



Wall Street closed mixed, while European Markets Rallied After Last Week's Dip. Inflation Watch: Eyes on CPI as Projections Hint at an Uptick.

April 8, 2024

by Francisco Rodríguez-Castro
frc@birlingcapital.com

The U.S. and European stock markets began the week with mixed results as the markets attempted to recover from last week's losses. The Dow Jones and S&P fell, while the Nasdaq closed marginally up.

This week, all eyes will be on inflation as the spotlight shines on Wednesday's Consumer Price Index (CPI) release. The Inflation Nowcasting projection indicates a potential uptick, with the CPI at 3.41%, up slightly from February's 3.15%. Meanwhile, Core CPI, excluding food and energy, is anticipated to show a marginal decrease of 3.73%, compared to February's 3.76%.

Thursday brings insights from the Producer Price Index (PPI) inflation, with forecasts suggesting a 2.3% in March, surpassing February's 1.58%. Amidst these data releases, market sentiment remains priced, with the Federal Reserve keeping interest rates unchanged in May, with a 50% chance of a rate cut in June.

Last week's robust U.S. payrolls report and higher-than-expected inflation figures in January and February set the stage for this week's CPI report, which is crucial in shaping expectations regarding a potential rate cut in June. A stronger-than-anticipated core CPI could delay rate cut talks, while a lower reading might bolster the case for a June cut.

Today, JP Morgan Chase released its annual report, and with it, Jamie Dimon's much anticipated, read, and reviewed Chairman & CEO Annual Letter to shareholders underscoring the profound influence he believes artificial intelligence (AI) will exert on society.

Expressing conviction in A.I.'s transformative potential, Dimon likened its forthcoming impact to epochal technological advancements such as the printing press, the steam engine, electricity, computing, and the Internet.

Amidst broader economic reflections, Dimon articulates concerns over inflationary pressures, challenges assumptions regarding the likelihood of a soft landing for the economy and underscores potential vulnerabilities in commercial real estate amidst fluctuating interest rates. He also critiques the lack of collaboration between banks and regulators, advocating for enhanced user control on social media platforms. He provides insights into the strategic rationale behind JPMorgan's recent acquisition endeavors.

In sum, Dimon's shareholder letter not only serves as a strategic compass for navigating the complexities of contemporary finance but also illuminates the pivotal role of A.I. in shaping the future trajectory of banking and society at large.

Reading Jamie Dimon's Letter is time well invested. To read the annual report, click here: <https://reports.jpmorganchase.com/investor-relations/2023/ar-ceo-letters.htm>

The anticipation builds as U.S. banks prepare to kick off first-quarter earnings on Friday, April 12, below the schedule:

1. **Citigroup (C)**: will report its results on **April 12**, with an earnings per share estimate of \$1.30.
2. **Wells Fargo (WFC)** will report its results on **April 12**, with an earnings per share estimate of \$1.087.
3. **JP Morgan Chase (JPM)** will report its results on **April 12**, with an earnings per share estimate of \$4.126.
4. **Goldman Sachs (GS)**: reports its results on **April 15**, with an earnings per share estimate of \$8.72.
5. **Bank of America (BAC)** reports its results on **April 16**, with an earnings per share estimate of \$0.775.
6. **Morgan Stanley (MS)** reports its results on **April 16**, with an earnings per share estimate of \$1.65.

The forecasts suggest a modest 2.8% year-over-year rise in S&P 500 earnings per share for the first quarter, driven by sectors like utilities, technology, and communication services, and expectations point to a solid 10% y-o-y growth in S&P 500 earnings for 2024.

A robust corporate earnings growth becomes paramount for sustained equity market strength. Factors such as expected lower inflation and potential Fed rate cuts in the latter half of the year could support corporate profits and equity markets in the next three quarters.

Key Economic Data:

- **U.S. Retail Gas Price**: fell to \$3.636 from \$3.639 last week, decreasing -0.08%.
- **Germany Industrial Production Index MoM**: rose to 2.10%, compared to 1.30% last month.
- **Germany Exports MoM**: rose 6.30%, compared to -4.50% last month.
- **Germany Trade Balance**: rose to \$27.50 billion, up from \$23.30 billion last month, increasing 18.03%.

