



# Markets Extend Gains as Fed Rate-Cut Odds Hit 99%, Earnings Momentum and Tamer Inflation Fuel Rally Ahead of PPI Data.

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**The U.S. and European stock markets** closed with gains as investors positioned ahead of tomorrow's release of July producer inflation data, which is expected to show an uptick. These gains come on the heels of Tuesday's record-setting rally, fueled by an inflation report that came in cooler than anticipated, boosting expectations for a September Federal Reserve rate cut. Futures markets tracked by the CME FedWatch Tool now show traders assigning a 99% probability to such a move. We believe that the better-than-expected second-quarter earnings season has also helped drive the market's momentum. While earnings announcements have slowed in recent days, the pace is expected to accelerate next week as major retailers take center stage.

U.S. Treasury yields are moving, with the 10-year yield closing at 4.24%, below its July peak of nearly 4.50%. European indexes are also in positive territory and Asian markets finished mostly higher. The U.S. dollar fell against major peers. In the commodities market, WTI crude is lower after the International Energy Agency raised its supply outlook and cut its demand forecast.

## Producer inflation expected to edge up

The July Producer Price Index (PPI), due Thursday, is forecast to rise to 2.4% year-over-year, up from 2.3% in June. The Core PPI, which strips out food and energy, is expected to rise to 2.9% from 2.6%. While wholesale inflation slowed sharply in the first half of the year—down from 3.8% in January—the latest forecasts suggest tariffs are beginning to feed into supply chains through higher import costs. Most of these effects are expected to be short-term price adjustments, rather than persistent drivers of inflation. Bond markets are currently pricing long-term inflation expectations at about 2.38%, indicating confidence that price growth remains anchored.

## Earnings season wraps with strong results

With 91% of S&P 500 companies having reported, this earnings season has exceeded expectations. Roughly 82% of firms have beaten analyst estimates, with an average earnings surprise of 8.5%. This has driven a sharp upward revision in 2025 earnings growth forecasts to 10.4%, from 3.8% at the start of the quarter. Communications and technology companies have led the gains, with year-over-year increases above 20%, while only energy and materials—comprising less than 5% of the index market cap—posted earnings declines. Although growth is expected to moderate in the coming quarters, projections still call for a solid 10.3% expansion in 2025, supported by a robust 12.8% rise in the first quarter.

## Economic Data:

- **U.S. Crude Oil Stocks WoW:** rose to 3.036M, up from -3.029M last week.
- **Germany Consumer Price Index YoY:** is unchanged at 2.00%, compared to 2.00% last month.

## Eurozone Summary:

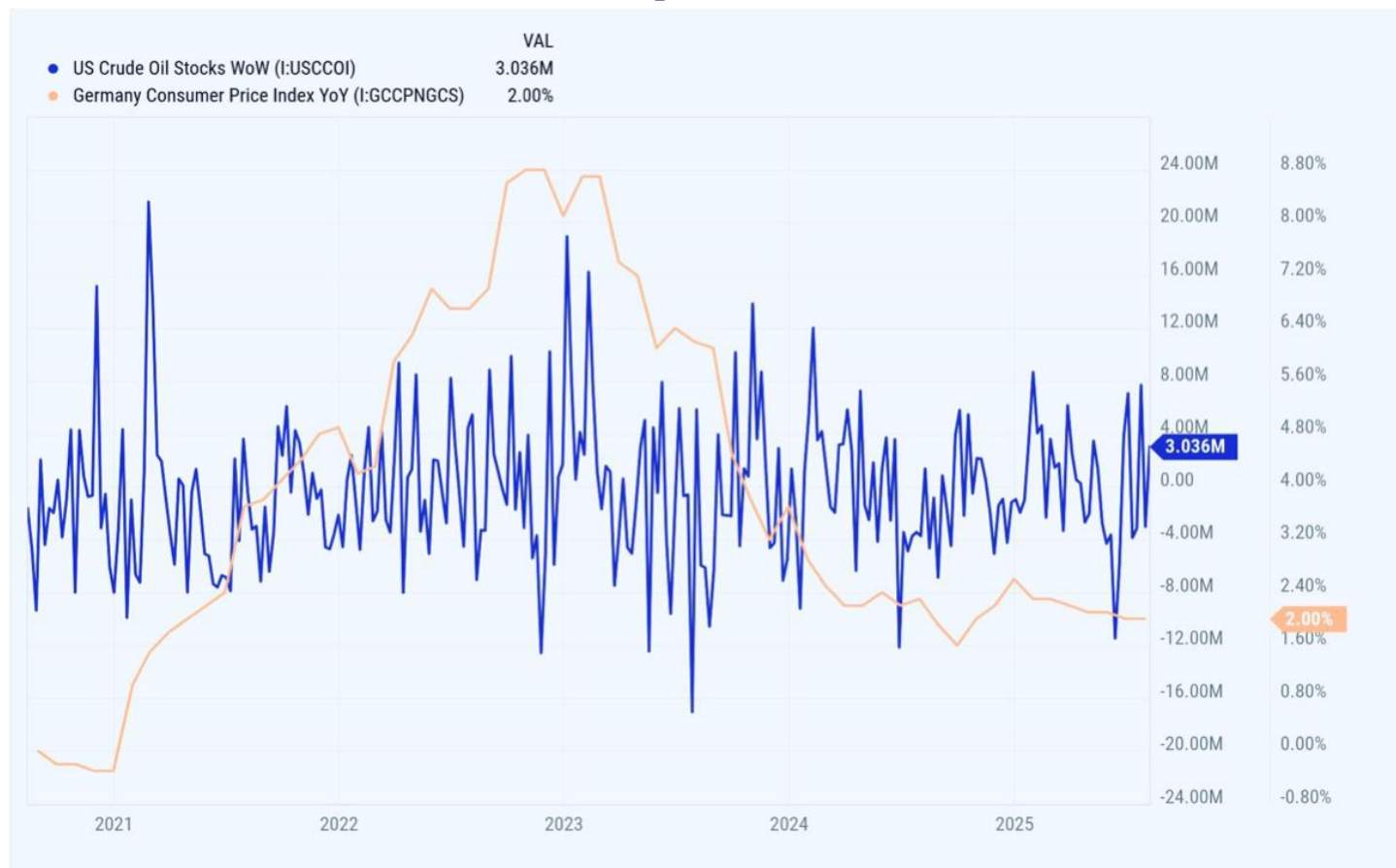
- **Stoxx 600:** Closed at 550.85, up 2.95 points or 0.54%.
- **FTSE 100:** Closed at 9,165.23, up 17.42 points or 0.19%.
- **DAX Index:** Closed at 24,185.59, up 160.81 points or 0.67%.

## Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 44,922.27, up 463.66 points or 1.04%.
- **S&P 500:** closed at 6,466.58, up 20.82 points or 0.32%.
- **Nasdaq Composite:** closed at 21,713.14, up 31.236 points or 0.14%.
- **Birling Capital Puerto Rico Stock Index:** closed at 4,114.60, up 106.46 points or 2.66%.
- **Birling Capital U.S. Bank Index:** closed at 7,744.18, up 200.37 points or 2.66%.
- **U.S. Treasury 10-year note:** closed at 4.24%.
- **U.S. Treasury 2-year note:** closed at 3.67%.



# US Crude Oil Stocks & Germany Consumer Price Index





# Wall Street Recap

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