

## **GDPNow Forecast Surges to 4.20%, Earnings Season Optimism with S&P 500 Companies Beating by 8.5%, Attention Shifts to CPI and Wall Street is Mixed.**

**May 8, 2024**

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The U.S. and European stock markets closed the trading session with mixed results, as Wall Street took a breather today after a solid winning streak, with the S&P 500 nearly hitting its record high. However, weakness in specific tech sectors pulled down major U.S. indexes, though European stocks mostly held steady. Notable in today's corporate landscape were declines in Shopify shares by 18% due to an unexpected quarterly loss and disappointing guidance, as well as a 5% drop in Uber shares following missed booking estimates, primarily due to a surprise Q1 loss. The company said that its net loss of \$0.32 per diluted share widened from the loss of \$0.08 a year earlier. This has led to a cautious investor sentiment amidst a light economic calendar.

All eyes will be on the upcoming inflation report on May 15 for insights into future interest rate trends. Bond yields and the dollar saw an uptick, while crude oil dipped to its lowest point almost two months after API reported a higher-than-expected increase in U.S. inventories.

As the earnings season winds down, results have been a cause for optimism, generally surpassing expectations and boosting stock markets. With nearly 90% of S&P 500 companies having reported, the earnings beat stands at an impressive 8.5%, the highest since Q3 2021. Strong demand and improved profitability, coupled with moderated input costs, drove this outperformance. Notably, sectors like communication services, consumer discretionary, and technology continue to exhibit robust growth, with industrials, financials, and consumer staples also delivering solid results. Despite headwinds from high interest rates, the overall economic expansion and rising corporate profits offer a favorable environment for stocks, particularly in areas like U.S. mid-cap stocks and the equal-weight S&P 500, which present opportunities at relatively lower valuations.

Looking ahead, attention shifts to the Consumer Price Index (CPI) report next week, which carries significant weight in shaping future monetary policy decisions. The latest Inflation Nowcasting the CPI at 3.50%, some 42.85% above the Fed's 2% target rate, and the Core CPI at 3.65%, at 46.09% above the Fed's target inflation rate. The recent stock rebound, driven by solid earnings and expectations of Fed rate cuts, has primarily offset April losses.

While some economic indicators suggest a softening in growth, others, like the GDPNow today, forecast a second-quarter GDP of 4.20%. Fed Chair Powell's dovish stance implies a likelihood of rate cuts rather than hikes. The bond market is currently pricing in two rate cuts for the year. However, the Fed remains vigilant on inflation, expecting core CPI to ease to a 0.3% monthly gain and annual core CPI to dip to 3.6%. The gradual moderation in prices, supported by factors such as softer shelter, used car prices, and slower wage growth, suggests ongoing progress in containing inflation, albeit requiring patience.

### Popular, Inc. Breaks \$90.00 threshold:

In local news, the Birling Capital Puerto Rico Stock Index companies had a good day which saw Popular, Inc. (BPOP) break the \$90.00 mark closing at \$90.34, while Firstbank (FBP) closed up \$0.10 to \$18.07, OFG Bancorp. (OFG) closed up \$0.41 to \$38.14 and Evertec, Inc. (EVTC) closed up \$0.25 to \$37.41.

### GDPNow Update:

- The **GDPNow** for the second quarter of 2024 was updated on May 8, increasing to **4.20% GDP**, a 27.27% rise.

### Key Economic Data:

- **U.S. Consumer Credit Outstanding MoM:** fell to \$6.274 billion, down from \$15.02 billion last month, decreasing -58.23%.
- **U.S. Wholesale Inventories MoM:** rose to 0.51%, compared to -0.23% last month.
- **Canada Ivey PMI:** rose to 63.00, up from 57.50 last month, increasing 9.57%.
- **Euro Area Money Supply M3:** rose to 16.19 trillion, up from 16.11 trillion last month, increasing 0.47%.
- **Eurozone Retail Trade YoY:** rose to 0.70%, compared to -0.50% last month.
- **Germany Industrial Production Index MoM:** fell by -0.40%, compared to 1.70% last month.
- **Germany Trade Balance:** rose to 27.50 billion, up from 23.30 billion last month, increasing 18.03%.
- **Germany Exports MoM:** rose to 6.30%, compared to -4.50% last month.

### Eurozone Summary:

- **Stoxx 600:** closed at 515.77, up 1.75 points or 0.34%.
- **FTSE 100:** closed at 8,354.05, up 40.38 points or 0.49%.
- **Dax Index:** closed at 18,498.38, up 68.33 points or 0.37%.

