

# Google and Microsoft Lead Tech Sector with Robust Earnings, PCE Inflation Figures Meet Expectations Providing Relief Amid Market Volatility.

April 26, 2024

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The U.S. and European stock markets experienced a significant rally on Friday, driven by the strong earnings releases from tech giants Alphabet (Google) and Microsoft. This, coupled with the U.S. inflation figures meeting expectations, helped to alleviate some market concerns. Despite a turbulent week, the S&P 500 closed with a weekly gain of 2.7% and the Nasdaq with a 4.2% showcasing its resilience.

However, April marks a downturn for significant indexes, ending a five-month winning streak and signaling the first stock market correction of the year. The uncertainty surrounding Federal Reserve policies and inflation dynamics fueled market volatility, reflected in fluctuations across equity and bond markets. While U.S. Treasury yields dipped slightly on Friday, they are set to register significant monthly increases. For instance, the 2-year Treasury yield climbed from approximately 4.72% to 4.97% so far in April, nearing yearly highs. This yield surge disproportionately impacted interest-rate-sensitive sectors such as small-cap stocks, real estate, and investment-grade bonds.

The resurgence in market sentiment was largely attributed to the strong earnings performances of leading tech firms, particularly Google and Microsoft. These companies reported robust results, with a particular emphasis on the growth of their artificial intelligence divisions. Notably, Google announced its inaugural cash dividend, underscoring the ability of cash-rich tech behemoths to reward shareholders, especially amid rising interest rates. With nearly half of S&P 500 companies disclosing first-quarter earnings, approximately 80% have exceeded expectations, surpassing the ten-year average. Despite first-quarter earnings growth tracking slightly below initial forecasts, full-year projections remain optimistic, buoyed by both growth and value sectors.

Attention focused on the release of U.S. personal consumption expenditure (PCE) inflation data, following earlier reports indicating higher-than-expected consumer price index (CPI) and producer price index (PPI) figures. However, March's PCE inflation figures largely met expectations, providing some relief. While monthly PCE inflation rose in line with forecasts, on an annual basis, it rose slightly, with the PCE rising to 2.71% versus the 2.65% expected and Core PCE falling to 2.82% versus 2.74% forecast. Services inflation emerged as a primary driver, offsetting modest increases in goods inflation. Notably, persistent inflationary pressures have been primarily attributed to sectors such as energy and commodities, which have exhibited signs of cooling in recent weeks. Anticipated corrections in housing and rent prices and potential moderation in wage growth are expected to contribute to a gradual decline in services inflation over the coming months. Despite potential hurdles, the trajectory toward achieving lower inflation remains intact, maintaining market stability.

## Key Economic Data:

- **U.S. PCE Price Index YoY:** rose to 2.71%, compared to 2.50% last month.
- **U.S. Core PCE Price Index YoY:** fell to 2.82%, compared to 2.84% last month.
- **U.S. Index of Consumer Sentiment:** fell to 77.20, down from 79.40 last month, decreasing -2.77%.

