

JP Morgan Chase and Morgan Stanley saw earnings fall by 28% or more, Unemployment claims rise 3.83%, and Wall Street closed Mostly down.

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The U.S. & European stock markets tumbled today as the combination of two of the world's largest banks reported results that missed estimates and initial claims for unemployment rose 3.83%, the second consecutive week. On a positive note, the Nasdaq Composite closed slightly up, and the Core Producer Price Index fell for the fourth straight month to 8.24%, a decrease of 14.16% compared to the highest rate of 9.605 in March 2022.

The earnings miss from JP Morgan Chase & Morgan Stanley is a mirror image of the troubles brewing in the U.S. and, to a lesser degree, the Global economy.

Because of their involvement across all industries and many nations, the banks have unique exposure through their lending operations; having said that, JP Morgan Chase increased its loan loss reserves by \$1,101 billion, and Morgan Stanley did so by \$101 million.

In addition to JPMorgan Chase, Bank of America and Citigroup have also been instructed to bolster their capital requirements by the Fed after their respective stress tests showed how the banks would face a severe recession.

Tomorrow we will have the chance to review the results of more banks, including Wells Fargo & Co. (WFC), Citigroup (C), and U.S. Bancorp. (USB).

Corporate Earnings Parade:

- **JP Morgan Chase (JPM):** reported 2Q22 earnings with revenues of \$30.7 billion, up 1%, missing estimates, and a net income of \$8.6 billion, down 28%, missing estimates. Also, said global investment banking fees were down 54%, and the bank stopped stock buybacks as it reacted to the Fed's stress test and the requirement to increase its capital to face an economic downturn. The company stock has a price target of \$143.80 and closed at \$108.00, down \$3.91.
- **Morgan Stanley (M.S.):** reported 2Q22 earnings with revenues of \$13.1 billion, down 11%, missing estimates, and a net income of \$2.495 billion, down 29%. The bank saw a 55% decrease in investment banking and 6% in Wealth Management. The company stock has a price target of \$96.89 and closed at \$74.69, down \$0.29.

Key economic data:

- U.S. Initial Claims for Unemployment Insurance: rose to 244,000 versus 235,000 last week, increasing 3.83%.
- U.S. Producer Price Index YoY: rose 11.29%, compared to 10.94% last month.
- U.S. Core Producer Price Index YoY: fell 8.24%, compared to 8.45% last month.

- 30-Year Mortgage Rate: fell to 5.30%, compared to 5.70% last week.
- Canada Manufacturing Shipments is at a current level of 71.60B, down from 73.06B last month.

Puerto Rico COVID-19 Update July 14:

- Daily Cases: 455, down 13.49%.
- Positivity Rate: 29.01, unchanged.
- Hospitalizations: 355, up 0.84%.
- Deaths: 10, up 10%.
- Source Puerto Rico Department of Health.

Eurozone Summary for July 14:

- Stoxx 600 closed at 406.50, down 6.31 points or 1.53%.
- FTSE 100 closed at 7,039.81, down 116.56 points or 1.63%.
- Dax Index closed at 12,519.66, down 236.66 points or 1.86%.

Wall Street Summary for July 14:

- Dow Jones Industrial Average closed at 30,630.17, down 142.62 points or 0.46%
- S&P 500 closed at 3,790.38, down 11.40 points or 0.30%.
- Nasdaq Composite closed at 11,251.19, up 3.60 points or 0.03%.
- Birling Capital Puerto Rico Stock index closed at 2,556.44, down 52.43 points or 2.01%.
- The U.S. Treasury 10-year note closed at 2.96%.
- The U.S. Treasury 2-year note closed at 3.15%.

The Inverted Yield Curve spread widened for the sixth consecutive trading session.



Unemployment Data 7.14.22



The federal Labor Department reported on July 14 that jobless claims rose to 244,000 versus 235,000 last week, increasing 3.83%.





Wall Street July 14, 2022



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