

Wall Street Tumbles as Inflation Hits Highest Levels in Months and June Rate Cut Prospects Fade.

April 10, 2024

by Francisco Rodríguez-Castro
frc@birlingcapital.com

The U.S. and European stock markets closed with asymmetrical results. While Europe closed broadly higher, Wall Street fell hard in response to unexpectedly high inflation data that surpassed all estimates. The Dow Jones lost 422.16 points, the Nasdaq dropped 136.28 points, and the S&P 500 fell 49.23 points. The market had been riding high on hopes of upcoming rate cuts from the Fed, but this morning's news likely dashes those expectations for the June meeting, possibly delaying rate cuts and reducing their number in 2024. Bond yields surged, with the 10-year Treasury yield reaching 4.5%, its highest since last November, as investors adjusted to the new outlook on monetary policy.

The stock market's knee-jerk reaction was unsurprising, given the recent strong rally and the market's sensitivity to Fed rate expectations. However, it's worth noting that despite this setback, the S&P 500 remains significantly up for the year, having gained more than 25% since October.

The latest consumer price index (CPI) report revealed inflation standing at 3.48% in March, 2.05% above the Inflation Nowcast estimate of 3.41%, the Core CPI rose to 3.80% in March, 1.88% above the forecast of 3.76%. Although there were some positive signs, such as a drop in core goods prices and a moderated increase in shelter prices, services prices, particularly medical care and insurance premiums, rose notably.

While the report indicates that inflation is not cooling as quickly as hoped, it doesn't necessarily signal a renewed spike in consumer prices. Instead, it aligns with the expectation of occasional bumps along the broader path of inflation. Consequently, it's doubtful that the Fed will cut rates at its June meeting. However, rate cuts in 2024 may still be on the table, contingent upon several months of moderating inflation.

The market will closely monitor additional data, such as the March producer price index (PPI) report and upcoming earnings announcements, as we move ahead. While PPI may not be as pivotal as CPI, it will provide insights into price trends in the supply chain, influencing future CPI readings.

Moreover, the start of the corporate earnings parade from the top banks this Friday will offer valuable insights into earnings trends, which are increasingly influential in market performance. Despite challenges posed by persistent inflation, robust economic growth sets a solid foundation for corporate earnings growth. Consensus estimates anticipate low-single-digit S&P 500 profit growth for the quarter and slightly over 10% growth for 2024, which could support market performance if achieved.

GDPNow Update:

- The GDPNow for the first quarter of 2024 was updated on April 10. It fell to 2.40% GDP from 2.50% GDP, a 4% decrease.

Key Economic Data:

- **U.S. Consumer Price Index YoY:** rose to 3.48%, compared to 3.15% last month.
- **U.S. Core Consumer Price Index YoY:** rose to 3.80%, compared to 3.76% last month.
- **U.S. Inflation Rate:** rose 3.48%, compared to 3.15% last month.
- **China Inflation Rate:** rose to 0.70%, compared to -0.80% last month.
- **China Producer Price Index YoY:** fell to -2.70%, compared to -2.50% last month.

Eurozone Summary:

- **Stoxx 600** closed at 506.59, up 0.77 points or 0.15%.
- **FTSE 100** closed at 7,961.21, up 26.42 points or 0.33%.
- **Dax Index** closed at 18,097.30., up 20.61 points or 0.11%.

Wall Street Summary:

- **Dow Jones Industrial Average** closed at 38,461.51, down 422.16 points or 1.09%.
- **S&P 500** closed at 5,160.64, down 49.23 points or 0.95%.
- **Nasdaq Composite** closed at 16,170.36, down 136.28 points or 0.84%.
- **Birling Capital Puerto Rico Stock Index** closed at 3,407.60, up 28.55 points or 0.84%.
- **Birling Capital U.S. Bank Stock Index** closed at 4,928.21, up 3.57 points or 0.07%.
- **U.S. Treasury 10-year note** closed at 4.55%.
- **U.S. Treasury 2-year note** closed at 4.97%.



