

GLOBAL MARKET SQUARE



The Producer Price Index Surges 14.61% Above Expectations; Fed Faces Slow Path to Easing Amid Cooling Labor Market, ECB Rate Cuts Fuel European Gains.

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by Francisco Rodríguez-Castro
frc@birlingcapital.com

The US and European stock markets closed with mixed results. On Wall Street, stocks plunged and were dragged down by the scorching US inflation report shattering expectations and reignited fears of persistent economic pressures. The tech sector, which had shown promise earlier in the week, faltered under renewed market anxiety, erasing gains and deepening the broader selloff. The Producer Price Index rose 13.30% month over month and 14.61% above estimates, and the unemployment claims shut up at 7.56%.

European markets saw gains as the European Central Bank cut rates with a widely anticipated 0.25% interest rate cut. Also, the US dollar is weakening against major global currencies, reflecting market shifts in response to central bank policies.

WTI crude oil and gold are trading lower in commodities, extending recent declines amid softer demand expectations and a stronger supply outlook.

Producer Inflation Rises Above Expectations

Key producer inflation metrics have come in hotter than anticipated. The Producer Price Index (PPI) rose 2.98% year-over-year in November, surpassing forecasts of 2.60% by 14.61%. The Core PPI, which strips out volatile food and energy prices, climbed to 3.45% from a year ago, above the projected 3.2%, 7.81% Higher than the estimates. While these figures suggest inflationary pressures are easing gradually, the process remains uneven.

This data aligns with a trajectory of moderating inflation, though fluctuations may mark the journey. The Federal Reserve will likely proceed with its anticipated 0.25% rate cut next week as part of its ongoing monetary easing strategy. However, we expect the pace of rate reductions to decelerate as policymakers focus on achieving a soft landing for the economy. Treasury yields increased, with the 10-year yield closing at 4.32%, reflecting expectations of slower Fed action in the coming months.

Labor Market: Jobless Claims Tick Higher

Initial jobless claims rose to 242,000 last week, exceeding market estimates of 220,000. Weekly data on jobless claims tend to be volatile and do not always indicate long-term trends. Over the past month, jobless claims have averaged around 223,000, consistent with the year-to-date average. Continuing claims, representing those receiving unemployment benefits, remain lower than expected at 1.89 million compared to forecasts of 1.92 million.

These figures suggest the labor market is resilient while gradually cooling from its prior strength. Employers appear cautious in hiring but are refraining from widespread layoffs. With unemployment at 4.2%, consumer purchasing power will likely support holiday-season spending. A moderating labor market should also temper wage growth, which could help ease inflationary pressures over time.

Key Economic Data:

- **US Producer Price Index YoY:** rose to 2.98%, compared to 2.63% last month.
- **US Core Producer Price Index YoY:** rose to 3.45%, compared to 3.37% last month.
- **US Initial Claims for Unemployment Insurance:** rose to 242,000, up from 225,000 last week, increasing 7.56%.
- **30-Year Mortgage Rate:** fell to 6.69%, compared to 6.81% last week.
- **ECB Deposit Facility Interest Rate:** fell to 3.25%, compared to 3.50% yesterday.
- **ECB Main Refinancing Operations Interest Rate:** fell to 3.40%, compared to 3.65% yesterday.
- **Japan Industrial Production Index MoM:** rose to 2.96%, compared to 1.60% last month.

Eurozone Summary:

- **Stoxx 600:** Closed at 519.20, down 0.75 points or 0.14%.
- **FTSE 100:** Closed at 8,311.76, up 10.14 points or 0.12%.
- **DAX Index:** Closed at 20,426.27, up 27.11 points or 0.13%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 43,914.12, down 234.44 points or 0.53%.
- **S&P 500:** closed at 6,051.25, down 32.94 points or 0.54%.
- **Nasdaq Composite:** closed at 19,902.84, down 132.05 points or 0.65%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,817.96, down 9.67 points or 0.25%.
- **Birling Capital US Bank Stocks Index:** closed at 6,428.47, up 16.09 points or 0.25%.
- **US Treasury 10-year note:** closed at 4.32%.
- **US Treasury 2-year note:** closed at 4.18%.



