

Interest Rates Cuts Delayed, Corporate Earnings from Morgan Stanley Surpasses, while Bank of America Misses, and Geopolitical Tensions Take CenterStage.

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The U.S. and European stock markets closed mostly down expect for the Dow Jones that snapped the losing streak as continued trading with a cautious sentiment partly attributed to ongoing geopolitical tensions in the Middle East and recalibrated expectations regarding Federal Reserve rate cuts which are now delayed due to persistent inflation. On the corporate earnings parade, 1Q24 earnings reports from Morgan Stanley beat estimates, while Bank of America missed expectations. However, both underscore the robust outlook for corporate earnings, which continues to underpin market confidence.

Internationally, global equities are down, with Asian markets showing weakness even with China's recent GDP rise. Supply concerns stemming from the Iran situation remain; however, oil prices are down, reflecting market anticipation of available OPEC+ capacity coming online in the event of production disruptions.

Meanwhile, bond yields saw the 10-year Treasury rate reach 4.63% yesterday, and today, the 10-year Treasury closed at 4.67%, driven by higher-than-expected inflation readings and continued robust economic data, prompting a reassessment of Fed policy expectations for the year ahead. Federal Reserve Chair Jay Powell expressed that it may take more time than anticipated for inflation to reach the central bank's 2 percent target, delaying potential interest rate cuts. Powell emphasized the need for greater confidence in sustained inflation movement before considering policy easing, citing recent data that suggest achieving this confidence might be prolonged.

Additionally, housing data released today paints a mixed picture, showing a slight slowdown in activity for March. Both housing starts and building permits declined modestly, potentially influenced by adverse weather conditions and higher interest rates impacting new housing demand. Despite these factors, signs of sustained housing investment suggest ongoing demand resilience, supported by a healthy labor market and consumer confidence, as Monday's robust retail sales report highlighted.

The International Monetary Fund projects stated that the United States is poised to outpace all other G7 nations in economic growth this year. The US is forecasted to achieve a growth rate of 2.7% GDP, signaling the robustness of the world's largest economy and its significant impact on global markets.

According to the IMF, Canada is projected to be the next best performer among G7 nations, with a growth rate of 1.2% this year.

Corporate Earnings Parade:

- **Bank of America (BAC):** reported 1Q24 revenues of \$25.818 billion, down 2.048%, and Net Income of \$6.1743 billion, down 18.22%. Bank America reached earnings per share of \$0.76, missing the estimates of \$0.774 by 1.80%, and has a price objective of \$39.02.
- **Morgan Stanley (MS):** reported 1Q24 revenues of \$15.136 billion, up 4.23%, and Net Income of \$3.412 billion, up 14.49%. Morgan Stanley reached earnings per share of \$2.02, beating the estimates of \$1.650 by 22.42%, and has a price objective of \$96.44.

Key Economic Data:

- **US Housing Starts:** They fell to 1.321 million, down from 1.549 million last month and decreasing 14.72%.
- **US Building Permits** fell to 1.458 million, down from 1.523 million last month, decreasing 4.27%.
- **US Industrial Production MoM:** fell 0.39%, compared to 0.44% last month.
- **NY Fed Business Leaders Survey Current Business Activity:** fell -0.60, down from 0.60 last month.
- **Canada Consumer Price Index YoY:** rose to 2.90%, compared to 2.78% last month.
- **ZEW Indicator of Economic Sentiment for Germany:** rose to 42.90, up from 31.70 last month, increasing 35.33%.
- **UK ILO Unemployment Rate:** rose to 4.30%, compared to 4.10% last month.
- **China Real GDP YoY:** rose to 5.20%, compared to 4.90% last quarter.

Eurozone Summary:

- **Stoxx 600** closed at 498.21, down 7.72 points or 1.53%.
- **FTSE 100** closed at 7,820.36, down 145.17 points or 1.82%.
- **Dax Index** closed at 17,766.23, down 260.35 points or 1.44%.

Wall Street Summary:

- **Dow Jones Industrial Average** closed at 37,798.97, up 63.86 points or 0.17%.
- **S&P 500** closed at 5,051.41, down 10.41 points or 0.21%.
- **Nasdaq Composite** closed at 15,865.25, down 19.77 points or 0.12%.
- **Birling Capital Puerto Rico Stock Index** closed at 3,228.85, down 9.93 points or 0.31%.
- **Birling Capital U.S. Bank Stock Index** closed at 4,698.29, up 26.07 points or 0.56 %.
- **U.S. Treasury 10-year note** closed at 4.67%.
- **U.S. Treasury 2-year note** closed at 4.97%.



US Housing Starts, US Building Permits. US Industrial Production & NY Fed Business Leaders Survey Current Business Activity





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Canada Consumer Price Index, ZEW Indicator of Economic Sentiment for Germany, UK ILO Unemployment Rate & China GDP YoY





Wall Street Recap

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