Federal Reserve Bank of Atlanta

GDPNow Update

Date	GDPNow 1Q24	Change
1/26/2024	3.00%	Initial Forecast
2/8/2024	3.40%	11.76%
2/16/2024	2.90%	-14.71%
2/29/2024	3.00%	3.33%
3/1/2024	2.10%	-30.00%
3/6/2024	2.50%	16.00%
3/7/2024	2.50%	0.00%
3/14/2024	2.30%	-8.00%
3/19/2024	2.10%	-8.70%
3/29/2024	2.30%	8.70%
4/1/2024	2.80%	17.86%
4/4/2024	2.50%	-10.71%
4/10/2024	2.40%	-4.00%



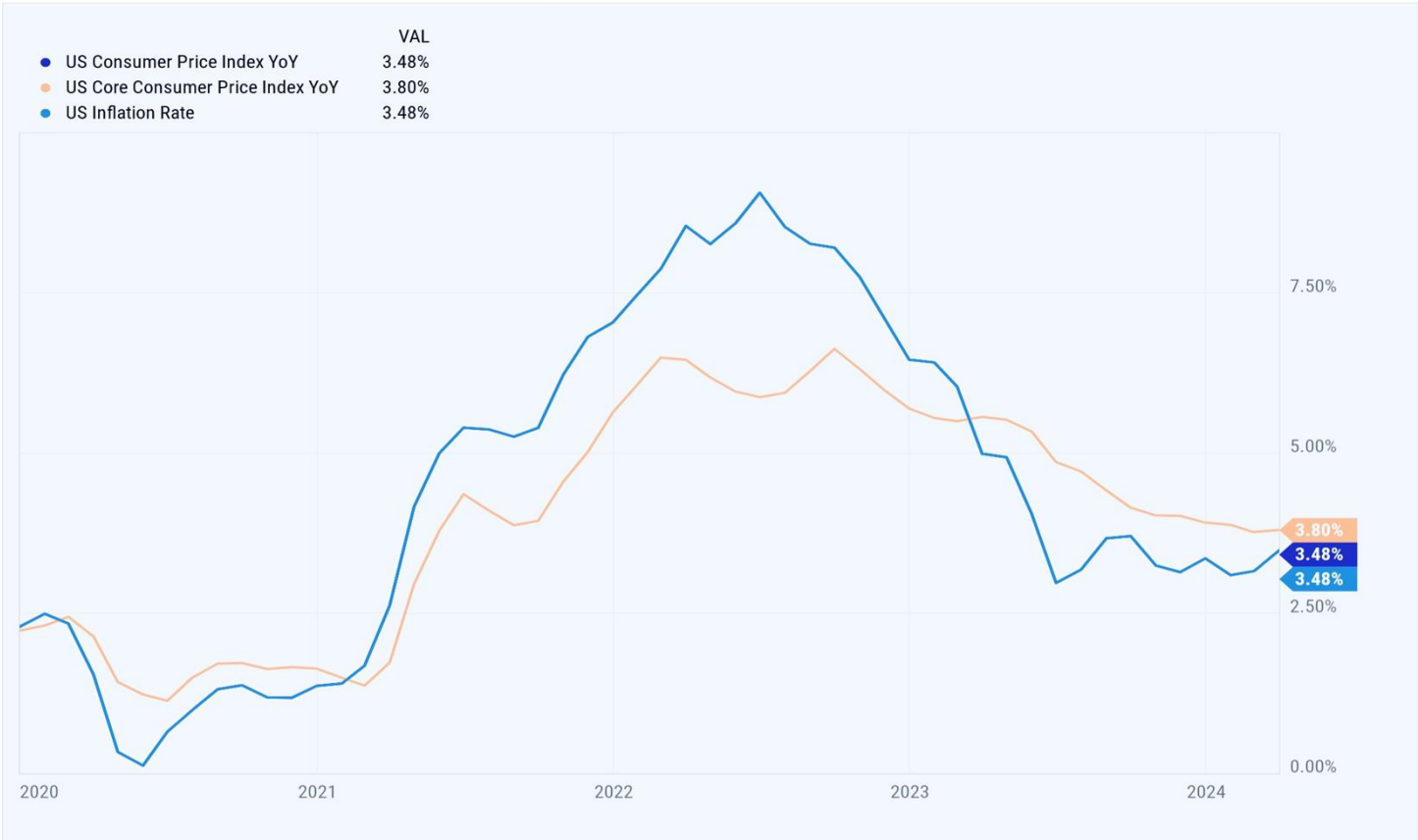
BIRLING
CAPITAL ADVISORS, LLC

Inflation Nowcasting CPI and Core CPI Forecast Vs Actual

Inflation Nowcasting	CPI Forecast	CPI Actual	Change	Core CPI Forecast	Core CPI Actual	Change
March	3.41%	3.48%	2.05%	3.73%	3.80%	1.88%

