GLOBAL MARKET SQUARE

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Inflation and Earnings of Tech Titans NVIDIA and Salesforce Set to Steer Market Sentiment, and Wall Street Closes Higher.

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The U.S. and European stock markets closed higher as investors eagerly await tomorrow's earnings reports from tech heavyweights NVIDIA and Salesforce, with both companies expected to provide critical insights into the tech sector's performance.

Across the globe, Asian markets presented a mixed picture overnight—Japan's Nikkei ended on a positive note, while Chinese equities showed varied results. In Europe, markets are mostly climbing higher, even as Germany's consumer confidence and GDP contracted to -0.10% GDP, below expectations.

On the bond front, yields are inching up, with the 10-year Treasury yield closing at 3.83% and the 2-year yield at 3.83%, which shows the inverted yield curve is now uninverted. The yield curve, which had been inverted for over two years, has now returned to a normal state where longer-term interest rates are higher than shorter-term rates. This change is primarily due to market expectations of more aggressive rate cuts by the Federal Reserve. However, it's important to note that not having the yield curve inverted doesn't necessarily mean economic trouble has been avoided.

Tech Earnings in the Spotlight as the Corporate Earnings Parade Ends

As earnings season wraps up, all eyes are on NVIDIA and Salesforce, both set to report after the close on Wednesday. Analysts anticipate NVIDIA to deliver earnings per-share (EPS) of $0.6422, representing a staggering 140% growth year-over-year if those expectations are met. Salesforce is projected to show a more modest yet solid EPS growth of $2.356, up 11%. Given that technology stocks make up nearly one-third of the S&P 500, the results from these two giants could significantly influence market sentiment for the rest of the week.

Overall, second-quarter earnings have been robust. With around 96% of S&P 500 companies having reported, 79% have exceeded expectations. S&P 500 EPS is on track to grow by 10.8% year-over-year in Q2, the most substantial quarterly growth since Q4 2021. However, with high valuations compared to historical levels, sustained corporate profit growth will be crucial for continued market strength. Factors such as ongoing economic expansion, gains in labor productivity, and potential Fed rate cuts in the coming months should help support corporate profits.

Inflation Data in Focus as Markets Look Ahead

Inflation is a key focus this week, with the July Personal Consumption Expenditures (PCE) inflation report due on Friday. Inflation Nowcasting has the PCE at 2.38% inflation to fall from 2.51%, with core PCE inflation (excluding food and energy) expected to rise to 2.77% from last month's 2.63%.

After a series of worse-than-expected inflation readings in the first quarter, inflation has cooled recently, with the three-month annualized core PCE rate falling to 2.3% following June's data.

This cooling inflation and a softening labor market have renewed market expectations for Fed rate cuts. Futures markets are currently pricing in the first cut at the September 17-18 meeting, with roughly 100 basis points (1%) of cuts anticipated by year-end. The combination of Fed rate cuts and ongoing positive economic growth should provide a supportive environment for equity markets in the coming months.

Key Economic Data:

- **Case-Shiller Composite 20 Home Price Index YoY:** fell to 6.41%, compared to 6.81% last month.
- **Case-Shiller Home Price Index: National:** rose to 320.82, up from 320.32 last month, increasing 0.16%.
- **Richmond Fed Manufacturing Index:** fell to -19.00, down from -17.00 last month.
- **Germany Real GDP QoQ:** fell to -0.10%, compared to 0.20% last quarter.

Eurozone Summary:

- **Stoxx 600:** Closed at 518.88, up 0.83 points or 0.16%.
- **FTSE 100:** Closed at 8,345.46, up 17.68 points or 0.21%.
- **DAX Index:** Closed at 18,681.81, up 64.79 points or 0.35%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 41,250.50, up 9.98 points or 0.02%.
- **S&P 500:** closed at 5,625.80, up 8.96 points or 0.16%.
- **Nasdaq Composite:** closed at 17,754.82, up 29.06 points or 0.16%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,831.85, down 17.13 points or 0.19%.
- **Birling Capital U.S. Bank Stock Index:** closed at 5,378.12, up 3.51 points or 0.07%.
- **U.S. Treasury 10-year note:** closed at 3.83%.
- **U.S. Treasury 2-year note:** closed at 3.83%.

