

Small-Business Optimism Hits 3-Year High Amid Resilient Economy; CPI on Deck as Alphabet Stock Gains 5.32%, and Wall Street Falls.

December 10, 2024

by Francisco Rodríguez-Castro
frc@birlingcapital.com

The US and European stock markets closed with losses as the Dow Jones records four straight days of losses as investors in the US await the CPI reading; in Europe, Germany's CPI rose above 2%, and Asian markets showed mixed performance overnight, with China's export and import data sending mixed signals.

The Communication Services sector led the session, rising 1.56%, fueled by a sharp rise of 5.32% in Alphabet's shares. The surge followed news that the company had developed an advanced chip to enhance its quantum computing capabilities. Meanwhile, US bond yields are inching higher, with the 10-year Treasury yield climbing to 4.22%, while the 2-year yield is closing at 4.15%.

Inflation Watch: November CPI in Focus

Markets are closely watching inflation data as November's Consumer Price Index (CPI) report will be released tomorrow. Expectations show that the latest Inflation Nowcasting has the CPI with a slight increase to 2.70%, up from 2.6% in the previous month. Core CPI, which excludes volatile food and energy prices, is forecasted to remain steady at 3.30%.

We anticipate a 0.25% rate cut at the Fed's December 18 meeting. However, with inflation persistently above the Fed's 2% target and the US economy showing strength, rate adjustments are expected to slow in 2025.

Small-Business Optimism Hits New Heights

November brought a sharp uptick in small-business confidence, as the National Federation of Independent Business or the NFIB Small Business Index jumped 8 points to 101.7, its highest reading since June 2021. The result marked a significant recovery from October's 93.7 and broke a 37-month streak of readings below the long-term median of 99. Elevated borrowing costs and inflation had weighed on sentiment. Still, November's improvement was fueled by a substantial rise in economic optimism among small-business owners, with expectations for better conditions reaching levels not seen since 2020.

From an investment perspective, the resurgence in small-business confidence is mirrored in the strong performance of small- and mid-cap stocks. Since the beginning of the fourth quarter, the Russell 2000 (small-cap) and Russell Mid Cap Indexes have posted gains exceeding 6.5%, outperforming the S&P 500's 5% increase. Easing monetary policy combined with robust economic growth could continue to bolster the outlook for small businesses.

Key Economic Data:

- **US Productivity:** rose to 2.20%, compared to 2.10% last quarter.
- **US Unit Labor Costs:** Nonfarm Business QoQ: rose to 0.80%, compared to -1.10% last quarter.

- **Germany Consumer Price Index YoY:** rose to 2.20%, compared to 2.00% last month.
- **China Exports YoY:** fell by 6.71%, compared to 12.71% last month.
- **China Imports YoY:** fell by -3.79%, compared to -2.24% last month.
- **China Trade Balance:** rose to 97.44 billion, up from 95.72 billion last month.

Eurozone Summary:

- **Stoxx 600:** Closed at 518.49, down 2.73 points or 0.52%.
- **FTSE 100:** Closed at 8,280.36, down 71.72 points or 0.86%.
- **DAX Index:** Closed at 20,345.96, down 38.65 points or 0.08%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 44,401.93, down 240.59 points or 0.54%.
- **S&P 500:** closed at 6,052.95, down 37.32 points or 0.61%.
- **Nasdaq Composite:** closed at 19,763.69, down 123.08 points or 0.62%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,860.46, down 4.83 points or 0.13%.
- **Birling Capital US Bank Stocks Index:** closed at 6,450.00, down 85.88 points or 1.31%.
- **US Treasury 10-year note:** closed 4.20%.
- **US Treasury 2-year note:** closed 4.13%.