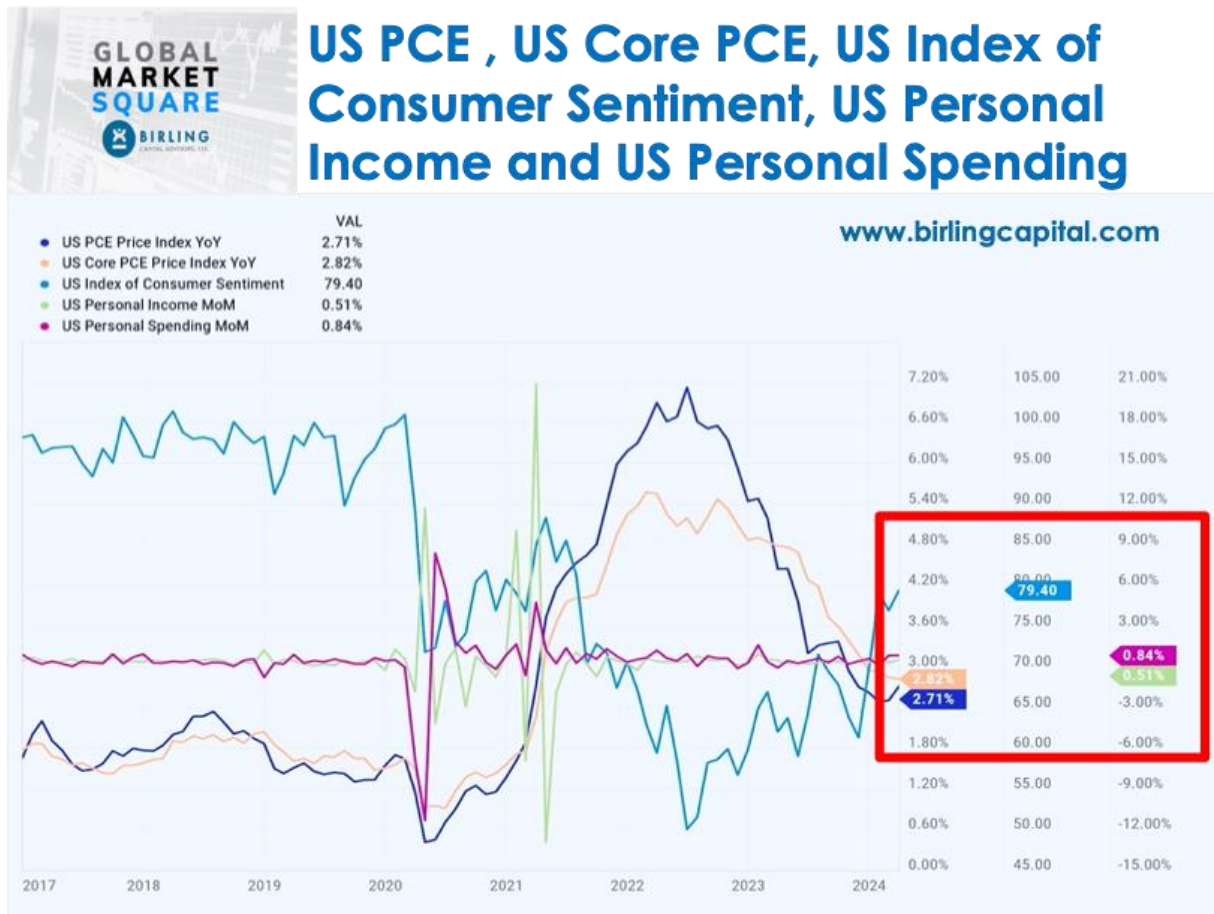
- **U.S. Personal Income MoM:** rose 0.51%, compared to 0.28% last month.
- **U.S. Personal Spending MoM:** rose 0.84%, compared to 0.82% last month.

**Eurozone Summary:**

- **Stoxx 600:** closed at 507.98, up 5.60 points or 1.11%.
- **FTSE 100:** closed at 8,139.83, up 60.97 points or 0.75%.
- **Dax Index:** closed at 18,161.01, up 243.73 points or 1.36%.

