

GLOBAL MARKET SQUARE



Global Markets Closed Mixed as Fed Presidents Harker and Collins Signal Possible Interest Rate Reduction and Investors Await Fed Chair Powell Speech Tomorrow.

August 22, 2024

by Francisco Rodríguez-Castro
frc@birlingcapital.com

The U.S. and European stock markets closed the session mixed, as the leveling of unemployment claims, the existing home sales drop, and the 30-mortgage rate increase are being digested by investors ahead of Fed Chair Powell's speech tomorrow at the Jackson Hole Symposium.

Interest rates are experiencing a slight increase, with the 10-year Treasury yield climbing back to close at 3.86% after beginning August at 4%. Rates have generally been trending lower this month, influenced by softer inflation data, a slowdown in economic activity, and the anticipation of upcoming rate cuts by the Federal Reserve. Overall, the market continues to exhibit modest and cautiously optimistic movements as investors await Federal Reserve Chair Powell's upcoming monetary policy address at the Jackson Hole symposium on Friday. Today, two Federal Reserve Bank Presidents signaled that it might be time to start reducing interest rates. Philadelphia Fed President Patrick Harker expressed support for a rate cut in September, citing economic conditions. Similarly, Boston Fed President Susan Collins noted that with inflation steadily moving toward the Fed's 2 percent target, it may be appropriate to lower the federal funds rate from its current 23-year high of 5.25 to 5.5 percent. Both officials emphasize the need to reassess the current monetary stance.

The labor market is showing signs of strain but isn't collapsing. Thursday's jobs data added to a labor picture that, while less robust than before, is far from deteriorating rapidly. Initial jobless claims for the week were reported at 232,000, a slight increase from the previous week, yet still the second lowest in the last six weeks and below the two-month average of 236,000. Continuing jobless claims also saw a rise, although they remain below the peak observed in July. These figures suggest that while the labor market's peak may have passed, employment conditions are still healthy by historical standards. The slight increase in initial claims hints at some cautious cost-cutting by businesses, but there is no evidence of widespread layoffs. The uptick in continuing claims indicates that finding new employment may be more challenging. Yet, the recent expansion in the workforce, coupled with solid monthly payroll gains, suggests that job availability remains adequate. July's official payroll report triggered a brief market decline fueled by recession concerns, likely heightening the significance of August's jobs report. However, today's claims data does not signal a significant worsening of employment conditions overall.

Chair Powell's remarks at Friday's annual Jackson Hole symposium are highly expected. Even though this event does not involve a policy decision, it usually gives markets insights into the Fed's views on economic conditions and its current stance on interest rate adjustments. The focus is on potential upcoming rate cuts starting in September as the economy shows signs of slowing and inflation begins to moderate toward more acceptable levels. We don't anticipate any major surprises from Chair Powell's speech. The Fed Chair will likely acknowledge the positive trend in inflation, and the Fed may emphasize a softening labor market when considering future policy decisions. As such, we predict the commentary will align with expectations for a 25-basis-point rate cut next month, dampening hopes from some investors calling for a more significant rate cut in September—a move we consider unnecessary given the economy's continued resilience.

Key Economic Data:

- **U.S. Initial Claims for Unemployment Insurance:** rose to 232,000, up from 228,000 last week, increasing 1.75%.
- **U.S. Existing Home Sales:** fell to 3.89 million, down from 4.11 million last month, decreasing - 5.35%.
- **30-year mortgage rate:** rose 6.49%, compared to 6.47% last week.
- **Kansas City Fed Manufacturing Production Index:** fell to -12.00, down from -11.00 last month.
- **Eurozone Consumer Confidence Indicator:** is at -13.00, up from -14.00 last month.
- **Eurozone Economic Sentiment Indicator:** fell to 95.80, down from 95.90 last month, decreasing - 0.10%.
- **Japan Consumer Price Index YoY:** is unchanged at 2.80%, compared to 2.80% last month.

