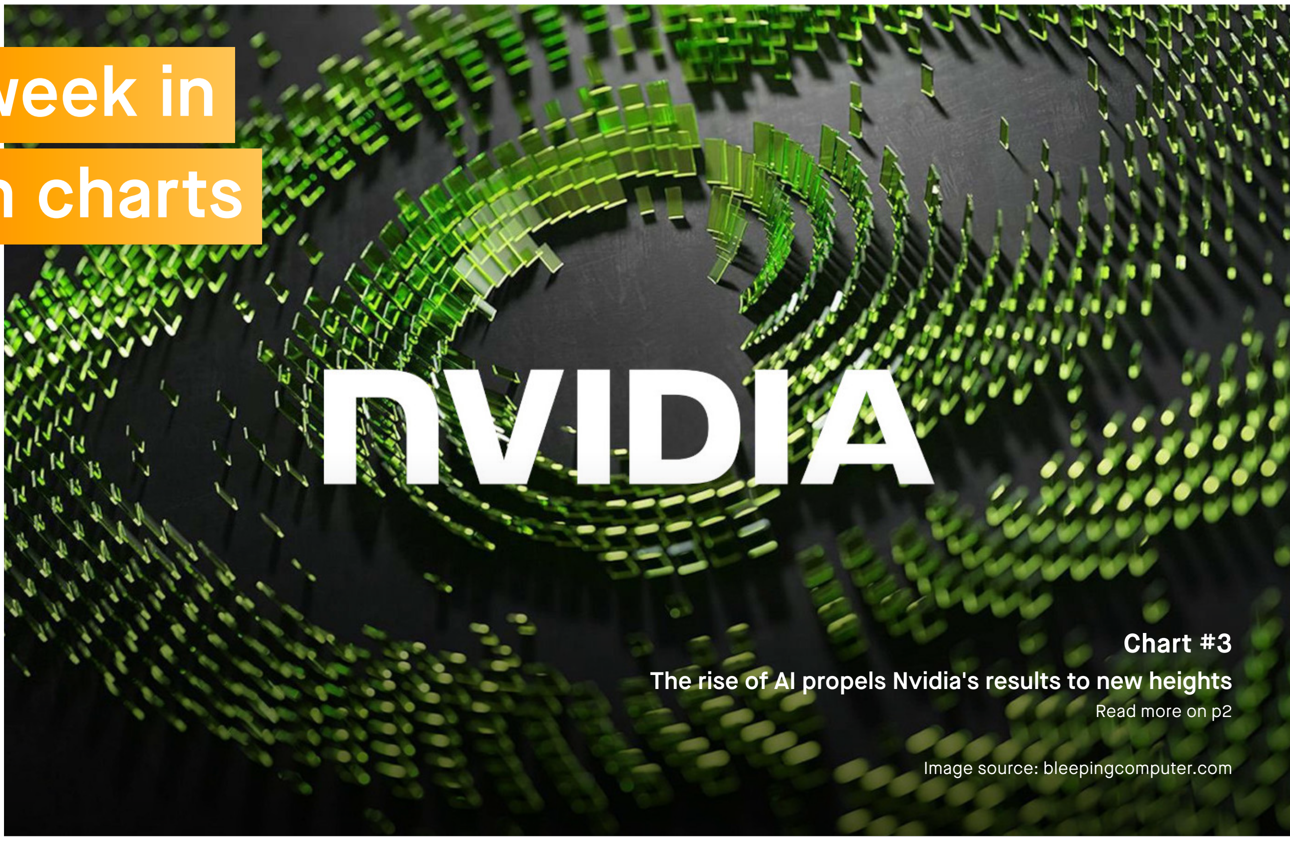
FEATURE

The week in seven charts



The surge of AI drives Nvidia's outcomes to unprecedented levels

The Jackson Hole symposium offered no real new Fed policy insights, AI's ascent propels Nvidia's results and the BRICs welcome 6 new members next January. Each week, the Syz investment team takes you through the last seven days in seven charts.

Charles-Henry Monchau
Chief Investment Officer

PRIVATE BANKING

Chart #1 —

Following a rather "hawkish" Jackson Hole, markets raise the Fed's terminal rate by 15 basis points

The eagerly awaited symposium of central bankers in Jackson Hole, Wyoming, did not provide any new information on the Fed's monetary policy. The general tone of Chairman Powell's speech in Jackson Hole was relatively hawkish, i.e. in favour of pursuing a restrictive monetary policy. However, Mr Powell was not as hawkish as some had feared, given the recent macroeconomic data (see chart #4). The main message is that the Fed is ready to take a break from monetary policy, but will adopt a more hawkish stance if the economic data continues to be so strong. The Fed's terminal rate was revised upwards by the markets following Powell's speech. The markets are now assigning a probability of a rate hike in September of 21.5% (compared with 10% before Mr Powell's speech). The probability of another rate hike this year has just reached its highest level in two months, at 52.1%. According to the yield curve, the markets do not expect a rate cut before June 2024.

Source: Bloomberg, HolgerZ

Chart #2 —

September is historically the worst month of the year for equity markets

According to a study by Goldman Sachs, we are entering the month of the year that is historically the worst for equity markets. Since 1928, the median return for the S&P 500 has been -1.56%. As for the Nasdaq 100, the median performance in September (since 1985) is -1.21%.