US Producer Price Index & US Core Producer Price Index



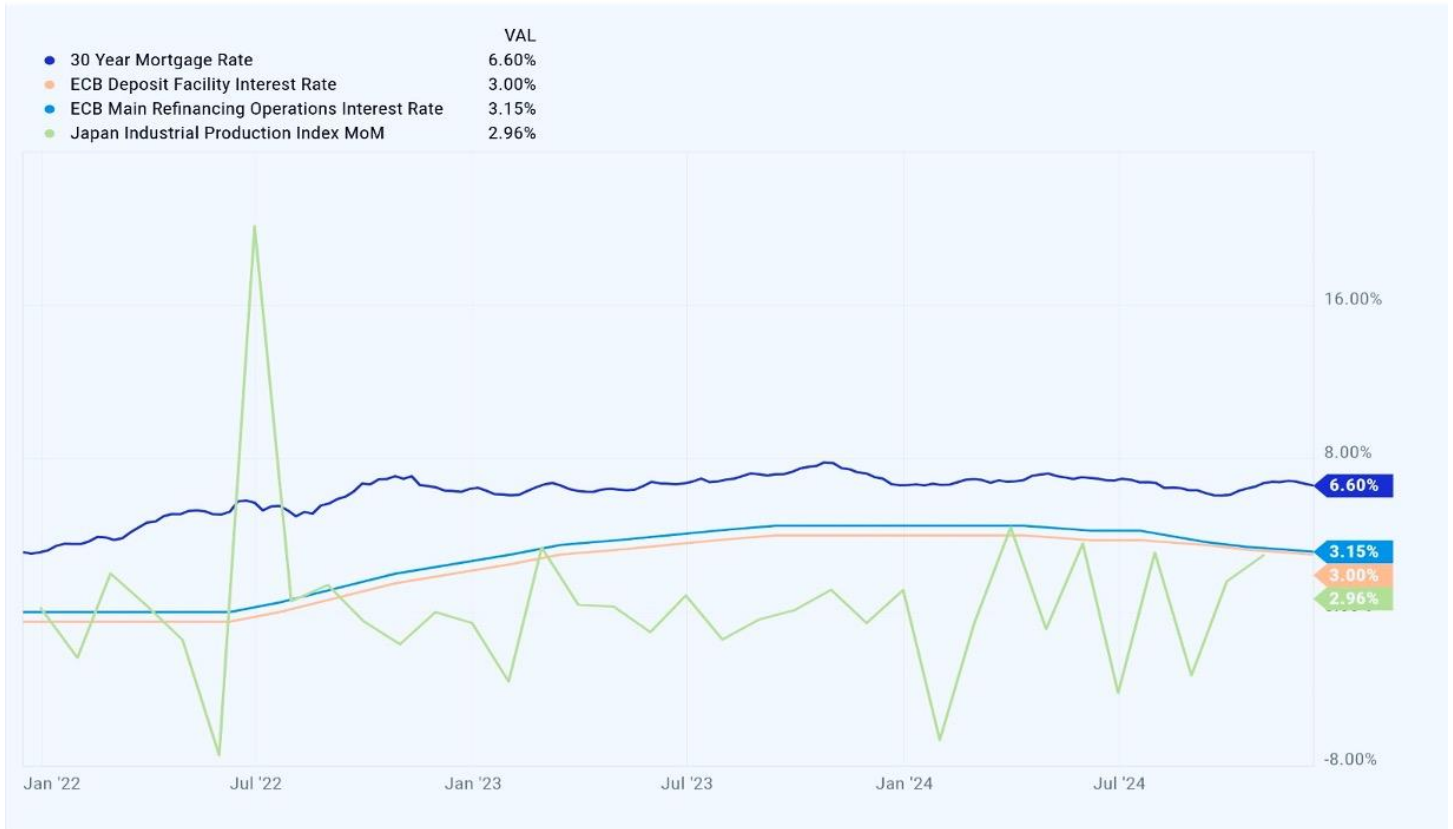


US Initial Claims for Unemployment, US Job Openings Non Farm & US Job Seekers





30-Year Mortgage Rate, ECB Deposit Facility Interest Rate, ECB Main Refinancing Operations Interest Rate and Japan Industrial Production Index



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