Eurozone Summary:

- **Stoxx 600** closed at 508.93, up 2.38 points or 0.47%.
- **FTSE 100** closed at 7,943.47, up 32.31 points or 0.41%.
- **Dax Index** closed at 18,318.97, up 143.93 points or 0.79%.

Wall Street Summary:

- **Dow Jones Industrial Average** closed at 38,892.80, down 11.24 points or 0.03%.
- **S&P 500** closed at 5,202.39, down 1.95 points or 0.04%.
- **Nasdaq Composite** closed at 16,253.95, up 5.44 points or 0.03%.
- **Birling Capital Puerto Rico Stock Index** closed at 3,353.32, up 16.83 points or 0.50%.
- **Birling Capital US Bank Stock Index** closed at 4,893.08, up 36.33 points or 0.75%.
- **US Treasury 10-year note** closed at 4.42%.
- **US Treasury 2-year note** closed at 4.78%.



Inflation Nowcasting CPI and Core CPI

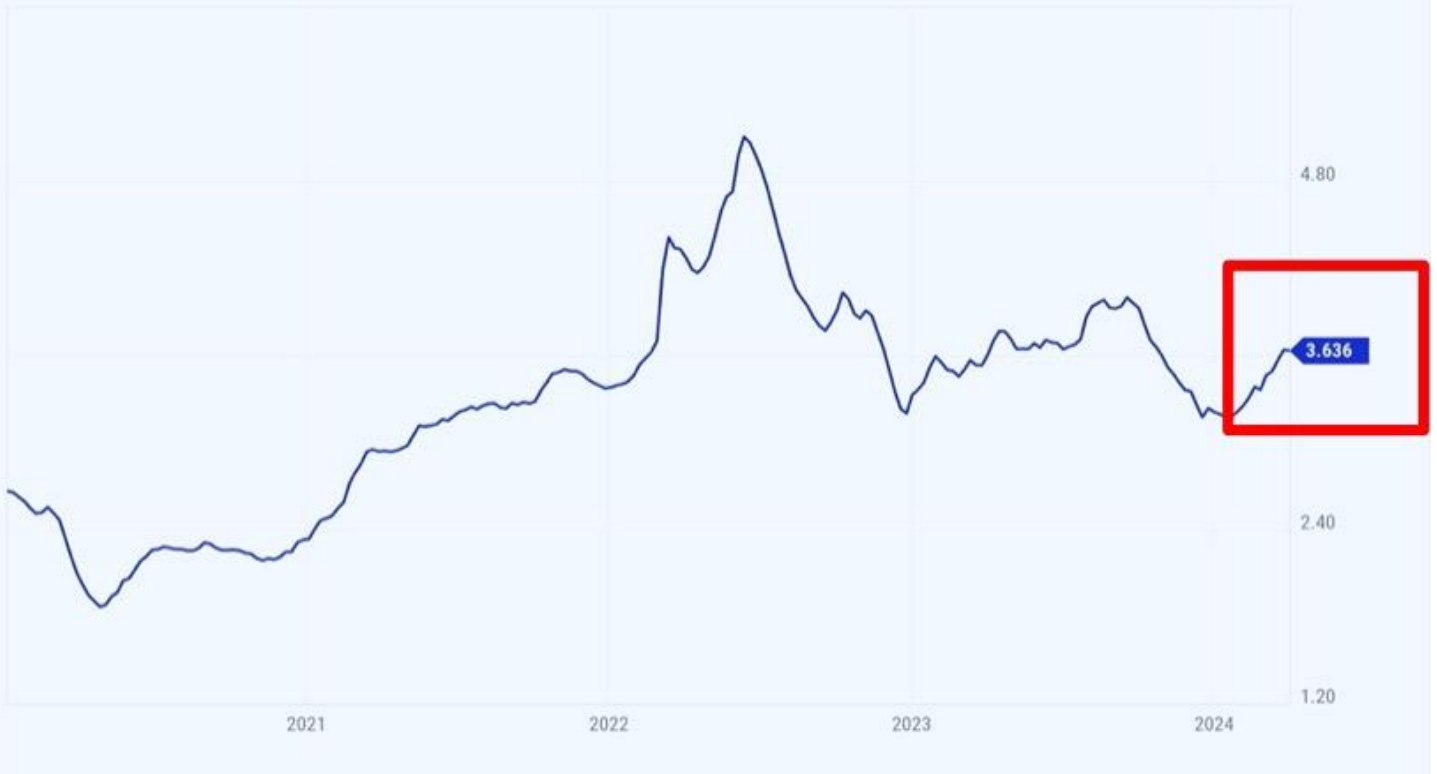
www.birlingcapital.com

Inflation Nowcasting Updated

Mar-24	CPI Forecast 3.41%	Core CPI Forecast 3.73%	4/8/24
---------------	-----------------------------------	--	---------------

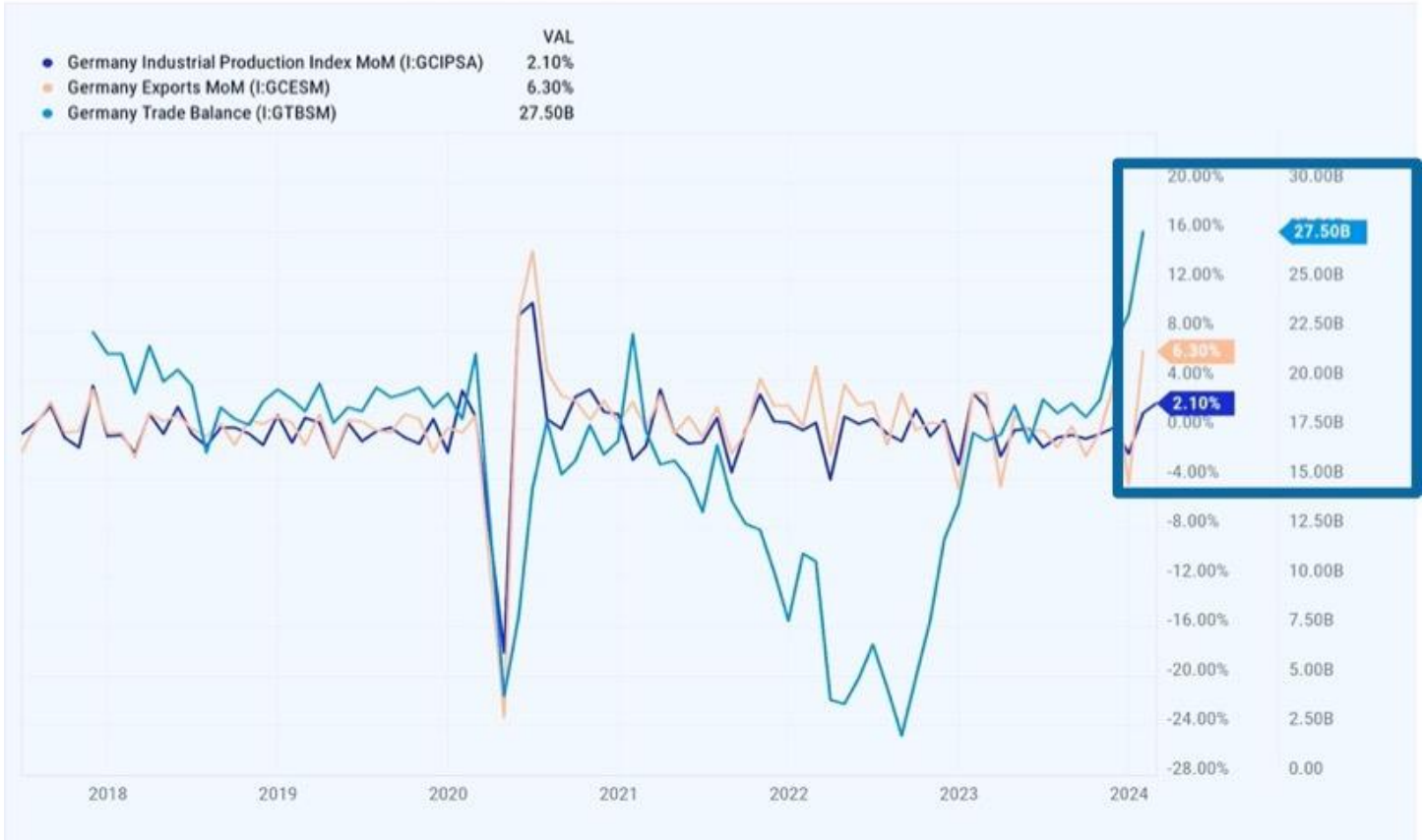
US Retail Gas Price is at \$3.63 is a 9.32% decrease from its high of \$4.001, 7 months ago

