



U.S. Producer Price Index Declines 17.25%, Spurs Optimism While Raising Hopes for A Fed Rate Cut in September, and Home Depot Reports 2Q24 Earnings.

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The U.S. and European stock markets closed today's session with gains, as the Producer Price Index came in below expectations to 2.25% and the Core PPI to 2.42%. The lower PPI reading pushed the Dow Jones up 408.63 points, followed by the Nasdaq up 407.00 points and the S&P 500 up 90.04 points.

The PPI had been expected to increase to 2.30%, down from the previous month's 2.72%, and in turn came in at 2.25%, a 17.27% decrease. The PPI has decreased 80.70% from its all-time high of 11.66% on 3/22 to 2.25%.

Asian markets experienced a strong performance overnight, with Japan's Nikkei Index rising 3.45%. After a sharp decline of almost 20% in the first few trading days of August, the Nikkei has rebounded by approximately 15% from its low on August 5, recovering much of its earlier losses. Bond yields are trending lower following softer-than-expected inflation data, with the 10-year Treasury yield falling to close at 3.85% and the 2-year yield to 3.93%.

On the economic front, the NFIB Small Business Optimism Index rose by 2.2 points to reach 93.7, marking its highest level since February 2022. However, this still represents the 31st consecutive month that the index has remained below its 50-year average of 98. Small business owners continue to face significant challenges, particularly inflation, which 25% of respondents identified as their most pressing issue. Despite the increase in optimism, concerns about cost pressures, especially labor costs, persist, indicating that small businesses are navigating a complex economic environment.

Inflation In Focus

Regarding inflation, the Producer Price Index (PPI) for July came in below expectations and had been expected to increase to 2.30%, down from the previous month's 2.72%, and in turn came in at 2.25%, a 17.27% decrease. The PPI has decreased 80.70% from its all-time high of 11.66% on 3/22.

This latest inflation reading adds to a recent trend of lower-than-expected inflation figures. It strengthens the case for a potential rate cut by the Federal Reserve at its September meeting. Futures markets are currently pricing in about a 55% probability of a 50 basis-point cut at the September meeting, with a total of 100 basis points of cuts anticipated by year-end.

Inflation will remain a key focus for markets; with tomorrow's Consumer Price Index (CPI) report for July, the Inflation Nowcasting has the headline CPI at 3.01% and the Core CPI at 3.33%.

Consumer spending trends will also be in the spotlight this week. On Thursday, July's retail sales data is expected to show a 0.3% month-over-month increase, following a flat reading in June. The control-group retail sales, which exclude more volatile categories like autos, gasoline, and building materials, are projected to rise by 0.1% in July, compared to a 0.9% gain in June. Additionally, Home Depot reported its second-quarter earnings this morning, exceeding expectations for sales and revenue.

However, comparable sales in fiscal Q2 decreased by 3.3%, more than the expected decline of 2.2%. As a result, Home Depot revised its fiscal 2024 outlook, expecting adjusted diluted earnings per share to decline between 1% and 3%, with sales projected to increase between 2.5% and 3.5%. Retail earnings will continue to draw attention later this week, with Walmart and Ross Stores set to report on Thursday. While consumer spending has moderated from the robust levels seen in the second half of 2023, second-quarter personal consumption still grew by a healthy 2.3%.

Corporate Earnings Parade:

- **Home Depot Inc (HD) Reported Second-Quarter 2024** Revenues of \$43.2 Billion, up 0.6%, Net Income of \$4.67 Billion, down 2.12%, and Earnings Per Share of \$4.60, beating analysts' estimates. Home Depot has a Stock Price Objective of \$383.08.

Key Economic Data:

- **U.S. Producer Price Index YoY:** fell to 2.25%, compared to 2.72% last month.
- **U.S. Core Producer Price Index YoY:** fell to 2.42%, compared to 3.04% last month.
- **Euro Area Money Supply M3:** rose to 16.38 trillion, up from 16.25 trillion last month, increasing 0.76%.
- **ZEW Indicator of Economic Sentiment for Germany:** It fell to 19.20, down from 41.80 last month and decreasing 54.07%.
- **U.K. ILO Unemployment Rate:** Aged 16-64: fell to 4.20%, compared to 4.50% last month.
- **U.K. Average Weekly Earnings:** Growth 3 Months Average: fell to 4.50%, compared to 5.70% last month.

Eurozone Summary:

- **Stoxx 600:** Closed at 501.66, up 2.58 points or 0.52%.
- **FTSE 100:** Closed at 8,235.23, up 24.98 points or 0.30%.
- **DAX Index:** Closed at 17,812.05, up 85.58 points or 0.48%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 39,765.64, up 408.63 points or 1.04%.
- **S&P 500:** closed at 5,434.43, up 90.04 points or 1.68%.
- **Nasdaq Composite:** closed at 17,187.61, up 407.00 points or 2.43%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,594.90, down -30.39 points or 0.84%.
- **Birling Capital U.S. Bank Stock Index:** closed at 5,050.47, down -19.00 points or 0.37%.
- **U.S. Treasury 10-year note:** closed at 3.85%.
- **U.S. Treasury 2-year note:** closed at 3.93%.



US Producer Price Index & US Core Producer Price Index





The Economic Cycle

US GDP Average, US Index of Consumer Sentiment, US Inflation Rate, US Effective Funds Rate & 10-2 Year US Treasury Yields

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Dow Jones, S&P 500, Nasdaq Composite, Birling PR Stock Index, Birling US Bank Index Returns YTD 8.13.24

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	VAL
● Dow Jones Industrial Average Level % Change	5.51%
● S&P 500 Level % Change	13.93%
● Nasdaq Composite Level % Change	14.50%
● Birling Capital Puerto Rico Stock Index Level % Change	7.52%
● Birling Capital U.S. Bank Index Level % Change	15.85%





Wall Street Update

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