



GLOBAL MARKET SQUARE



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Wall Street Rises as Market Reaction to Recession Fears Were Exaggerated; GDPNow for the Third Quarter of 2024 increased to 2.90% GDP.

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After three consecutive days of 1% or more declines in the major indexes, the U.S. and European stock markets stabilized with modest gains. If anyone needed strong evidence that the market's reaction to recession fears was exaggerated, today's GDPNow for the Third Quarter of 2024 shows the GDP increasing to 2.90% from 2.50%, a 16% rise. The overall macroeconomic and fundamental backdrop remains positive despite concerns over future U.S. economic growth, sparked by weak PMI manufacturing and jobs reports.

In Japan, the Nikkei rebounded overnight, gaining over 10% following a steep 12% decline on Monday. Meanwhile, after strengthening against the U.S. Dollar for four consecutive sessions, the Japanese Yen is slightly weaker today. The recent volatility may be partly due to a stronger Yen, as institutional investors unwind investments funded by yen-based loans, capitalizing on Japan's low interest rates.

Monetary Policy Easing

The labor market shows signs of softening, prompting markets to price in a roughly 75% chance of a 50-basis point interest rate cut at the September meeting. Another 125 basis points of rate cuts are also anticipated for the rest of 2024. Bond markets have already adjusted in anticipation of these cuts, with the 2-year Treasury yield dropping from over 4.5% in late July to close at 3.99% today. Lower borrowing costs support interest-rate-sensitive sectors such as manufacturing and housing, bolstering broader economic growth.

Strong Corporate Earnings Growth

Disappointing earnings reports from companies like Intel and Amazon exacerbated recent market volatility. Intel missed earnings expectations and suspended its dividend, while Amazon exceeded expectations but issued cautious forward guidance. Despite this, S&P 500 earnings are on track to grow by over 11% in the second quarter, up from an expected 7.8% at the beginning of July.

Market volatility, while uncomfortable, is a normal part of investing. On average, the S&P 500 experiences about three 5% pullbacks and one 10% pullback per year. Investors should focus on their long-term goals and avoid making decisions driven by short-term market movements.

GDPNow:

- The GDPNow for the Third Quarter of 2024 was updated on August 6, increasing to 2.90% from 2.50%, a 16% rise.

Key Economic Data:

- **U.S. Trade Balance on Goods:** is at -97.35 billion, up from -99.84 billion last month.
- **U.S. Trade Balance on Goods and Services:** is at -73.11 billion, up from -75.01 billion last month.

Eurozone Summary:

- **Stoxx 600:** Closed at 488.44, up 1.39 points or 0.29%.
- **FTSE 100:** Closed at 8,026.69, up 18.46 points or 0.23%.
- **DAX Index:** Closed at 17,354.32, up 15.32 points or 0.09%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 38,997.66, up 294.39 points or 0.76%.
- **S&P 500:** closed at 5,240.03, up 53.70 points or 1.04%.
- **Nasdaq Composite:** closed at 16,366.85, up 166.77 points or 1.03%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,603.89, down 103.06 points or 2.78%.
- **Birling Capital U.S. Bank Stock Index:** closed at 4,868.64, down 138.05 points or 2.76%.
- **U.S. Treasury 10-year note:** closed at 3.90%.
- **U.S. Treasury 2-year note:** closed at 3.99%.

GDPNow

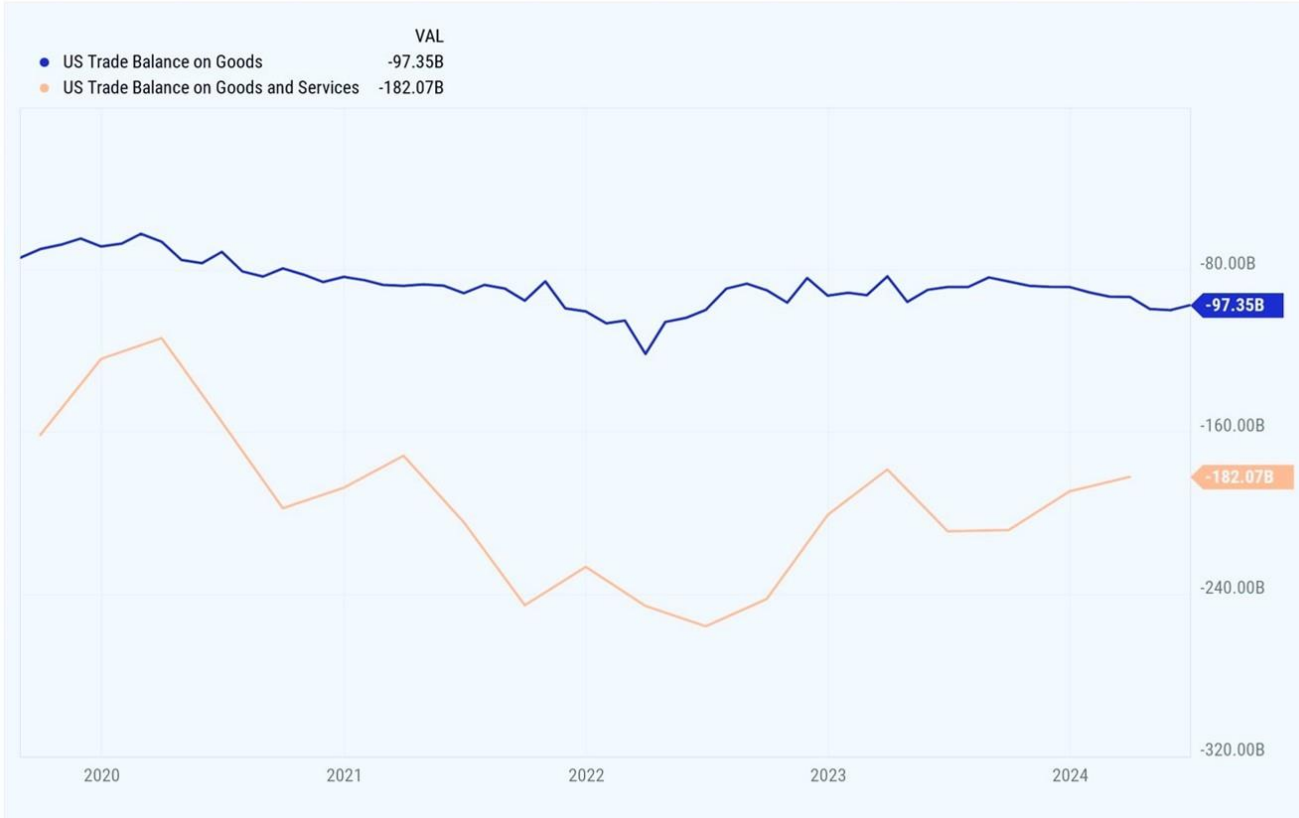
Date	GDPNow 3Q24	Change
7/25/2024	2.80%	Initial Forecast
8/1/2024	2.50%	10.71%
8/6/2024	2.90%	16.00%

The GDPNow for the Third Quarter of 2024, reported on August 6, rose to 2.90%.



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US Trade Balance on Goods & US Trade Balance on Goods & Services





Wall Street Recap

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