

Investors Digest Fed Chair Powell's Testimony in Congress, The NFIB Small Business Index Hits 2024 High, and Wall Street Closed Mixed.

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The U.S. and European stock markets closed with mixed results; however, the S&P 500 broke another record on Wall Street, and the Nasdaq closed with gains. Asian stocks mostly rose overnight, led by Japan's Nikkei, which jumped nearly 2% to hit another record high, and European markets closed down.

On the economic front, the NFIB Small Business Index rose to 91.5, its highest level this year. Despite this improvement, the index has been below the 30-year average of roughly 98 in the last 30 consecutive months, indicating that small-business optimism is still recovering from its lowest levels. Bond yields remained steady, with the 10-year Treasury yield closing at 4.30% and the 2-year yield just above 4.62%.

We must note that Chair Powell and fellow Federal Reserve members have pointed out some positive signs in inflation data following an unexpected surge earlier this year. The Fed's preferred measure, the personal consumption expenditures price index, stood at 2.6% in May, down from its peak above 7% in June 2022, a 63% decrease.

Powell remarked during his testimony in Congress, **"After initial setbacks in reaching our 2% inflation goal earlier this year, recent monthly reports indicate modest yet promising advancements. Continued favorable data would enhance our certainty that inflation is steadily converging towards 2% sustainably, and holding interest rates too high for too long could jeopardize economic growth.**

Inflation In Focus

Inflation is a crucial concern for the markets this week, with the June Consumer Price Index data due on Thursday. The Inflation Nowcasting has the CPI at 3.12% and the Core CPI at 3.52%.

After a turbulent start to the year with higher-than-expected inflation in the first quarter, inflation has been trending downward recently. May's 3.41% year-over-year rise in core CPI was the lowest since April 2021. Given the recent easing in labor-market conditions and lower inflation, markets are anticipating two Fed interest rate cuts in 2024, possibly starting in September. However, while two rate cuts are possible, they are still being determined. The Fed will likely wait for further evidence of moderating inflation before cutting rates.

Historical Performance After Strong First Halves

The S&P 500 had a robust first half of the year, gaining over 15%, marking the third-best start to a year since 1999, and YTD has a return of 16.92%. Looking back to 1970, in the 13 years here, the index gained over 15% in the first half, and the second half also saw strong performance, with positive returns in 10 out of those 13 years and an average gain of 5.6%. More recently, in the past seven

instances of such a solid first half, the second half has been positive each time, with an average gain of 11.1%. Although past performance does not guarantee future results, this historical trend should give investors' confidence that stocks could continue to perform well in the latter half of 2024.

Key Economic Data:

- **China Inflation Rate:** is unchanged at 0.30%, compared to 0.30% last month.
- **China Producer Price Index YoY:** fell to -1.40%, compared to -2.50% last month.

Eurozone Summary:

- **Stoxx 600:** Closed at 511.76, down 4.67 points or 0.90%.
- **FTSE 100:** Closed at 8,139.81, down 53.68 points or 0.66%.
- **DAX Index:** Closed at 18,236.19, down 235.86 points or 1.28%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 39,291.97, down 52.82 points or 0.13%.
- **S&P 500:** closed at 5,579.98, up 4.13 points or 0.07%.
- **Nasdaq Composite:** closed at 18,429.29, up 25.55 points or 0.14%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,314.30, down 0.54 points or 0.02%.
- **Birling Capital U.S. Bank Stock Index:** closed at 5,288.22, down 16.02 points or 0.30%.
- **U.S. Treasury 10-year note:** closed at 4.30%.
- **U.S. Treasury 2-year note:** closed at 4.62%.