### Wall Street Summary:

- **U.S. Treasury 2-year note** closed at 4.84%.
- **U.S. Treasury 10-year note** closed at 4.48%.
- **Birling Capital U.S. Bank Stock Index** closed at 5,046.18, up 1.58 points or 0.03%.
- **Birling Capital Puerto Rico Stock Index** closed at 3,442.86, down 13.46 points or 0.39%.
- **Nasdaq Composite** closed at 16,302.76, down -29.80 points or 0.18%.
- **S&P 500** closed at 5,187.67, down 0.03 points or 0.18%.
- **Dow Jones Industrial Average** closed at 39,056.39, up 172.13 points or 0.44%.



# GDPNow

## Second Quarter 2024

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| Date             | GDPNow<br>2Q24 | Change                  |
|------------------|----------------|-------------------------|
| <b>4/26/2024</b> | <b>3.90%</b>   | <b>Initial Forecast</b> |
| <b>5/1/2024</b>  | <b>3.30%</b>   | <b>-18.18%</b>          |
| <b>5/2/2024</b>  | <b>3.30%</b>   | <b>0.00%</b>            |
| <b>5/8/2024</b>  | <b>4.20%</b>   | <b>27.27%</b>           |



## Inflation Nowcasting CPI, Core CPI, PCE & Core PCE

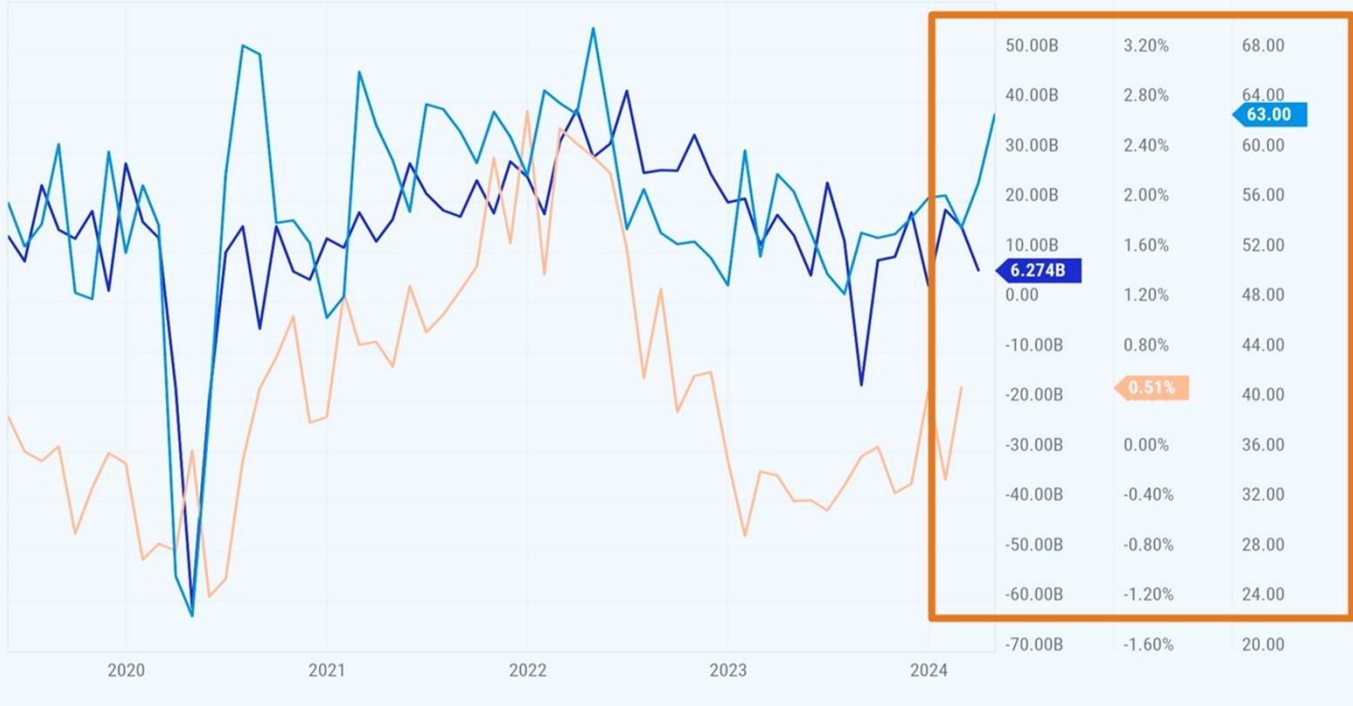
| Inflation Forecasts |              |              |              |              |
|---------------------|--------------|--------------|--------------|--------------|
| Month               | US CPI       | Core CPI     | PCE          | Core PCE     |
| <b>April</b>        | <b>3.50%</b> | <b>3.65%</b> | <b>2.71%</b> | <b>2.74%</b> |



