

# Markets Rally Amid Volatility; Inflation and Retail Sales in Focus as Investors Anticipate Assertive Federal Reserve Easing Cycle.

August 9, 2024

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The U.S. and European stock markets closed the week higher in a week marked by volatility; the S&P 500 experienced a significant drop, its largest since September 2022, only to rebound with its best session since November 2022 as recession concerns eased. Despite this rollercoaster, the markets managed to pare back losses, though investor sentiment is still tentative. Today, the absence of U.S. economic releases has investors poised for next week's data, which will offer insights into growth and inflation trends. The 10-year Treasury yield closed at 3.94%, suggesting that the market anticipates a more assertive Federal Reserve easing cycle.

## Inflation and Retail Sales Take Center Stage

The upcoming week will spotlight retail sales and July's inflation figures. A recent drop in jobless claims has somewhat allayed recession fears, directing investor attention to consumer activity. Market consensus anticipates a 0.5% rise in headline retail sales and a modest 0.1% uptick in control-group sales, building on June's unexpectedly strong performance. Retail giants like Walmart, set to report earnings on Thursday, will provide further commentary on consumer health. Regarding inflation, the Producer Price Index (PPI) is slated for release on Tuesday, followed by the Consumer Price Index (CPI) on Wednesday. The Inflation Nowcasting has the headline CPI at 3.01% and the Core CPI at 3.33%. Both forecasts are higher than last month; if they materialize, it can make Federal Reserve officials more attuned to labor market risks, raising the possibility of multiple interest rate cuts this year beyond the single cut forecasted in June.

## Steady Fundamentals Amid Fluctuating Sentiment

The Federal Reserve's timing on rate cuts, coupled with the unwinding of the Japanese yen trade, has rattled investor confidence, swiftly shifting sentiment from complacency to apprehension. However, despite these swings and the approach of a typically volatile season, the underlying economic fundamentals appear sound. Inflation is edging towards the Fed's target, allowing for potential policy easing; the economy, though decelerating, is still growing; productivity is improving; and corporate earnings are on the rise. These factors suggest that market dips could be strategic opportunities for investors to rebalance, diversify, and invest anew.

## Key Economic Data:

- **Canada Employment Net Change:** fell -2,800, down from -1,400 last month.
- **Canada Unemployment Rate:** is unchanged at 6.40%, compared to 6.40%.
- **Canada Labour Force Participation Rate:** fell to 65.00%, compared to 65.30% last month.
- **Germany Consumer Price Index YoY:** rose to 2.30%, compared to 2.20% last month.

## Eurozone Summary:

- **Stoxx 600:** Closed at 499.19, up 2.82 points or 0.57%.
- **FTSE 100:** Closed at 8,168.10, up 23.13 points or 0.28%.
- **DAX Index:** Closed at 17,722.88, up 42.48 points or 0.24%.

## Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 39,497.54, up 51.05 points or 0.13%.
- **S&P 500:** closed at 5,344.16, up 24.85 points or 0.47%.
- **Nasdaq Composite:** closed at 16,745.30, up 85.28 points or 0.51%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,618.82, up 38.17 points or 1.07%.
- **Birling Capital U.S. Bank Stock Index:** closed at 5,047.85, up 114.73 points or 2.33%.
- **U.S. Treasury 10-year note:** closed at 3.94%.
- **U.S. Treasury 2-year note:** closed at 4.05%.

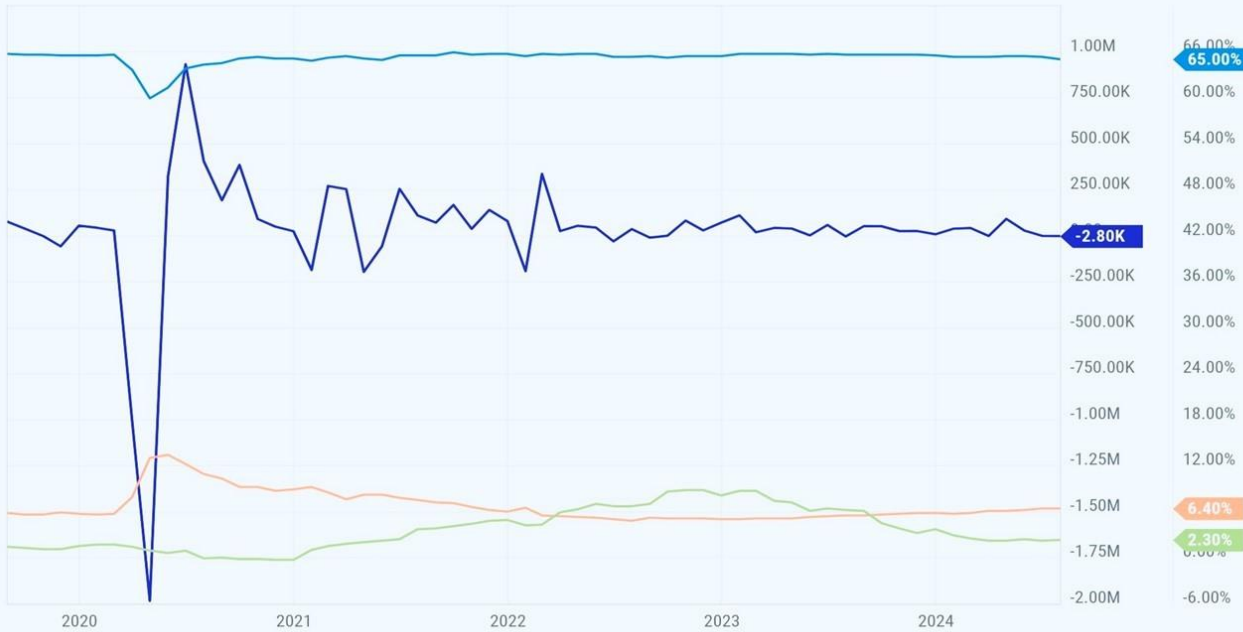


## Inflation Nowcasting CPI, Core CPI, PCE & Core PCE

| Inflation Nowcast | CPI<br>Forecast | Core CPI | PCE   | Core PCE | Updated  |
|-------------------|-----------------|----------|-------|----------|----------|
| July              | 3.01%           | 3.33%    | 2.59% | 2.73%    | 8/9/2024 |

## Canada Employment Net Change, Canada Unemployment Rate, Canada Labour Participation Rate and Germany CPI

|                                                    | VAL    |
|----------------------------------------------------|--------|
| ● Canada Employment Net Change (I:CENC)            | -2.80K |
| ● Canada Unemployment Rate (I:CAUR)                | 6.40%  |
| ● Canada Labour Force Participation Rate (I:CLFPR) | 65.00% |
| ● Germany Consumer Price Index YoY (I:GCCPNGCS)    | 2.30%  |





# Wall Street Recap August 9, 2024



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