US Retail Gas Price VAL 3.636





Germany Industrial Production Index, Germany Exports & Germany Trade Balance

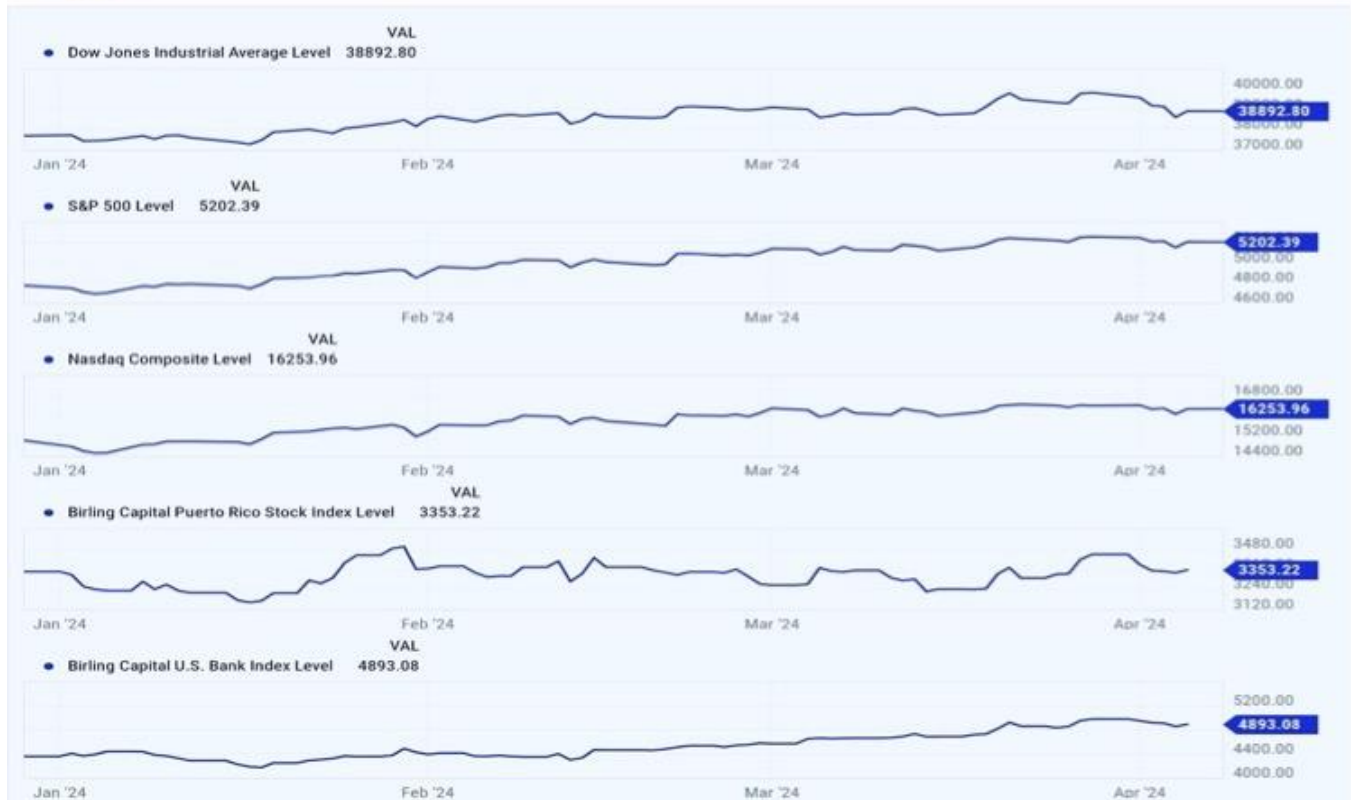




Wall Street Update

April 8, 2024

www.birlingcapital.com



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.