Eurozone Summary:

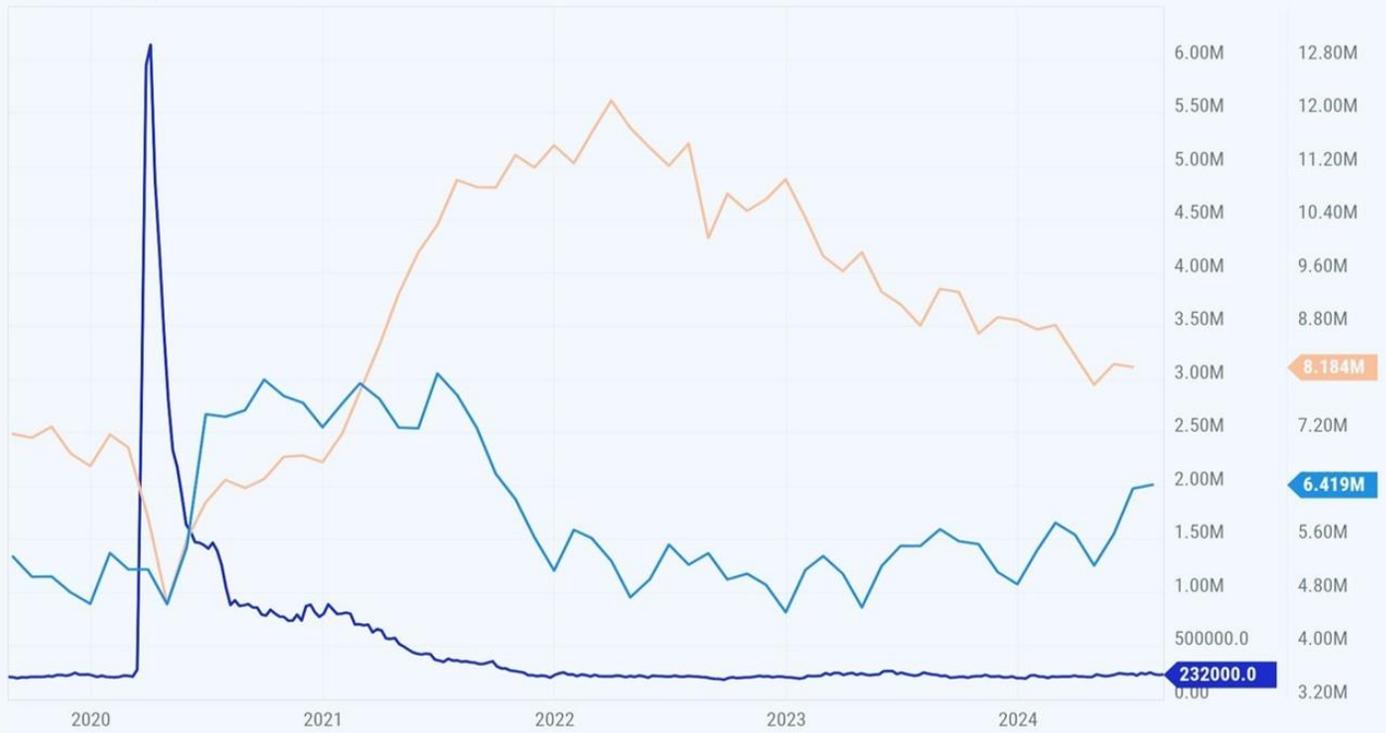
- **Stoxx 600:** Closed at 515.74, up 1.79 points or 0.35%.
- **FTSE 100:** Closed at 8,288.00, up 4.57 points or 0.06%.
- **DAX Index:** Closed at 18,493.39, up 44.44 points or 0.24%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 40,712.78, down 177.71 points or 0.43%.
- **S&P 500:** closed at 5,570.64, down 50.21 points or 0.89%.
- **Nasdaq Composite:** closed at 17,619.35, down 299.35 points or 1.67%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,710.60, up 11.13 points or 0.30%.
- **Birling Capital U.S. Bank Stock Index:** closed at 5,260.47, down 22.29 points or 0.42%.
- **U.S. Treasury 10-year note:** closed at 3.86%.
- **U.S. Treasury 2-year note:** closed at 3.99%.

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

- US Initial Claims for Unemployment Insurance 232000.0
- US Job Openings: Total Nonfarm 8.184M
- US Unemployed Persons: Job Seeker 6.419M



US Existing Home Sales, 30-Year Mortgage Rate & Kansas City Fed Manufacturing Production Index





Eurozone Consumer Confidence Indicator, EU Economic Sentiment Indicator, Japan CPI

	VAL
● Eurozone Consumer Confidence Indicator (I:ECCISM)	-13.00
● Eurozone Economic Sentiment Indicator (I:EESI)	95.80
● Japan Consumer Price Index YoY (I:JPIR)	2.80%





Wall Street Recap

August 22, 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.