

Revised US GDP Growth Rate Hits 3.0% in Q2 2024 Shows U.S. Economic Resilience; S&P 500 Earnings Beat Expectations and NVIDIA's Stock falls 6.38%.

August 29, 2024

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The U.S. and European stock markets closed with mixed results amid a sharp decrease in NVIDIA's stock fortunes, even as there was a good mix of positive economic data to evaluate, and that balanced the disappointment from some investors over NVIDIA's outside expectations. The Dow Jones closed up 243.63 points higher, while the S&P 500 and Nasdaq fell 0.22 and 39.60 points, respectively. As we discussed yesterday, the company reported an impressive 122% quarterly revenue growth, beating expectations of 112%. However, the pace was below 262% in the previous quarter, pointing out that the pace of growth may be slowing somewhat. NVIDIA faces challenges following reports of delays in producing its upcoming artificial intelligence chips, specifically the Blackwell B200. A report indicated that these delays are due to design flaws discovered late in production. This news led to a sharp decline in NVIDIA's stock price, which fell from \$122.86 on August 15, 2024, to \$117.60 by August 29, 2024, representing a \$8.01 or 6.38% decrease.

Nonetheless, the stock is up more than 150% for the year despite falling about 8.68% during the week. Inflation continues to fall, and the Fed is cutting interest rates during the rest of 2024, aligning the economy to reach a soft landing. It is too early to determine if the stock markets are to continue at the current pace of gains, and we could see volatility reemerge, but we see the fundamentals of the current bull market remain firmly in place.

Economic Growth Revised Upward for the Second Quarter 2024

Today, another strong dose of positivism was that the U.S. GDP report for the second quarter was revised upwards, indicating that economic growth for the Second-quarter GDP growth was revised upward to 3.0% annualized from the previous 2.8%, a 7.14% improvement. The upgrade was driven by a robust 2.9% increase in consumer spending, well above the 2.3% estimate.

As we continue to monitor the U.S. economy, the GDPNow for the third quarter of 2024 was updated on August 26, unchanged at 2.00% GDP, signaling continuous growth and nowhere near a recession.

As inflation continues its path to the Fed's 2% target and with the Fed on the cusp of cutting interest rates, the stage is set to spur a resurgence in consumer and corporate spending in the coming quarters.

Second Quarter S&P 500 Earnings Surpass Expectations

The second quarter corporate earnings parade is in its last legs, with over 98% of S&P 500 companies having reported. The earnings growth rate is at 11.3% Y-o-Y, surpassing the 8.8% forecasted at the end of the first quarter. Almost 79% of companies that reported posted positive earnings increases, above the 10-year average of 74%. Interestingly, the sectors with the most significant earnings surprises were utilities, health care, and financials, rather than the usual growth sectors like technology or communication services. Although earnings growth projections for the third and fourth quarters have been revised downward, overall earnings growth for the year is still expected to

exceed 10%, well above last year's 1% growth rate. This broad-based earnings growth is a crucial factor supporting the solid performance of equity markets. There is a strong case for double-digit earnings growth in 2024 and 2025.

Key Economic Data:

- **U.S. Initial Claims for Unemployment Insurance:** fell to 231,000, down from 233,000 last week, decreasing -0.86%.
- **U.S. Real GDP QoQ.:** rose to 3.00%, compared to 1.40% last quarter.
- **U.S. Pending Home Sales YoY:** is at -2.62%, compared to -6.46% last.
- **30-Year Mortgage Rate:** fell to 6.46%, compared to 6.49% last week.
- **U.S. Total Vehicle Sales:** rose to 16.30 million, up from 15.63 million last month, increasing 4.31%.
- **Eurozone Consumer Confidence Indicator:** fell to -13.50, down from -13.00 last month.
- **Eurozone Economic Sentiment Indicator:** rose to 96.60, up from 96.00 last month, up 0.62%.
- **Germany Consumer Price Index YoY:** fell to 1.90%, compared to 2.30% last month.

