

August Market Update: Japan's Rollercoaster, Nvidia's AI Setback, and Gold's Record Surge

- August, usually a calm month, saw unexpected market activity.
- Investor confidence took a hit with disappointing US tech earnings, recession fears, and a surprise rate hike in Japan.
- Despite early challenges, US and European stock markets showed resilience, nearing record highs by the end of the month.
- Government bonds in developed countries offered stability during the volatile equity markets.
- Oil prices dropped due to growing concerns about a global economic slowdown and weaker demand from China, the world's second-largest economy.

The Big Topics

Japan's Stock Market Rollercoaster

In early August, Japan's stock market faced turbulence as a surprise interest rate hike by the Bank of Japan at the end of July shook global markets. Foreign investors, who had borrowed yen at low rates to invest in higher-yielding assets elsewhere, quickly pulled out. This led to a stronger yen and the worst three-day drop ever for a major Japanese stock index. Despite the market's volatility, there are still signs of economic recovery, supported by rising wages and increased consumer spending.

Nvidia fails to impress growth-hungry investors

Nvidia, the leading player in the AI revolution, couldn't keep up with investors' sky-high expectations.

Despite strong earnings, its stock price took a hit after the company's latest quarterly report. This setback sent shockwaves through the tech industry.

While Nvidia has been a major winner this year, investors were hoping for even bigger gains. Concerns about delays in producing its newest AI chip also contributed to the sell-off. It seems that even the most successful companies can't always meet the soaring demands of the market.

Fed Expected to Cut Rates

With inflation easing, the US Federal Reserve is shifting its focus to the weakening job market, which has raised concerns about a potential recession. The Fed's goal is to keep both unemployment low and inflation near 2%. As a result, it's widely anticipated that the Fed will cut interest rates in September, joining many other major economies in lowering rates. This outlook suggests reduced inflation pressures and a more favorable environment for global growth, with investors hopeful this will lead to further stock market gains.

Gold hits record highs

Gold prices hit a record high in August, surpassing \$2,500 per ounce, leaving many investors puzzled.

While geopolitical tensions and a slowing US economy support the surge, rising interest rates should typically make gold less attractive. However, central banks, especially China, are buying gold to reduce their reliance on the US dollar. Lower US interest rates and a weaker dollar could further boost gold's appeal.

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