

GLOBAL MARKET SQUARE



US Retail Giants Target and TJX Beat Earnings, Supporting Consumer Confidence and Investors Have Big Expectations on Fed Chair Powell Jackson Hole Speech on the Fed's Rate-Cutting Cycle.

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The U.S. and European stock markets closed the session with gains, as the retail sector took center stage today. Target's shares surged 11.20% following 2Q24 earnings that surpassed expectations, with management highlighting a significant uptick in discretionary sales trends. TJX also rose 6.07% after 2Q24 earnings that beat estimates, providing an optimistic outlook today, indicating that the U.S. consumer market remains robust despite increased price sensitivity.

Investors anticipate Fed Chair Powell to indicate the initiation of a rate-cutting cycle next month. Despite the potential for increased market volatility in the near term, the upward trend remains unbroken following the early August shakeout.

Fed's FOMC Minutes Point to a September Rate Cut

The Fed Minutes were released today, providing insights into the last Federal Open Market Committee (FOMC) meeting held on July 30-31, 2024, and the minutes revealed that financial conditions had modestly eased during the period between meetings, primarily due to lower long-term interest rates and an increase in equity prices. The minutes also show that Members' expectations point to a first-rate cut at the September FOMC meeting, at least one more cut later in the year, and further policy easing next year. If you want to read the FOMC Minutes, click here: <https://www.federalreserve.gov/monetarypolicy/fomcminutes20240731.htm>

European markets closed higher, while Asian markets closed down as Chinese tech stocks experienced widespread declines after Walmart divested its stake in Chinese e-commerce giant JD.com Inc. to focus on its brand in China. Walmart realized of \$3.6 billion gain.

Looking ahead to The Jackson Hole Symposium

On Friday morning, Chair Powell is expected to deliver a speech at the Fed's annual symposium in Jackson Hole. At this venue, significant policy shifts have historically been signaled. This year, Powell will likely bolster expectations of a September rate cut, marking the first step towards policy normalization following the most aggressive tightening campaign in four decades.

Policymakers have recently expressed increased confidence in inflation moving in the desired direction, allowing them to shift focus towards the second part of the Fed's dual mandate, maximum employment.

However, we anticipate the Fed will moderate expectations of aggressive easing as the economy remains resilient, not justify emergency cuts, and inflation continues exceeding the target. Two to three quarter-point rate cuts this year are a realistic expectation based on the evolution of growth and inflation.

With the corporate earnings parade ending with 95% of the S&P 500 companies having reported earnings, most appear to be on solid ground, supporting the continuation of the bull market. An impressive 79% of the companies exceeded estimates by 4%, with an 8.3% growth in earnings for 2Q24, an acceleration from 1Q24. The broadening in earnings increases beyond the mega-cap tech is a sign that market gains will broaden, providing an opportunity for the laggards to catch up. Nine of the 11 sectors had positive growth, with the biggest upside surprises coming from utilities, health care, and financials. The key takeaway is that the earnings season has been largely positive, with S&P 500 earnings growth, excluding the Magnificent 7 stocks, turning positive for the first time in five quarters.

Corporate Earnings Parade:

- **Target Corp (TGT)** reported 2Q24 revenues of \$25.5 billion, up 2.70%, net income of \$1.19 billion, up 42.51%, and earnings per-share of \$2.57, which beat estimates. TGT has a Price Objective of \$169.92, and the Stock closed at \$159.25, up 11.20%.
- **TJX Companies Inc (TJX)** reported 2Q24 revenues of \$13.5 Billion, up 6%, net income of \$1.1 Billion, up 13%, and earnings per-share of \$0.96, beating estimates. TJX had a Price Objective of \$117.39, and the Stock closed at \$120.19, up 6.09%.

Eurozone Summary:

- **Stoxx 600:** Closed at 513.95, up 1.68 points or 0.33%.
- **FTSE 100:** Closed at 8,283.43, up 10.11 points or 0.12%.
- **DAX Index:** Closed at 18,448.95, up 91.43 points or 0.50%.

Wall Street Summary:

- Dow Jones Industrial Average: closed at 40,890.49, up 55.52 points or 0.14%.
- S&P 500: closed at 5,620.85, up 23.73 points or 0.42%.
- Nasdaq Composite: closed at 17,918.99, up 102.05 points or 0.57%.
- Birling Capital Puerto Rico Stock Index: closed at 3,699.47, down 65.84 points or 1.75%.
- Birling Capital U.S. Bank Stock Index: closed at 5,282.76, down 62.35 points or 1.17%.
- U.S. Treasury 10-year note: closed at 3.79%.
- U.S. Treasury 2-year note: closed at 3.92%.



US Top Retailers Stock Year-to-Date Returns as of 8.21.24

	VAL
● Walmart Inc Price % Change	43.14%
● TJX Companies Inc Price % Change	28.13%
● Amazon.com Inc Price % Change	18.60%
● Target Corp Price % Change	11.82%
● Lowe's Companies Inc Price % Change	8.96%
● The Home Depot Inc Price % Change	6.91%
● Macy's Inc Price % Change	-23.01%





Wall Street Recap

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