Eurozone Summary:

- **Stoxx 600:** Closed at 524.57, up 3.97 points or 0.76%.
- **FTSE 100:** Closed at 8,379.64, up 35.79 points or 0.43%.
- **DAX Index:** Closed at 18,912.57, up 130.28 points or 0.54%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 41,335.05, up 243.63 points or 0.59%.
- **S&P 500:** closed at 5,591.96, down 0.22 points or 0.00%.
- **Nasdaq Composite:** closed at 17,516.43, down 39.60 points or 0.23%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,876.11, up 45.64 points or 1.19%.
- **Birling Capital U.S. Bank Stock Index:** closed at 5,381.02, up 16.13 points or 0.30%.
- **U.S. Treasury 10-year note:** closed at 3.87%.
- **U.S. Treasury 2-year note:** closed at 3.87%.

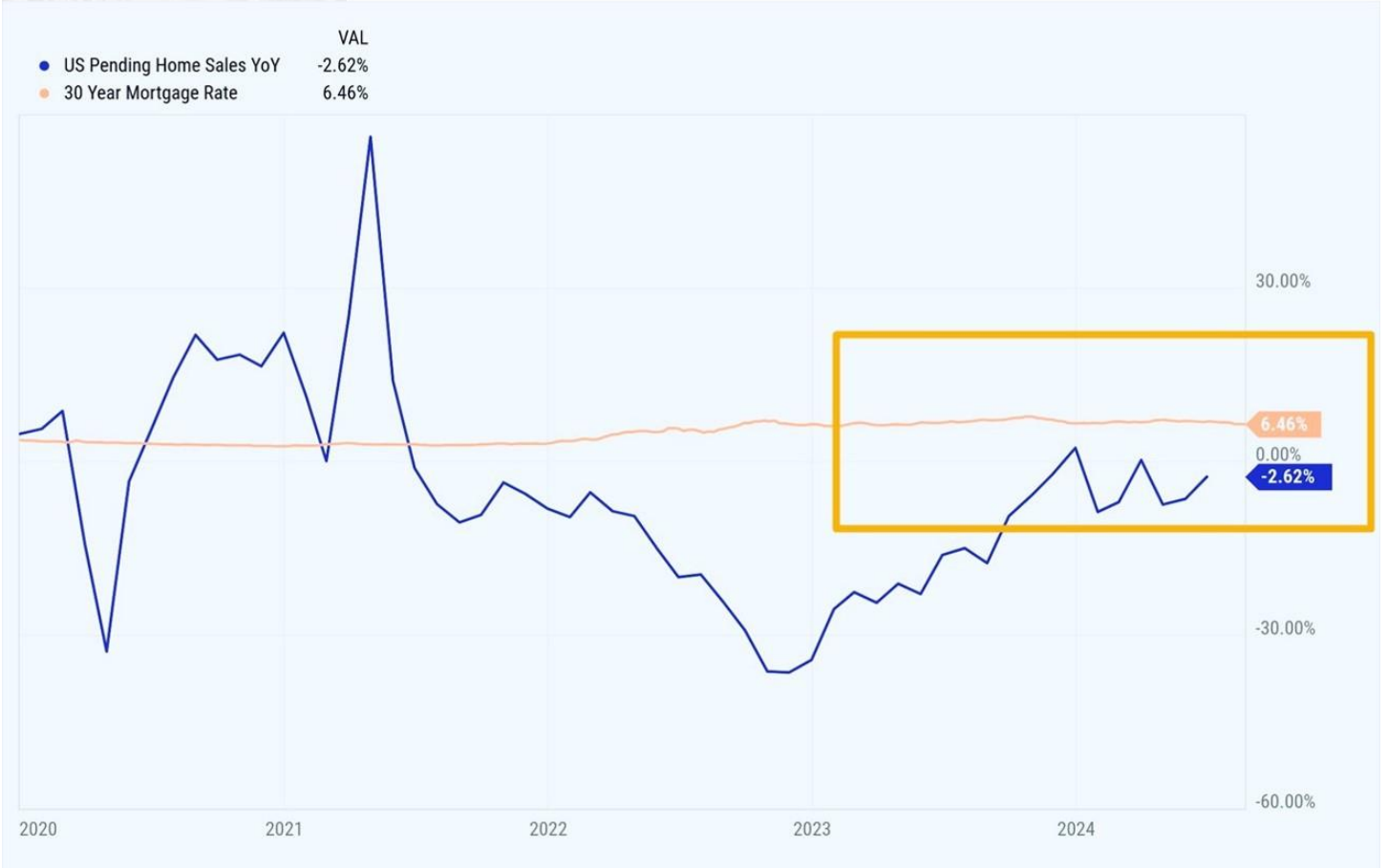


US Initial Claims for Unemployment, US Job Openings & US Job Seekers

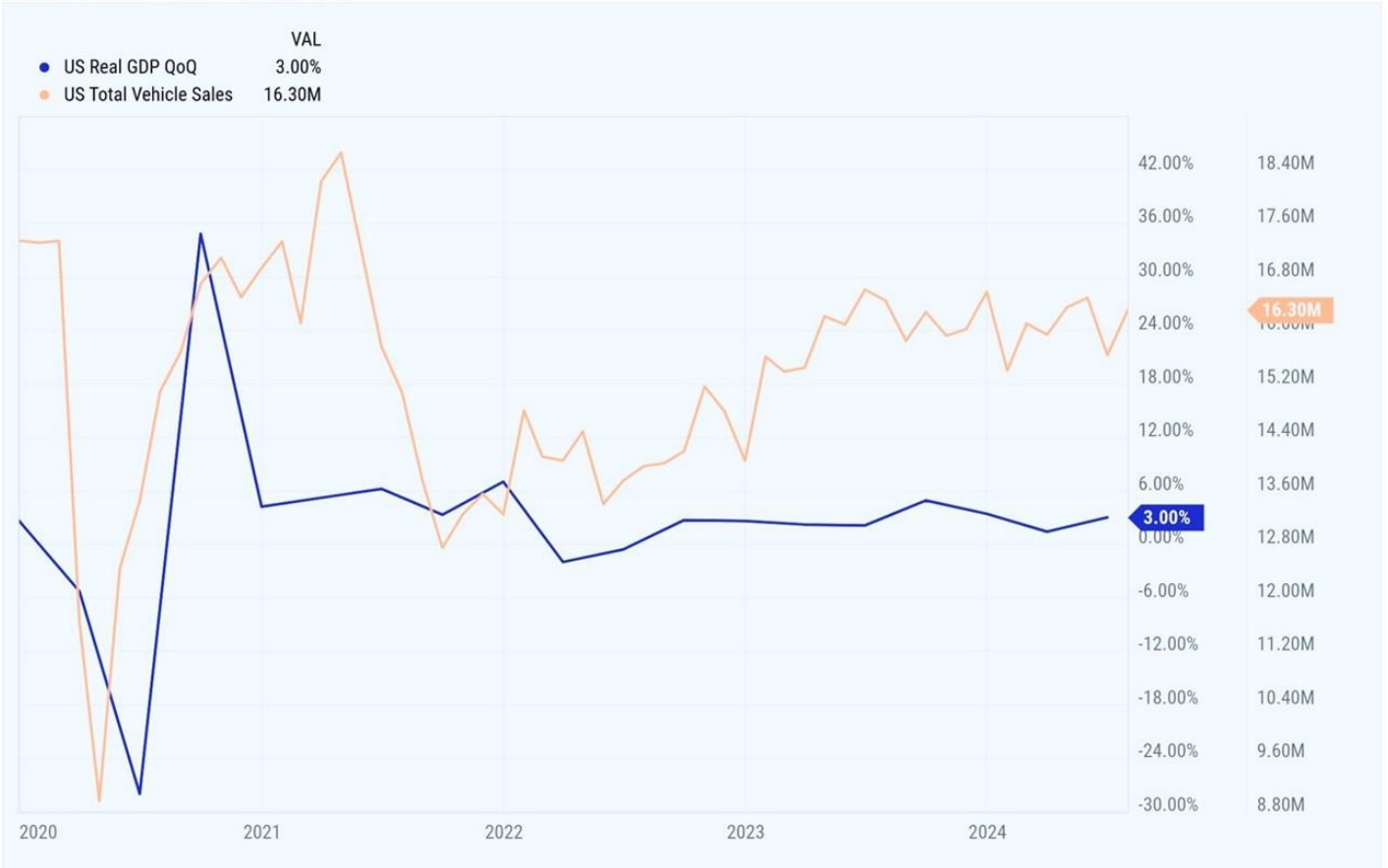
- US Initial Claims for Unemployment Insurance 231000.0
- US Job Openings: Total Nonfarm 8.184M
- US Unemployed Persons: Job Seeker 6.419M



