cloud.

Generative AI processing needs high-power servers to train large language models and these servers are located in data centers with advanced cooling systems and infrastructure to maintain smooth operations.

Demand for such infrastructure has helped companies such as Equinix and Digital Realty (NYSE:DLR) Trust, which lease out their data centers to clients.

Equinix acquired three data centers in the Philippines last month, in a bid to expand its presence in the high growth potential region of Southeast Asia.

The company expects adjusted core earnings to be between $4.07 billion and $4.13 billion for fiscal year 2024, compared with its previous forecast of $4.04 billion to $4.12 billion. Analysts on average expect $4.10 billion, according to LSEG data.

Equinix also forecast third-quarter revenue in the range of $2.19 billion to $2.21 billion, while analysts estimate $2.21 billion.

The company's revenue stood at $2.16 billion during the second quarter, in line with analysts' estimate.

Adjusted core earnings were $1.04 billion for the three months ended June 30, up 4% over the previous quarter.