Mixed Market Sentiments as U.S. and European Markets React to Inflation Data, the ECB hints at rate cuts in June and All Brace for Corporate Earnings Parade.

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The U.S. and European stock markets closed the session with mixed results following yesterday's losses in the three critical indices of more or less 1% due to an unexpected consumer price index (CPI) surge. Wall Street responded positively to the release of Producer Price Index (PPI) data for March, showing a slightly lower-than-anticipated increase. PPI inflation, standing at 2.09% y-o-y, is below the projected 2.2%, although it remained higher than the previous month's 1.6% reading. Treasury yields, which experienced a notable surge yesterday, saw a decline, marking the year's most significant one-day yield movement.

While the Dow Jones fell, the Tech stocks provided a crucial boost to the S&P 500 and Nasdaq Composite during the session, as investors seized the opportunity to capitalize on earlier week declines. Nvidia led the charge with an impressive surge of almost 4%, while fellow "Magnificent Seven" constituents such as Amazon and Alphabet experienced robust gains, each climbing over 2%. Notably, Amazon's stock soared to a record peak. Apple also made significant strides, surging 3% and marking its most remarkable performance thus far in 2024.

Despite this, the 10-year Treasury yield closed at 4.56%, nearing the year's peak. The prevailing sentiment indicates a delay in expectations for Federal Reserve rate adjustments, with markets anticipating only two rate cuts beginning in September. Our analysis suggests that the Fed, in its cautious approach, will likely require further evidence of a slowdown in inflation before considering any policy adjustments, and with forthcoming CPI reports leading up to the September 18 meeting, there will be ample data to assess the trajectory of inflation.

Despite inflation hovering above the Fed's 2.0% target, the robust economy and labor market continue to buoy consumer confidence and spending, providing the Fed with leeway in timing any potential rate cuts, especially given the absence of immediate signs of an economic downturn. Looking ahead, we anticipate inflation to ease gradually, supported by a softening in wage gains and a moderation in services inflation, particularly as shelter and rent costs stabilize. This conducive environment suggests a less stringent interest-rate policy, likely commencing in the latter half of 2024.

The European Central Bank, in a move that could potentially shift the monetary policy landscape, left its benchmark deposit rate at 4 percent, a record high for European markets today. However, amidst deliberations, President Christine Lagarde hinted at the possibility of rate cuts in the upcoming June meeting, signaling a potential shift in monetary policy.

Eurozone inflation peaked at 10.6% in 2022 and has since moderated to 2.4% as of March, a 77.35% decrease and just shy of the ECB's 2% inflation target.

As attention now turns to the corporate earnings parade for the 1Q24 that begins Friday, the focus will be on three of the six U.S. largest banks, namely J.P. Morgan Chase, Citigroup, and Wells Fargo, which report earnings on April 12. This event not only provides insights into their performance but also allows us to see how their loan portfolios are behaving. Investors eagerly await insights into the effects of sustained 'higher for longer' interest rates on consumer behavior, the housing market, loan demand, and capital-market activities. With expectations tempered for first-quarter earnings growth, the potential for upside surprises exists across sectors, supported by robust economic growth and consumption trends.

Our current forecasts project annual earnings growth of approximately 10.7% across most S&P 500 sectors for 2024. Robust earnings growth will be a pivotal factor driving market performance this year, notably as valuations have expanded in various sectors, notably in mega-cap technology.

Key Economic Data:

- **U.S. Producer Price Index YoY:** rose to 2.09%, compared to 1.61% last month.
- **U.S. Core Producer Price Index YoY:** rose to 2.37%, compared to 2.09% last month.
- **U.S. Initial Claims for Unemployment Insurance: fell to** 211,000, down from 222,000 last week, decreasing -4.95%.
- **30-year mortgage Rate:** rose to 6.82%, compared to 6.79% last week.
- **ECB Deposit Facility Interest Rate:** is unchanged at 4.00%, compared to 4.00% yesterday.

