

US PCE at 2.51% & Core PCE at 2.63%, much higher than expected; the Fed may proceed with interest rate cuts in September and December.

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The U.S. and European stock markets closed with gains following the release of the Fed's Preferred Inflation benchmarks, the PCE and the Core PCE. The Federal Reserve's preferred inflation gauge, the Core PCE price index, which excludes food and energy prices, increased by 2.63% annually through June, above the 2.39% Inflation Nowcasting estimate but unchanged from the previous month. The headline PCE fell to 2.51% y-o-y, ahead of the Inflation Nowcasting estimate of 2.40%, but lower than the 2.60% in the previous month.

Bond yields have declined, with the 10-year Treasury yield at around 4.2%. In global markets, Asia closed mostly higher, and Europe is up following yesterday's sell-off. The U.S. dollar has weakened against major currencies. WTI oil is down in commodities due to concerns over demand from China, while gold prices have risen.

Inflation Measures and Economic Indicators:

As we said above, Both the PCE at 2.51% and Core PCE at 2.63% rose ahead of estimates; moreover, Consumption expenditures rose by 0.3%, slightly below May's 0.4% but still above expectations, indicating a resilient consumer slowly reducing spending. Personal income grew by 0.2%, below expectations and the previous month's growth. The Core PCE reading suggests the Fed might proceed with interest rate cuts later this year, possibly in September and December. Inflation is expected to continue moderating in the latter half of the year, partly due to lower shelter inflation and slower wage growth. Government measures of shelter inflation, like the CPI and PCE, should start aligning with real-time data showing slower increases in housing costs. The labor market is also beginning to loosen, indicated by fewer job openings and a gradual rise in unemployment.

Corporate Earnings Season

With 41% of S&P 500 companies having reported first-quarter earnings, performance remains robust compared to expectations. Among the companies that have reported, 78% have exceeded analyst expectations, with an average surprise of 4.4%. Year-over-year earnings growth for the first quarter is 9.8%, the highest rate since Q4 2021. Earnings growth is projected to accelerate throughout the year, reaching 10.6% for the entire year. Eight of the 11 sectors report year-over-year earnings growth, indicating a broadening of earnings performance. This trend could enable lagging sectors to catch up to the technology and communications services sectors, which have increased the market.

GDPNow:

- The Initial GDPNow for the Third Quarter of 2024, reported on July 26, is at 2.80%.

Key Economic Data:

- **U.S. Index of Consumer Sentiment:** fell to 66.40, down from 68.20 last month, a change of -2.64%.
- **U.S. PCE Price Index YoY:** fell to 2.51%, compared to 2.60% last month.
- **U.S. Core PCE Price Index YoY:** rose to 2.63%, compared to 2.62% last month.
- **U.S. 12-Month Trimmed Mean PCE Inflation Rate:** fell to 2.79%, compared to 2.94% last month.
- **U.S. Personal Income MoM:** fell to 0.21%, compared to 0.41% last month.
- **U.S. Personal Spending MoM:** fell to 0.30%, compared to 0.43% last month.
- **Japan Business Conditions Composite Coincident Index:** rose to 117.10, up from 115.20 last month.

Eurozone Summary:

- **Stoxx 600:** Closed at 512.83, up 4.20 points or 0.83%.
- **FTSE 100:** Closed at 8,285.71, up 99.36 points or 1.21%.
- **DAX Index:** Closed at 18,417.55, up 118.83 points or 0.65%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 40,589.34, up 654.27 points or 1.64%.
- **S&P 500:** closed at 5,459.10, up 59.88 points or 1.11%.
- **Nasdaq Composite:** closed at 17,357.88, up 176.16 points or 1.03%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,926.46, up 70.13 points or 1.82%.
- **Birling Capital U.S. Bank Stock Index:** closed at 5,409.67, up 26.43 points or 0.49%.
- **U.S. Treasury 10-year note:** closed at 4.20%.
- **U.S. Treasury 2-year note:** closed at 4.36%.