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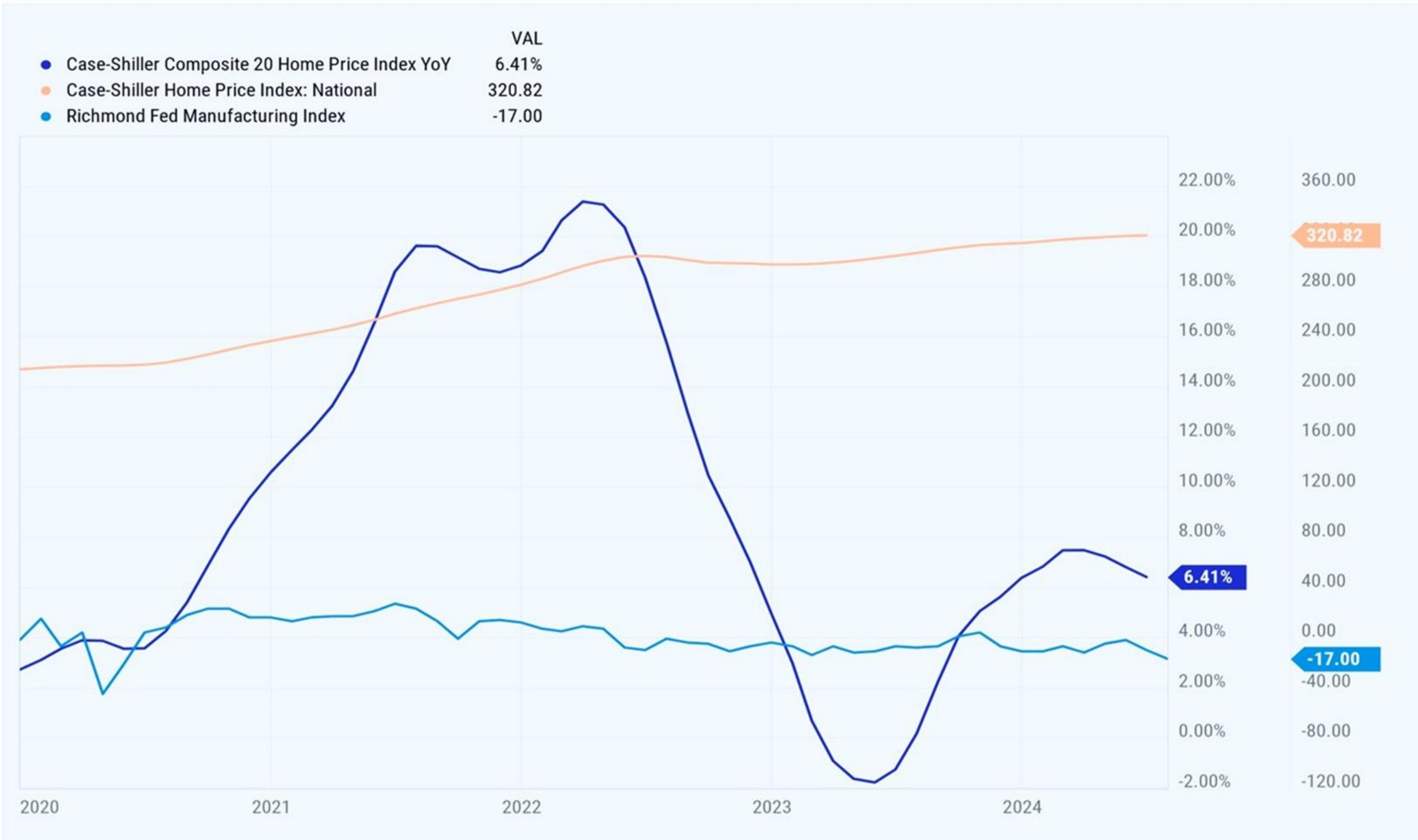
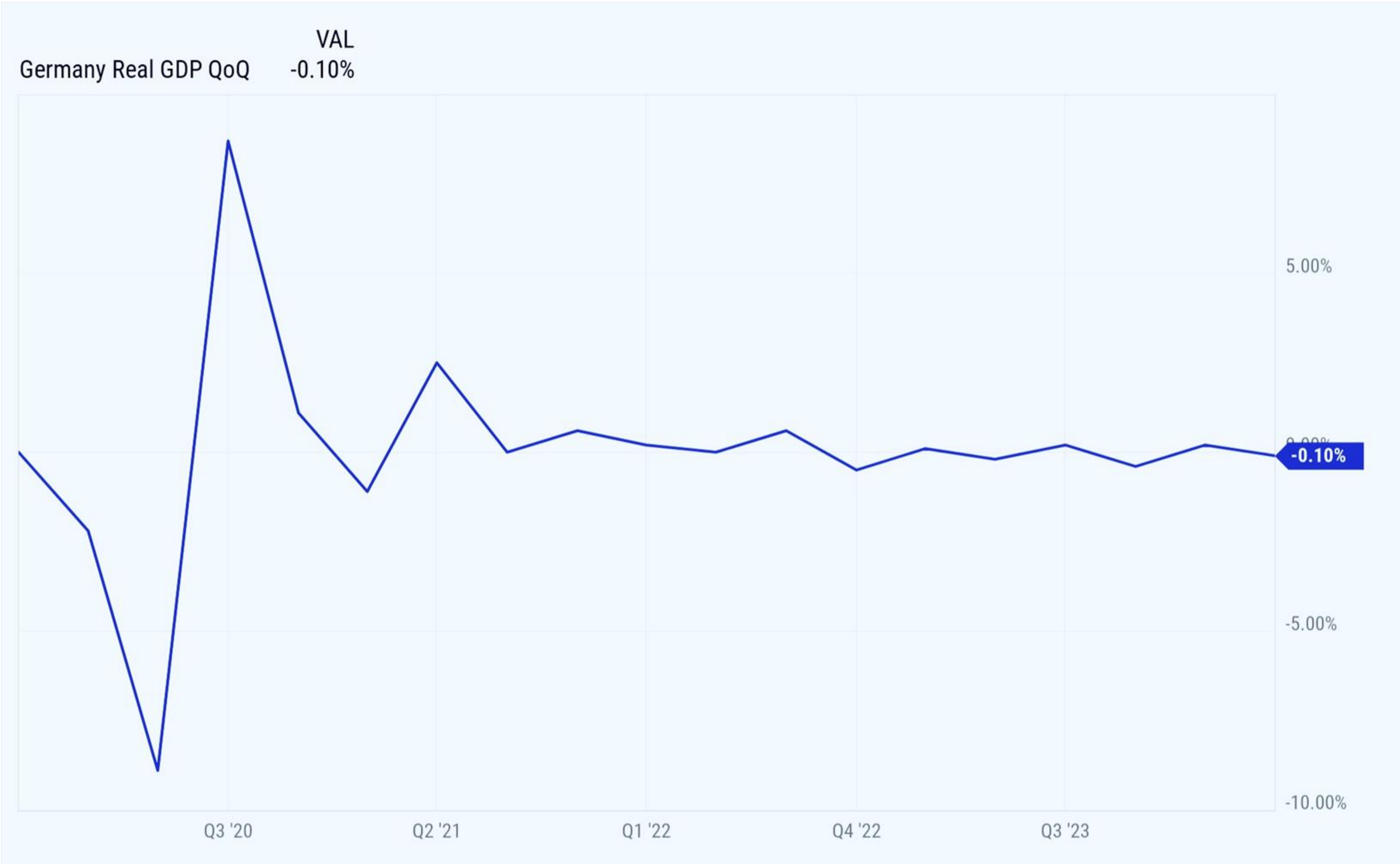
Inflation Nowcasting
PCE & Core PCE

Inflation Nowcast	PCE	Core PCE	Updated
August	2.38%	2.77%	27-Aug

Case-Shiller Composite 20 Home Price Index, Case-Shiller Home Price Index: National & Richmond Fed Manufacturing Index



Germany's Real GDP QoQ



VAL
Dow Jones Industrial Average Level 41250.50
S&P 500 Level 5625.80
Nasdaq Composite Level 17754.82
Birling Capital Puerto Rico Stock Index Level 3831.85
Birling Capital U.S. Bank Index Level 5378.12
Jan '24
Feb '24
Mar '24
Apr '24
May '24
Jun '24
Jul '24
Aug '24