Source : Goldman Sachs
(NB: Past performance is no guarantee of future performance)

Chart #3 —

The rise of AI propels Nvidia's results to new heights

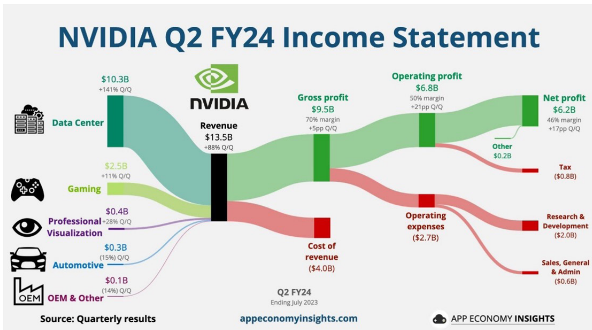
It was the most eagerly awaited quarterly results release of the week. GPU supplier Nvidia saw its sales and profits grow by 101% and 843% respectively for its second quarter of 2024. Driving this growth, the manufacturer's Data Centre business now accounts for 76% of its sales. Gross margin is now 70% (up 5% on Q1), while operating margin is 50% (up 21%). Management has announced a $25 billion share buyback programme.

The effects of the rapid adoption of AI on Nvidia's results are being felt above all in its sales of products for data centres. In Q2, their value rose by 171% to $10.3 billion. This result represents a real transformation for Nvidia, whose core business used to be graphics, particularly for video games. This category now accounts for just 23% of Nvidia's sales, compared with 41% a year earlier and 60% two years previously.

"A new era has begun in IT. Companies around the world are moving from general-purpose computing to accelerated computing and generative AI," said Jensen Huang, founder and CEO of Nvidia, in a press release.

Another positive factor is the guidance for the third quarter: third-quarter sales are expected to come in at $16 billion, 28% better than forecast.

The share price is now up 250% since the start of the year, the best performer in the S&P 500. In terms of market capitalisation, Nvidia is now worth 8.8 times more than Intel, 6.9 times more than AMD and 3 times more than JP Morgan.

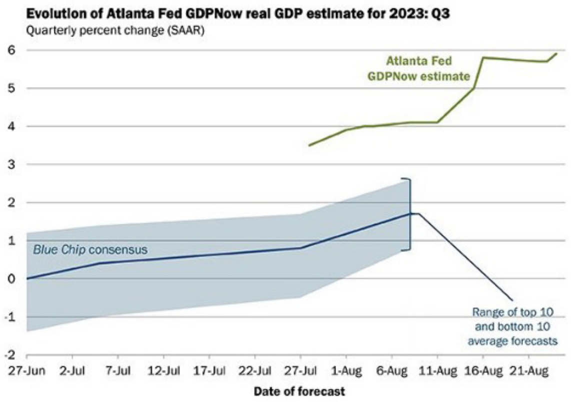


Source: App Economy Insight

Chart #4 —

3Q US GDP growth could surprise on the upside

The US economy is expected to grow at an annualised rate of 5.9% in the third quarter, according to the Atlanta Fed's GDPNow forecasting model. This figure looks set to reinforce the US monetary policy rationale that the Federal Reserve could keep key interest rates high for a relatively long period. Unless the macroeconomic publications of the next few weeks show any signs of weakness.

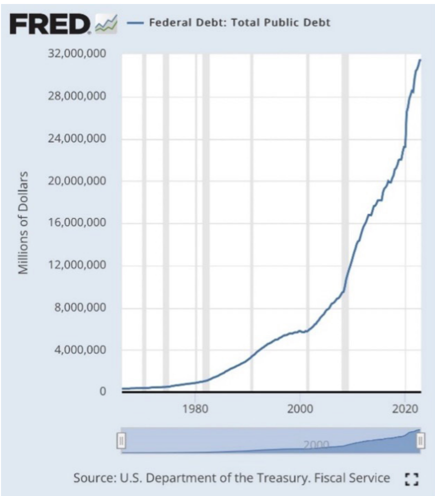


Source: J-C Gand, Atlanta Fed

Chart #5 —

US Government debt hits $32 trillion

The United States has accumulated as much debt in the last 10 years (16 trillion dollars) as in the previous 100 years. The total now stands at 32 trillion.



Source: FRED

Chart #6 —

L'expansion des BRICS

The BRICs (Brazil, Russia, India, China and South Africa), meeting at their summit in Johannesburg, will be welcoming six new members from January, South African President Cyril Ramaphosa announced on Thursday. Iran, Argentina, Egypt, Ethiopia, Saudi Arabia and the United Arab Emirates are joining the group of emerging countries, which aims to increase its influence in the world.

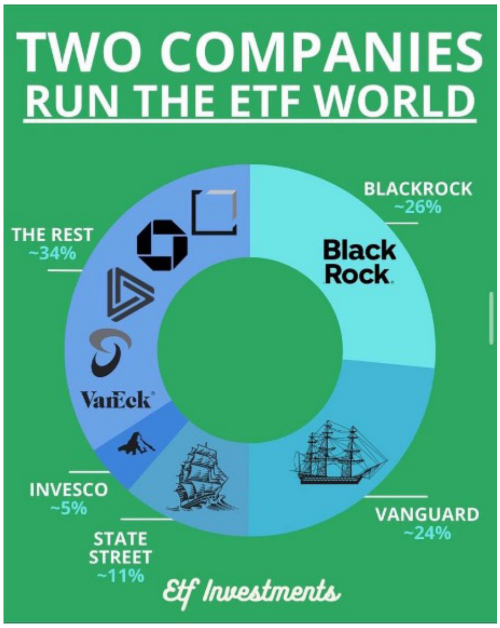
The new BRICS group will control 80% of the world's oil production. In terms of economic power, these countries will account for 30% of the world's GDP, or more than 30,000 billion dollars.

Source : Sprinter

Chart #7 —

Two giants dominate the world of ETFs

Exchange Traded Funds (ETFs) are enjoying great popularity. Blackrock and Vanguard together manage around $4.5 trillion, or almost 50% of the ETF industry's assets under management. The other half is spread across more than 2,000 other ETF issuers.



Source: ETF Investments

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