

## U.S. Consumer Price Index fell to 2.89%, its lowest level since March 2021; Banking Giant UBS reported 2Q revenues that rose 24.77%, and Wall Street Closed Up.

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The U.S. and European stock markets closed today's session with gains, as the Consumer Price Index and Core CPI for July fell ahead of the Inflation Nowcasting, recording their lowest numbers since March 2021.

European markets showed solid gains, with the Stoxx 600 climbing 0.6%, supported by strength in energy and financial stocks; the FTSE 100 rose 0.4%, benefiting from a rebound in the banking and oil sectors, while the DAX Index advanced 0.5%, driven by industrial and automotive gains. On the other hand, Asian markets displayed mixed results, with Japan's Nikkei 225 increased by 0.5%, China's Shanghai Composite slipped by 0.3%, and Hong Kong's Hang Seng Index fell by 0.8%, impacted by tech sector weakness.

The CPI fell to 2.89%, below last month's 2.97% and ahead of the Inflation Nowcasting of 3.01% for the CPI. The Core CPI fell to 3.21%, which is also better than the forecast of a Core CPI of 3.33%.

While ahead of forecasts, the latest inflation data was unsurprising, leaving the markets relatively calm. While we are at a moderately acceptable level of inflation, the latest data suggests we're moving toward the 2% inflation target. There is some concern about the rise in shelter costs, which accelerated faster than expected in July. This suggests that shelter inflation could still moderate more quickly, but that didn't happen in July.

### UBS Surpasses Second Quarter Results

Global banking giant UBS announced second-quarter results that exceeded market expectations by a significant margin. This was driven by robust performance in investment banking and greater-than-anticipated cost savings from its recent integration of the Credit Suisse acquisition.

UBS reported a net profit of \$1.1 billion in the 2Q24, surpassing the \$528 million forecast. These results mark the first financial disclosure since UBS completed its merger with Credit Suisse in May. The bank saw net new asset inflows of \$27 billion, although executives cautioned that the future outlook is uncertain due to geopolitical tensions, U.S. elections, and market volatility.

Despite underperformance in the Global Wealth Management and Personal and Corporate Banking divisions, UBS's investment bank shined. The division's underlying revenues jumped 26% year-over-year, reaching \$2.5 billion, with nearly two-thirds of the growth coming from the Americas.

### Fed Rate Cut in September on the Horizon

The latest CPI, at 2.89% and just 30.79% above the Fed's 2% target, supports the Fed beginning its rate cuts cycle at its September meeting. However, with inflation only easing slightly, we see a Fed opting for a more tapered cut of 25 basis points, followed by two or three rate cuts before the year ends.

## Consumer Spending and Retail Sales in Focus

The stock market's 2024 rally has been built on the twin pillars of falling inflation and resilient GDP growth, or at least avoiding a recession. The latest PPI and CPI reports suggest prices are indeed moderating. Next, attention will turn to consumer spending with Thursday's July retail sales report, which will shed light on the consumer's health. Although recent job reports have raised concerns about an economic slowdown, retail sales have not reflected these worries. After stronger-than-expected growth in June, another solid rise in July retail sales is anticipated. We'll closely watch spending in the leisure, hospitality, entertainment, and dining sectors as they offer insights into discretionary spending and consumer sentiment. While we anticipated consumer spending to slow down after last year's strong growth, the consumer has become very price-sensitive and more selective in its choice of items and the timing of the expenditure. The current consumer spending will be enough to maintain economic growth, albeit not at the above-trend pace seen in recent quarters.

## Corporate Earnings Parade:

- **UBS Group AG (UBS)** Reported Second-Quarter 2024 Revenues of \$11,904 billion, up 24.77%, Net Income of \$1.136 Billion, and Earnings Per Share of \$0.34, beating analysts' estimates. UBS has a Stock Price Objective of \$33.25 and a Tier 1 Capital of 14.90%. The Stock closed at \$30.90, up 5.64%.

## Key Economic Data:

- **U.S. Consumer Price Index YoY:** fell to 2.89%, compared to 2.97% last month.
- **U.S. Core Consumer Price Index YoY:** fell to 3.21%, compared to 3.28% last month.
- **U.S. Inflation Rate:** fell to 2.89%, compared to 2.97% last month.
- **U.K. Consumer Price Index YoY:** rose to 2.20%, compared to 2.00% last month.
- **U.K. Core Consumer Price Index YoY:** fell to 3.31%, compared to 3.56% last month.
- **U.K. Producer Price Index: Output YoY:** fell to 0.81%, compared to 1.04% last month.
- **U.K. Producer Price Index: Input YoY:** rose to 0.41%, compared to 0.00% last month.
- **Japan Real GDP QoQ:** fell to -0.50%, compared to 0.10% last quarter.
- **Japan Industrial Production Index MoM:** fell -3.64%, compared to 3.57% last month.