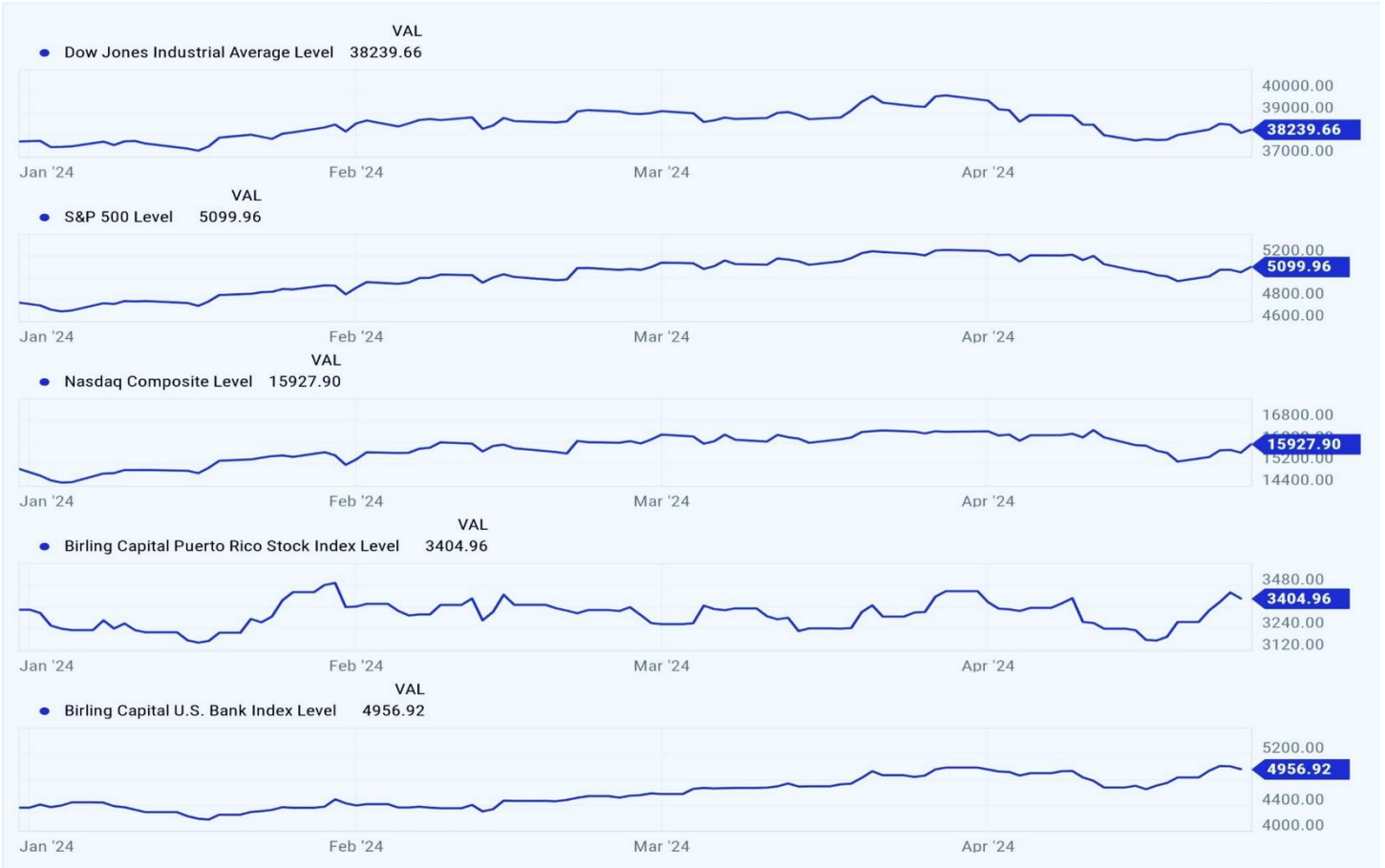
**Wall Street Summary:**

- **Dow Jones Industrial Average** closed at 38,239.66, up 153.86 points or 0.40%.
- **S&P 500** closed at 5,099.96, up 51.54 points or 1.02%.
- **Nasdaq Composite** closed at 15,927.90, up 316.14 points or 2.03%.
- **Birling Capital Puerto Rico Stock Index** closed at 3,404.96, down 33.46 points or 0.97%.
- **Birling Capital U.S. Bank Stock Index** closed at 4,956.92, down 43.61 points or 0.87%.
- **U.S. Treasury 10-year note** closed at 4.70%.
- **U.S. Treasury 2-year note** closed at 4.96%.





# Wall Street Recap April 26, 2024



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