# US Consumer Credit Outstanding, US Wholesale Inventories and Canada Ivey PMI

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- US Consumer Credit Outstanding MoM (I:USCCCO) VAL 6.274B
- US Wholesale Inventories MoM (I:USWISMP) 0.51%
- Canada Ivey PMI (I:CAIPMI) 63.00





# Eurozone Money Supply, EU Retail Sales, Germany Industrial Production Index, Germany Trade Balance & Germany Exports

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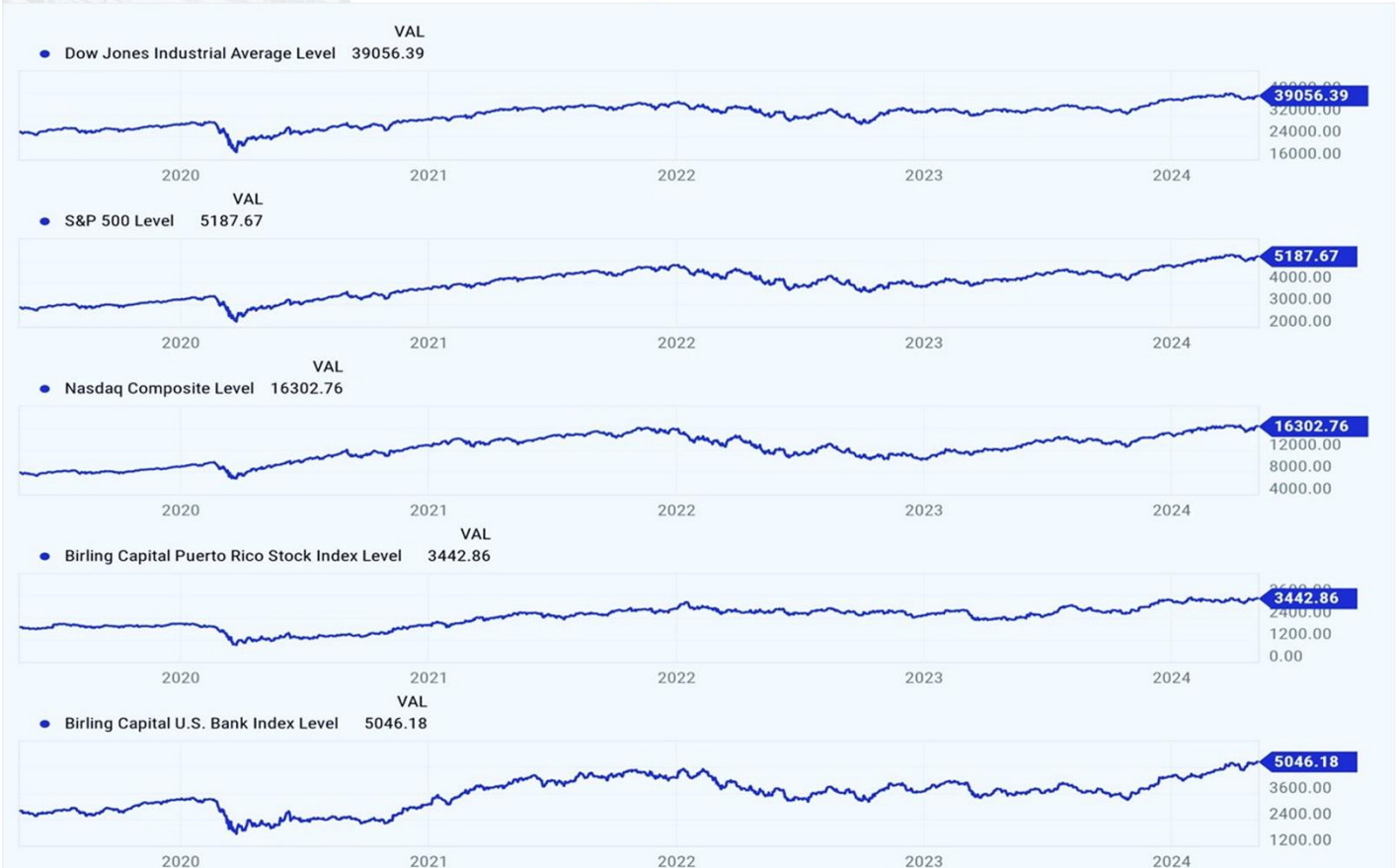




# Wall Street Recap

## May 8, 2024

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