## Eurozone Summary:

- **Stoxx 600:** Closed at 504.10, up 2.44 points or 0.49%.
- **FTSE 100:** Closed at 8,281.05, up 45.82 points or 0.58%.
- **DAX Index:** Closed at 17,885.60, up 73.55 points or 0.41%.

## Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 40,008.39, up 242.75 points or 0.61%.
- **S&P 500:** closed at 5,455.21, up 20.78 points or 0.38%.
- **Nasdaq Composite:** closed at 17,192.60, up 4.99 points or 0.03%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,653.70, up 58.80 points or 1.64%.
- **Birling Capital U.S. Bank Stock Index:** closed at 5,109.16, up 58.70 points or 1.16%.

- U.S. Treasury 10-year note: closed at 3.83%.
- U.S. Treasury 2-year note: closed at 3.94%.



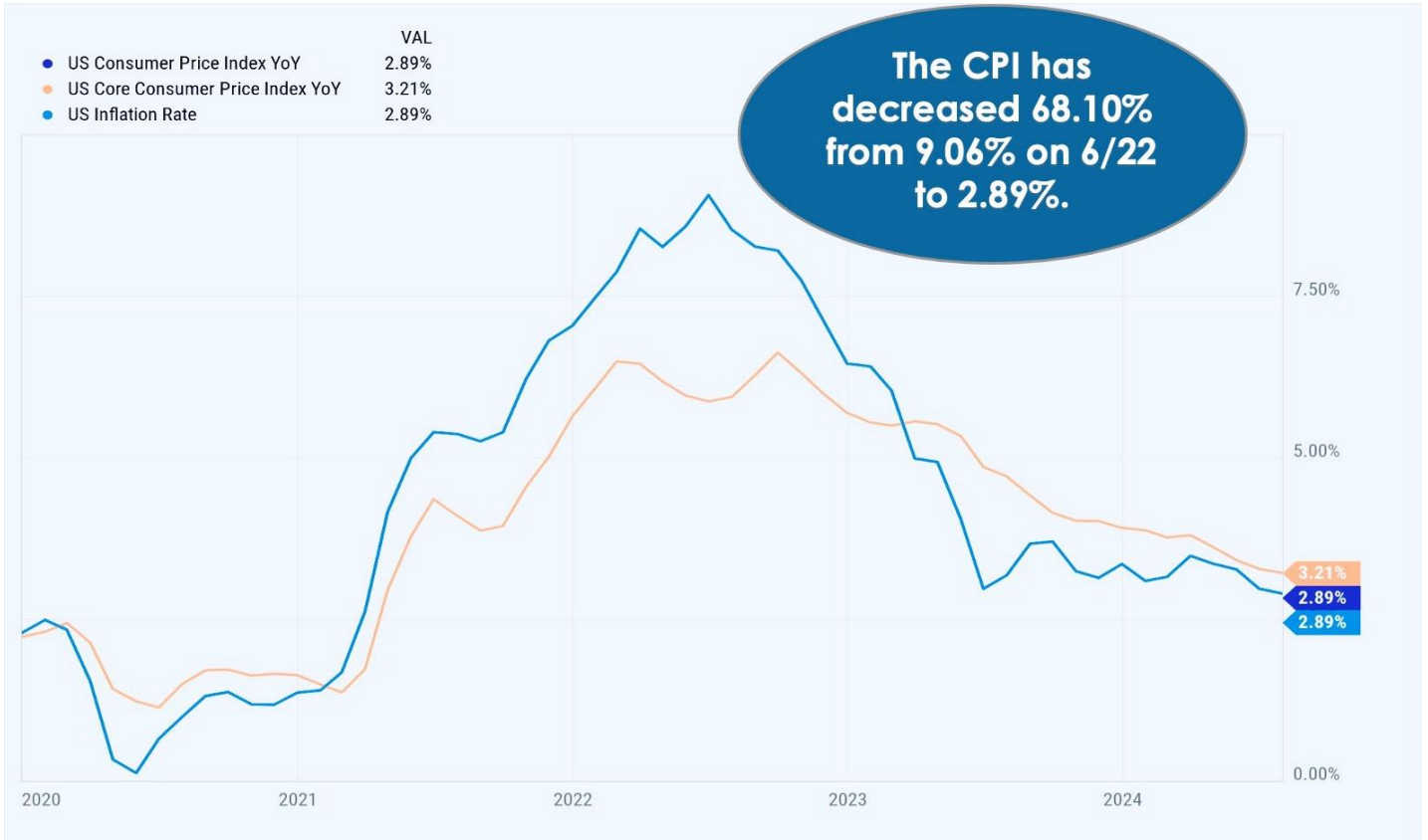
