

GLOBAL MARKET SQUARE



The Federal Reserve Bank minutes show it will not stop increasing rates until it reaches its 2% inflation target; U.S. Retail Sales YoY rise 10.08%, and two critical earnings misses take Wall Street down.

August 17, 2022

by Francisco Rodríguez-Castro
frc@birlingcapital.com

The U.S. & European stock markets ended the session with losses as investors are absorbing a diverse set of issues today that include the release of the FOMC minutes, corporate earnings miss from Target and Lowes, and a swat of economic data released today. While there is a variety of data, we focus on the U.S. Retail Sales Year-over-year which rose to 10.08%, an increase of 21.92%, and the United Kingdom Consumer Price Index rising to 10.10% and well above the consensus estimates of 9.80%.

Lastly, the Federal Reserve Bank released its FOMC minutes, which validates our view that Fed will not stop its fight to curb inflation until it reaches its 2% inflation target rate, and with the CPI at 8.52%, it is still 326% above the 2% target.

There is an apparent disconnect between markets and what the Federal Reserve Bank needs to do to stop inflation, and that should not be a surprise.

As a reference, consider the changes in the Federal Reserve Bank's monetary policy, which raised rates four times so far this year as follows:

- 25 basis points in March,
- 50 basis points in May,
- 75 basis points in June
- 75 basis points in July

We expect another 50 to 75 basis points increase during the September FOMC meeting.

Corporate Earnings Parade:

- **Target Corp. (TGT):** reported its 2Q22 earnings with revenues of \$26.037 billion, up 3.5%, and a net income of \$183.61 billion, down 89.90%, widely missing estimates. The main driver for the miss was the increase in the cost of sales by 16.6% to \$20.14 billion to liquidate unwanted inventory. The company stock has a price target of \$183.61, closing at \$175.50, down 2.60%.
- **Lowe's Companies (LOW):** reported its 2Q22 earnings with revenues of \$27.5 billion, down 0.03%, and a net income of \$2.992 billion, up 10.89%, missing estimates. The company stock has a price target of \$238.00, closing at \$215.36, up 0.58%.

Key Economic Data:

- **U.S. Retail Sales YoY:** rose to 10.08%, compared to 7.87% last month.
- **U.S. Retail and Food Services Sales MoM:** is at 0.03%, compared to 0.81% last month

- **U.S. Retail and Food Services Sales (Excluding Motor Vehicle and Part Dealers) MoM:** is at 0.41%, compared to 0.88% last month.
- **U.S. Business Inventories MoM:** rose to 1.58%, compared to 1.43% last month.
- **U.S. Wholesalers Inventories MoM:** rose to 1.92%, compared to 1.81% last month.
- **U.K. Consumer Price Index YoY:** rose to 10.10%, compared to 9.40% last month.
- **U.K. Producer Price Index: Output YoY:** rose to 17.14%, compared to 16.42% last month
- **U.K. Producer Price Index: Input YoY:** rose to 22.58%, compared to 24.10% last month

Puerto Rico COVID-19 Update August 17:

- Daily Cases: 438, down 16.73%.
- Positivity Rate: 27.79%, up 1.79%.
- Hospitalizations: 384, up 0.52%.
- Deaths: 10, down 70%.
- Source Puerto Rico Department of Health.

Eurozone Summary for August 17:

- Stoxx 600 closed at 438.86, down 4.21 points or 0.95%.
- FTSE 100 closed at 7,515.75, down 20.31 points or 0.27%.
- Dax Index closed at 13,626.71, down 283.71 points or 2.04%.

Wall Street Summary for August 17:

- Dow Jones Industrial Average closed at 33,980.32, up 171.69 points or 0.50%.
- S&P 500 closed at 4,274.04, down 31.16 points or 0.72%.
- Nasdaq Composite closed at 12,938.12, down 164.43 points or 1.25%.
- Birling Capital Puerto Rico Stock index closed at 2,907.99, up 7.48 points or 0.26%.
- The U.S. Treasury 10-year note closed at 2.89%.
- The U.S. Treasury 2-year note closed at 3.28%.



www.birlingcapital.com

Corporate Earnings Parade

Target Corp. & Lowe's Companies

YTD Returns



**US Retail Sales YoY, US Retail & Food Services MoM ,
US Business Inventories, & US Wholesale Inventories**

- US Retail Sales YoY
- US Retail and Food Services Sales MoM
- US Retail and Food Services Sales (Excluding Motor Vehicle and Part Dealers) MoM
- US Business Inventories MoM
- US Wholesalers Inventories MoM





www.birlingcapital.com

Wall Street August 17, 2022

YTD Returns



Wall Street August 17, 2022



Global Market Square © es una publicación preparada por Birling Capital LLC y resume los recientes desarrollos geopolíticos, económicos, de mercado y otros que pueden ser de interés para los clientes de Birling Capital LLC. Este informe está destinado únicamente a fines de información general, no es un resumen completo de los asuntos a los que se hace referencia y no representa asesoramiento de inversión, legal, regulatorio o fiscal. Se advierte a los destinatarios de este informe que busquen un abogado profesional adecuado con respecto a cualquiera de los asuntos discutidos en este informe teniendo en cuenta la situación de los destinatarios. Birling Capital no se compromete a mantener a los destinatarios de este informe informados sobre la evolución futura o los cambios en cualquiera de los asuntos discutidos en este informe. Birling Capital. El símbolo de registro y Birling Capital se encuentran entre las marcas registradas de Birling Capital. Todos los derechos reservados.