US Pending Home Sales YoY & 30-Year Mortgage Rate



US Real GDP 2 Quarter 2024 Updated & US Total Vehicle Sales





Eurozone Consumer Confidence, Eurozone Economic Sentiment, & Germany CPI

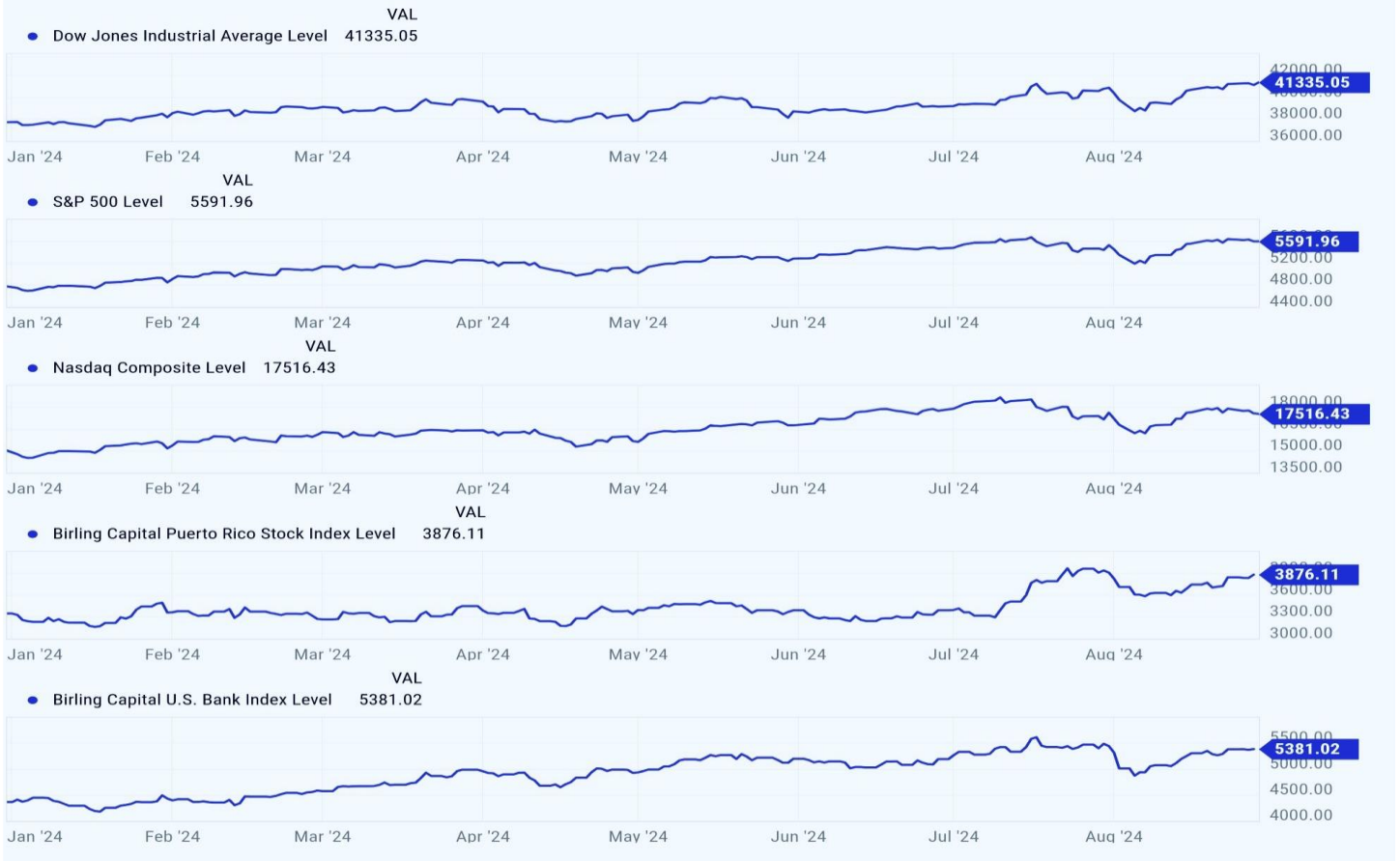
- Eurozone Economic Sentiment Indicator (I:EESI) VAL 96.00
- Eurozone Consumer Confidence Indicator (I:ECCISM) -13.00
- Germany Consumer Price Index YoY (I:GCCPNGCS) 2.30%





Wall Street Recap

August 29, 2024



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