# Inflation Nowcasting Versus Actual

## Inflation Forecasts Vs Actual

Month	US CPI Forecast	CPI Actual	Change	Core CPI Forecast	Core CPI Actual	Change
July	3.01%	2.89%	<b>-3.99%</b>	3.33%	3.21%	<b>-3.60%</b>



# US Consumer Price Index, US Core Consumer Price Index & US Inflation Rate

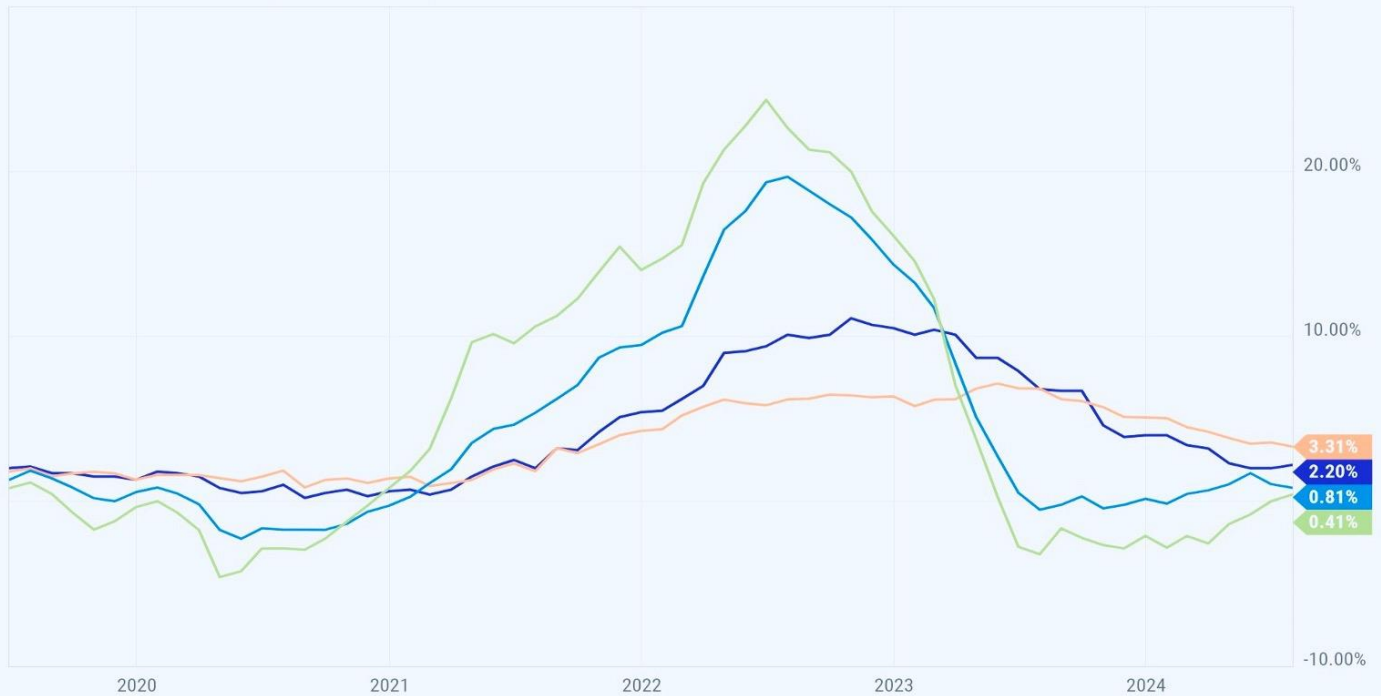




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# UK CPI, UK Core CPI, UK PPI Output and UK PPI Input

	VAL
● UK Consumer Price Index YoY (I:UKCCXRBU)	2.20%
● UK Core Consumer Price Index YoY (I:UKCCPIYY)	3.31%
● UK Producer Price Index: Output YoY (I:UKPPIOYY)	0.81%
● UK Producer Price Index: Input YoY (I:UKPPIIYY)	0.41%





# Wall Street Update

## August 14, 2024



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