



## Markets Lose Momentum as Fed Caution Tempers Rally; NVIDIA Earnings and PCE Inflation Take Center Stage.

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The U.S. and European stock markets started the week under pressure, with major indices closing mainly lower, as investors positioned themselves ahead of NVIDIA's highly anticipated earnings release. Bond markets remain in focus, with the 10-year Treasury yield closing at 4.28%, although still below the July high of nearly 4.50%. Friday's euphoric rally gave way to a dose of realism on Monday, as investors reassessed how far and how fast the Federal Reserve might go in trimming interest rates—and what such moves could mean for the broader economy and corporate outlook. The Dow Jones fell the most with 381.76 points, the S&P 500 lost 0.24%, and the Nasdaq Composite rose slightly 0.06%.

At Jackson Hole, Wyoming, Fed Chair Jerome Powell had lifted market spirits with his annual policy speech, signaling that the central bank “may warrant adjusting our policy stance.” For Wall Street, that phrase was widely interpreted as a carefully worded hint that rate cuts are on the horizon.

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European markets opened modestly weaker, even as Germany's Ifo business climate index posted its eighth straight monthly improvement, reaching its best level in over two years.

Asian equities closed broadly higher, led by fresh year-to-date peaks in Hong Kong's Hang Seng and China's Shanghai Composite. The U.S. dollar is firmer against major peers, while WTI crude gained ground as traders assessed risks to Russian supply stemming from Ukrainian strikes and the potential for new U.S. sanctions.

### NVIDIA Earnings in the Spotlight

All eyes turn to NVIDIA, which will release quarterly results on Wednesday after the closing bell. Wall Street expects earnings per share of \$1.01, nearly 50% above year-ago levels, underscoring the firm's pivotal role in fueling artificial intelligence adoption. Beyond the headline number, markets will dissect revenue trends and management's outlook to gauge the durability of AI-driven demand.

NVIDIA's report comes as the earnings season winds down on a high note: 82% of S&P 500 companies have beaten estimates, with an average surprise of 8%. Analysts now project second-quarter earnings growth of 10.5%, a sharp upward revision from 3.8% just weeks ago. Gains have been broad-based, with 10 of 11 sectors showing year-over-year improvements—energy being the sole laggard, representing less than 3% of the index weight. Looking ahead, the consensus expects earnings to moderate but still result in a solid 10.5% expansion in 2025, following a substantial 12.8% rise in Q1. With equity benchmarks hovering near record levels, continued earnings momentum remains essential for further upside.

## Fed's Inflation Gauge on Deck

Markets are also bracing for Friday's release of July's Personal Consumption Expenditures (PCE) report, the Fed's preferred inflation barometer. The Inflation Nowcasting has the Headline PCE at 2.60% year-over-year, while core PCE, excluding food and energy, is forecast to tick higher to 2.89%.

At last week's Jackson Hole symposium, Fed Chair Jay Powell emphasized that tariff-related price shocks should be "one-time adjustments" rather than a structural inflationary trend. He also cautioned that a softening of the labor market may justify adjustments to the Fed's current stance. Futures markets are now pricing in two rate cuts this year, beginning in September, followed by as many as three additional reductions in 2026. If delivered, this easing cycle would lower borrowing costs for both households and businesses—supportive for growth, credit conditions, and corporate profits.

## Economic Data:

- **U.S. New Single-Family Houses Sold:** fell to 652,000, down from 656,000 last month.
- **Germany Ifo Business Climate Index:** rose to 89.00, up from 88.60 last month.
- **Germany Ifo Business Expectations Index:** rose to 91.60, up from 90.80 last month.
- **Germany Ifo Business Situation Index:** fell to 86.40, down from 86.50 last month.
- **Japan Business Conditions Composite Coincident Index:** rose to 116.70, up from 116.00 last month.

## Eurozone Summary:

- **Stoxx 600:** Closed at 558.82, up 2.48 points or 0.44%.
- **FTSE 100:** Is closed for the Bank Holiday
- **DAX Index:** Closed at 24,273.12, down 89.97 points or 0.37%.

## Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 45,282.47, down 349.27 points or 0.77%.
- **S&P 500:** closed at 6,439.32, down 27.59 points or 0.43%.
- **Nasdaq Composite:** closed at 21,449.292, down 47.243 points or 0.22%.
- **Birling Capital Puerto Rico Stock Index:** closed at 4,254.40, up 141.75 points or 3.45%.
- **Birling Capital U.S. Bank Index:** closed at 7,803.43, up 191.51 points or 2.52%.
- **U.S. Treasury 10-year note:** closed at 4.28%.
- **U.S. Treasury 2-year note:** closed at 3.73%.

## Germany Ifo Business Climate Index, Germany Ifo Business Expectations Index, Germany Ifo Business Situation & Japan Business Conditions



# Wall Street Recap

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