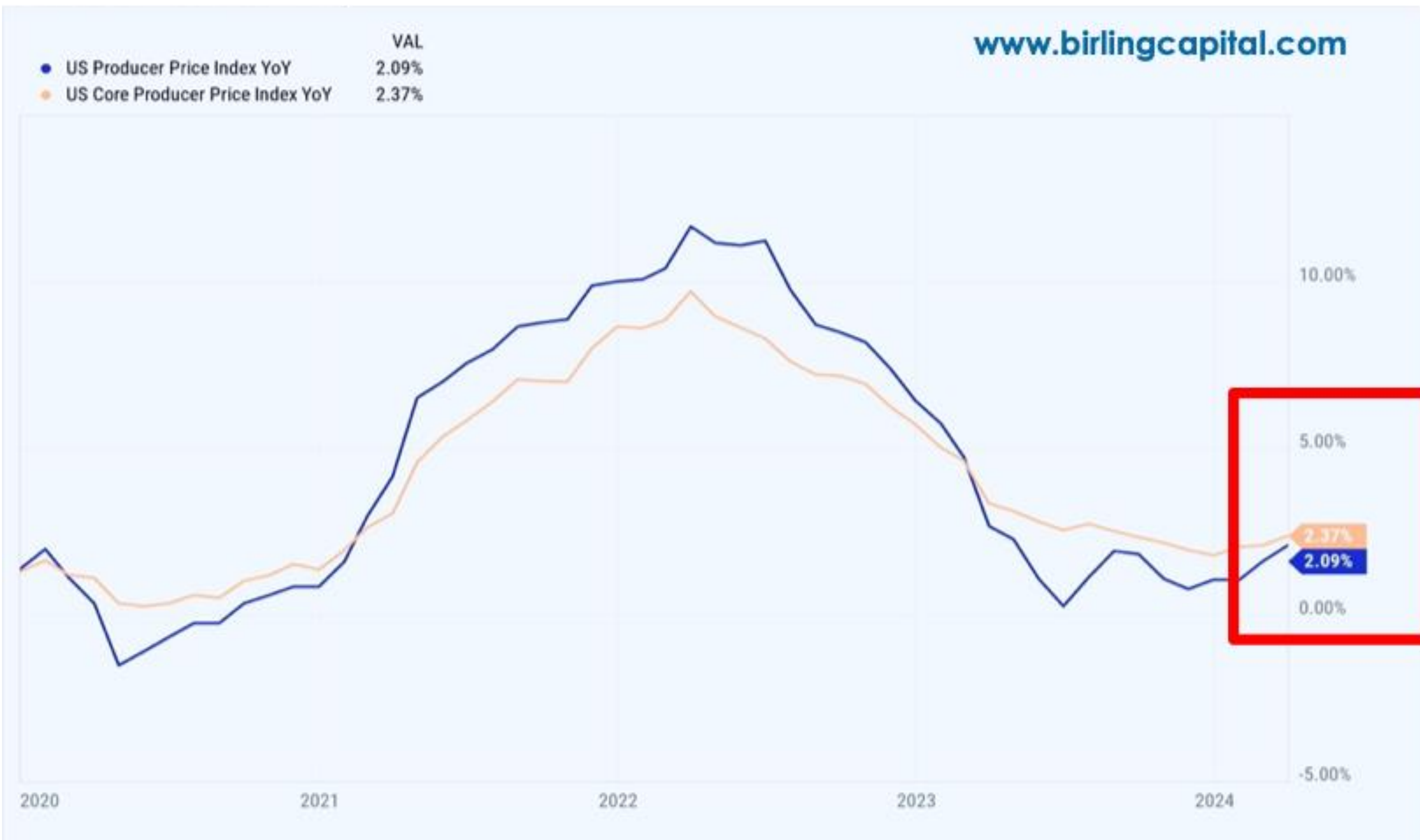
Eurozone Summary:

- **Stoxx 600** closed at 504.55, down 2.04 points or 0.40%.
- **FTSE 100** closed at 7,923.80, down 37.41 points or 0.47%.
- **Dax Index** closed at 17,954.48, down 142.82 points or 0.79%.