Inflation Nowcasting CPI & Core CPI

Inflation Nowcast

CPI Forecast

Core CPI

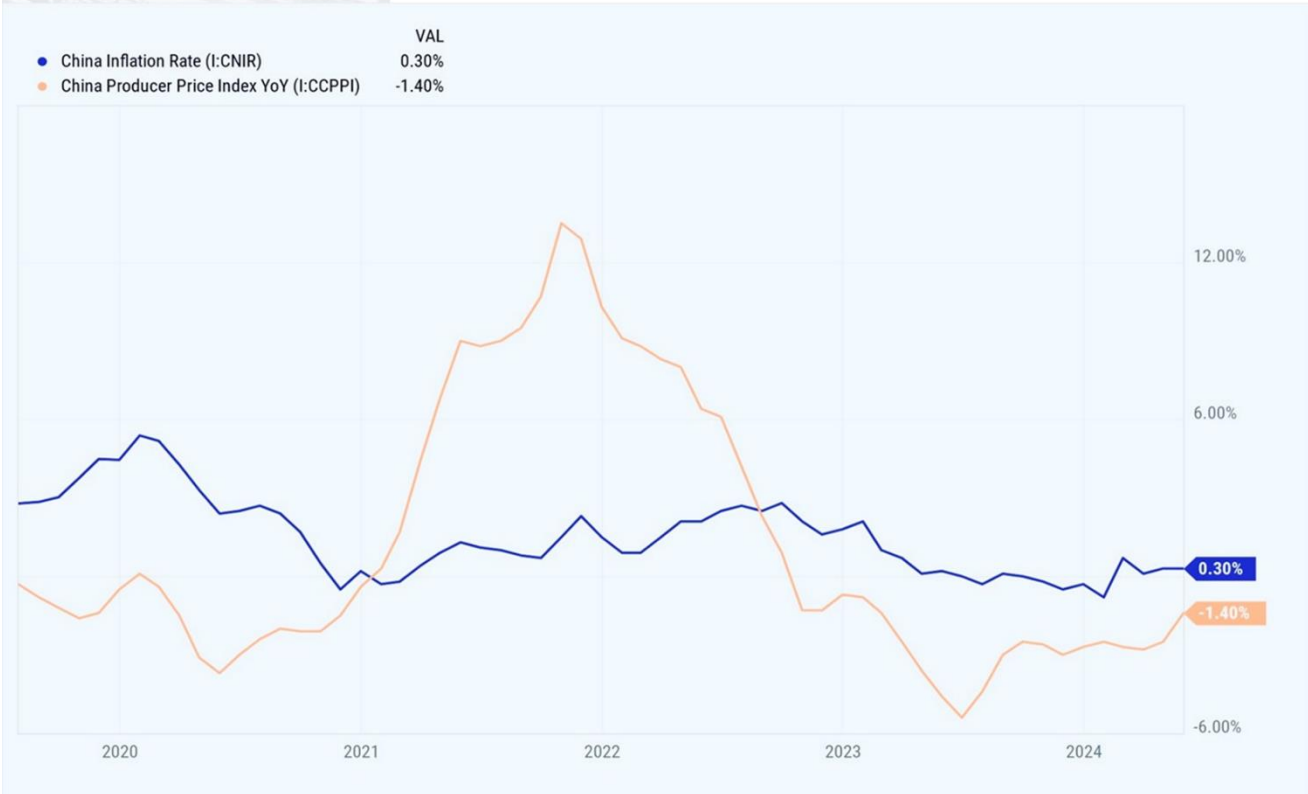
June

3.12%

3.52%



China Inflation Rate & China Producer Price Index





Wall Street Recap

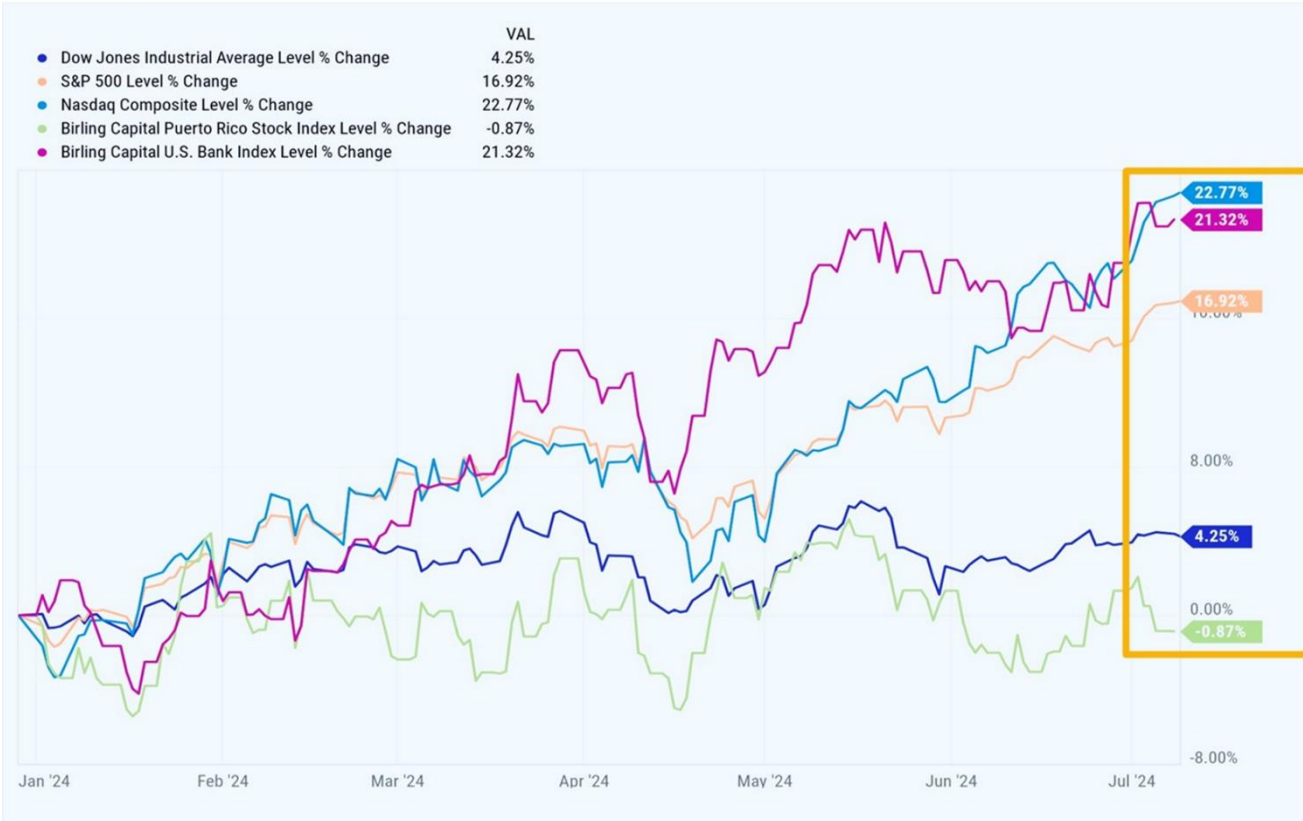
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Dow Jones Industrial Average, S&P 500, Nasdaq Composite, Birling Puerto Rico Stock Index & Birling US Bank Index YTD Returns 7.9.24



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