Inflation Nowcasting

CPI & Core CPI

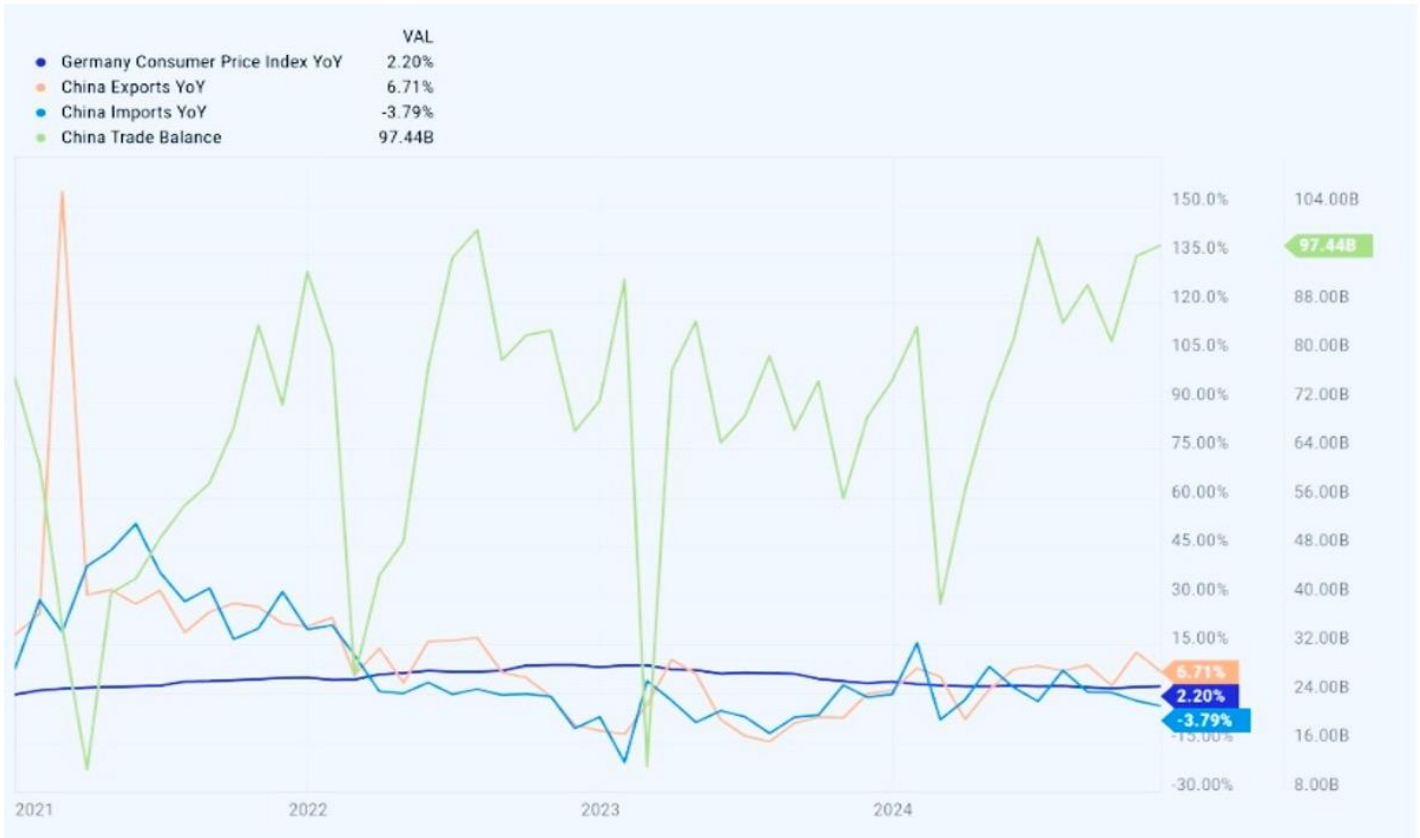
Inflation Nowcasting	CPI Forecast	Core CPI Forecast	Updated
November	2.70%	3.30%	12.10.24

The CPI and Core CPI will be released on December 11, 2024



US Productivity & US Labor Costs: Nonfarm Business





Global Market Square © es una publicación preparada por Birling Capital LLC y resume los recientes desarrollos geopolíticos, económicos, de mercado y otros que pueden ser de interés para los clientes de Birling Capital LLC. Este informe está destinado únicamente a fines de información general, no es un resumen completo de los asuntos a los que se hace referencia y no representa asesoramiento de inversión, legal, regulatorio o fiscal. Se advierte a los destinatarios de este informe que busquen un abogado profesional adecuado con respecto a cualquiera de los asuntos discutidos en este informe teniendo en cuenta la situación de los destinatarios. Birling Capital no se compromete a mantener a los destinatarios de este informe informados sobre la evolución futura o los cambios en cualquiera de los asuntos discutidos en este informe. Birling Capital. El símbolo de registro y Birling Capital se encuentran entre las marcas registradas de Birling Capital. Todos los derechos reservados.