Inflation Nowcasting PCE & Core PCE

Index	PCE Forecast	PCE Actual	Change	Core PCE Forecast	Core PCE Actual	Change
June	2.51%	2.40%	4.58%	2.63%	2.39%	10.04%

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US PCE, US Core PCE, US Index of Consumer Sentiment, US Personal Income & US Personal Spending





GDPNow

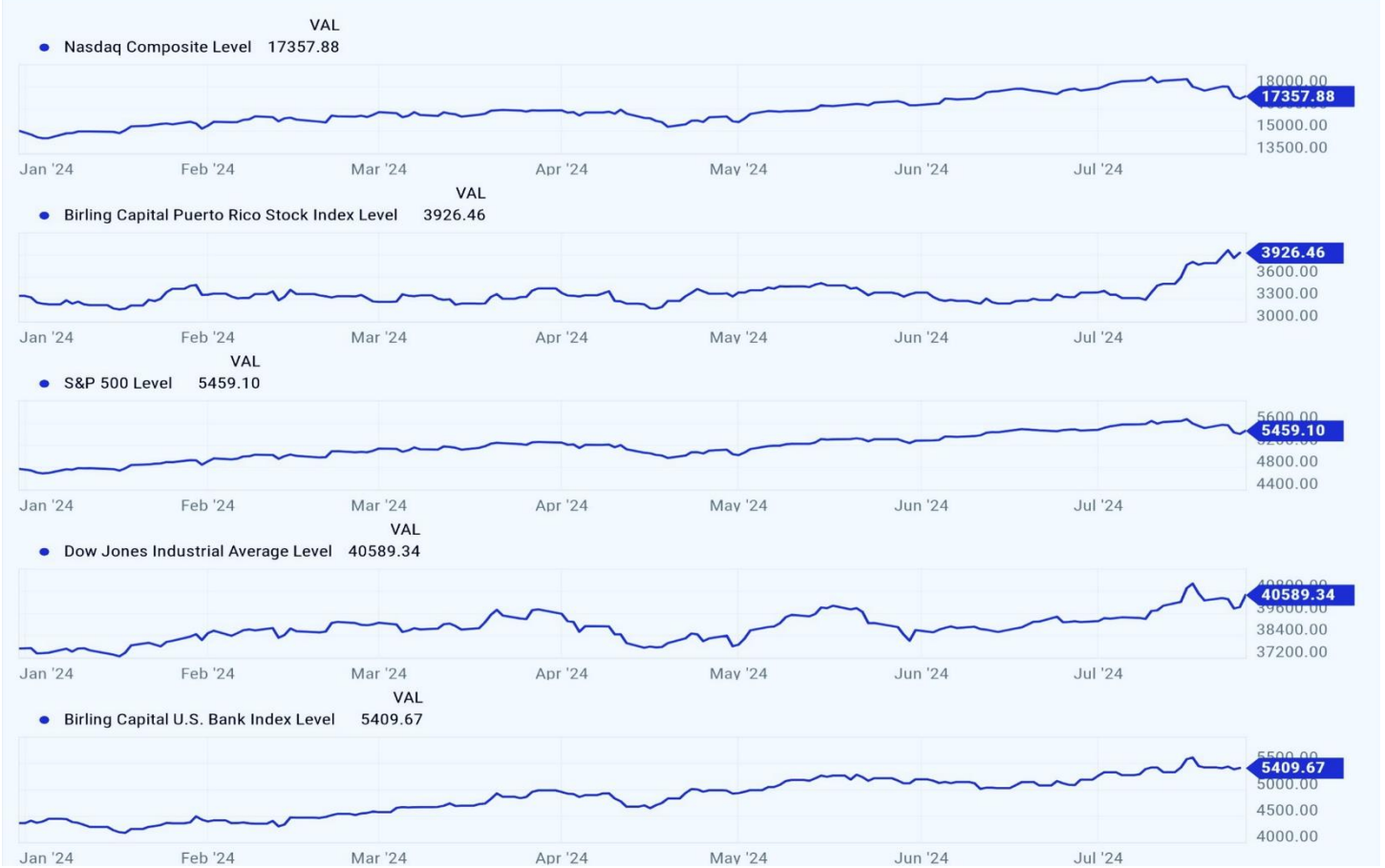
Date	GDPNow 3Q24	Change
7/26/2024	2.80%	Initial Forecast

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Wall Street Recap

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