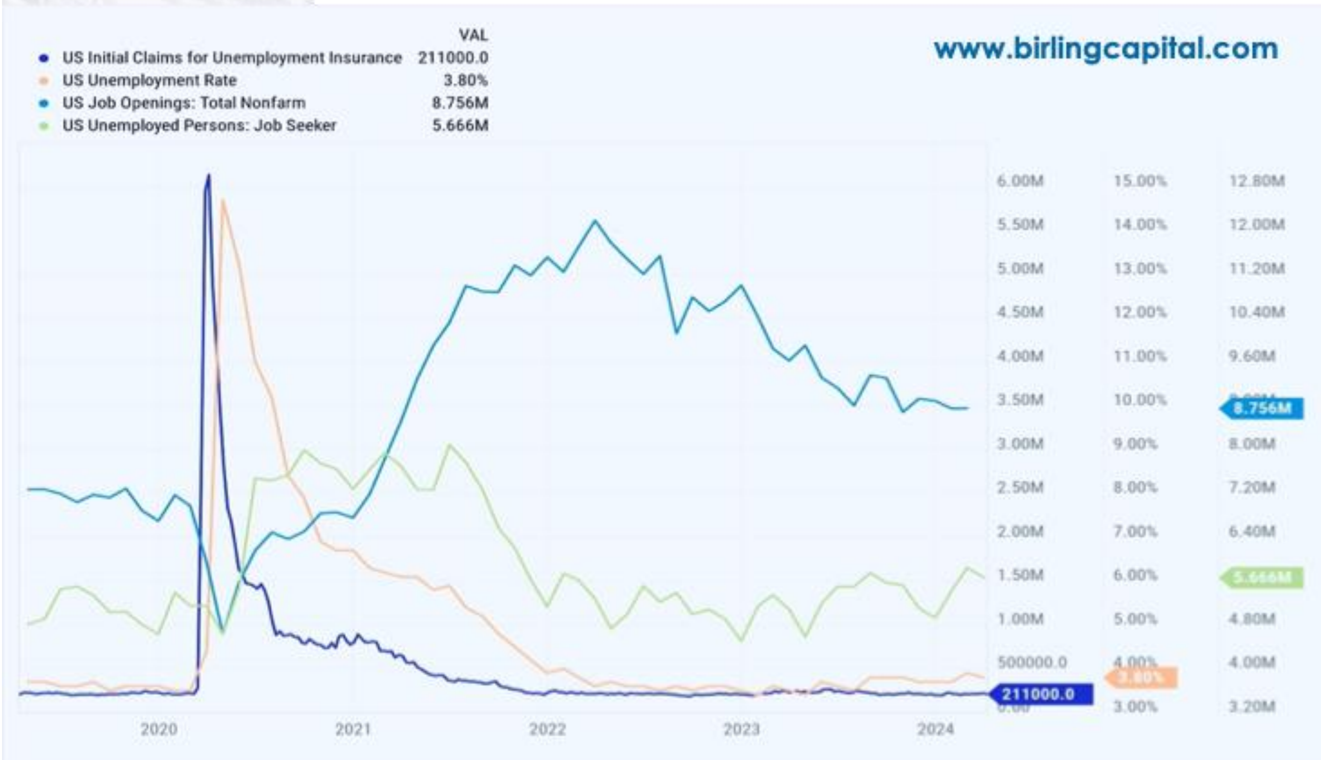
Wall Street Summary:

- **Dow Jones Industrial Average** closed at 38,459.08, down 2.43 points or 0.01%.
- **S&P 500** closed at 5,199.06, up 38.42 points or 0.74%.
- **Nasdaq Composite** closed at 16,442.30, up 271.84 points or 1.66%.
- **Birling Capital Puerto Rico Stock Index** closed at 3,275.67, down 131.33 points or 3.85%.
- **Birling Capital U.S. Bank Stock Index** closed at 4,827.76, down 100.45 points or 2.04 %.
- **U.S. Treasury 10-year note** closed at 4.56%.
- **U.S. Treasury 2-year note** closed at 4.93%.

US Producer Price Index & US Core Producer Price Index



US Claims for Unemployment, US Unemployment Rate, US Job Openings & US Job Seekers



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Wall Street Update

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