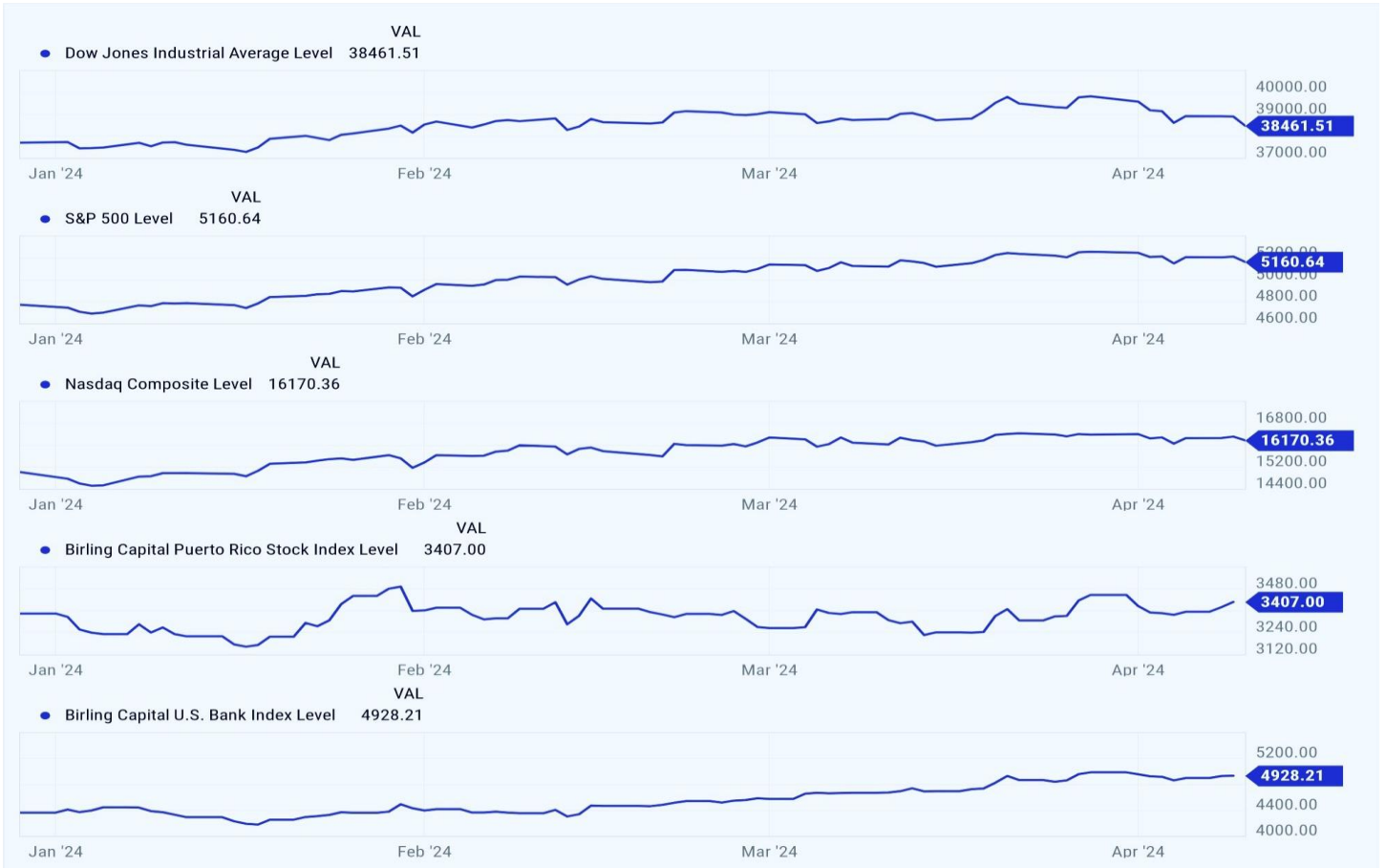


US CPI, US Core CPI & US Inflation Rate





Wall Street Recap April 10, 2024



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.