

Tech stocks catch cold

Key takeaways

Stock markets retreated as the Middle East ceasefire deteriorated and oil prices climbed. Meanwhile, strong US jobs data, and a hit for Broadcom, sent shivers through tech stocks.

Investors cash in their chip stocks

Several factors contributed to last week's minor sell-off in stock markets. A lack of progress on Iran, which culminated in missile exchanges, pushed up oil prices. This raised inflation fears and bond yields (meaning their prices fell). Next came Friday's US non-farm payrolls data for May. This shattered forecasts. Alongside substantial revisions for March and April, the renewed vigour of the US jobs market also pushed up bond yields, as markets moved to price-in possible interest-rate hikes.

Rising interest rates are especially painful for technology stocks. Alongside solid but disappointing earnings numbers from Broadcom, and wider concerns of an impending flood of additional share issuance within the sector, technology stocks, especially chipmakers, suffered a wave of profit taking.

Broadcom's results sour the mood for tech investors

Last week's results from US index heavyweight Broadcom failed to dazzle. This prompted investors to book some of their recent profits on technology stocks. Despite second-quarter chip revenues marginally beating forecasts and total revenue, of \$22.2bn, being in line with expectations, the company's modest guidance for the current quarter and 2027 was sufficient for the stock to suffer a sharp sell-off.

After closing at a record high on Monday, Thursday saw Broadcom suffer the fourth-largest single-day loss ever seen on Wall Street. The stock closed down over 12% having surrendered over \$285bn in value. The news triggered a sell-off in the broader semiconductor (chip) sector with the Philadelphia Semiconductor (SOX) Index of the 30-largest US chipmakers plummeting more than 10% on Friday. This contributed to the S&P 500 Index of US companies snapping its nine-week winning streak.

SpaceX IPO blasts off this week

The biggest stock market listing in history sees shares in Elon Musk's rocket-ships-to-orbiting-AI conglomerate, SpaceX, being released to investors this Friday (12 June). Although only a small proportion of its shares will be listed, the IPO (initial public offering) is expected to raise \$75bn – giving the first true 'space stock' a valuation of \$1.78trn. An unusually large allocation has been made available to retail and UK investors due to anticipated demand.

If exercised, an additional 'greenshoe option' by the Wall Street banks underwriting the IPO, could see the conglomerate raise \$86bn – around three times Saudi Aramco's 2019 record of \$29.4bn. Speculation around the unprecedented offering is intense, thanks partly to Goldman Sachs, the deal's lead bank, predicting that SpaceX's AI revenues will grow 100-fold in five years – from \$3.2bn in 2025, to some \$322bn by 2030.



Market moves

Global stock markets fell as investors took profits from technology stocks.

US and Asian stock markets retreated most due to their high technology weightings.

UK and US government bonds suffered losses due to the increasing likelihood of interest-rate hikes. Gold fell more than 3%.

What to look out for this week

Wednesday brings US CPI (inflation) data. Producer Price Index (PPI) numbers, showing the change in producer prices, is due Thursday.

The European Central Bank (ECB) makes its latest interest-rate decision on Thursday.

The UK publishes retail sales numbers on Tuesday, with the latest GDP reading due on Friday.



If you have questions about financial markets, or our investment services, please contact the Marketing team:

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