

Better-than-Expected Earnings from Bank of America and Morgan Stanley, Along with Strong US Retail Sales, Fail to Boost Investor Sentiment as Wall Street Declines.

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The US and European stock markets closed with asymmetrical results, as Wall Street's major stock indexes reversed earlier gains despite a boost from strong corporate earnings reports. Meanwhile, European markets closed higher in response to better-than-expected economic reports across Europe, including a rise in Germany's Consumer Price Index to 2.6%, showing some price stability and an uptick in Eurozone growth indicators, supported optimism about economic recovery.

The last two of the Top Six Banks to report, Morgan Stanley outperformed expectations, pushing its stock up by 4.03% and Bank of America also surpassed profit forecasts but saw its shares dip 0.98%. These results follow yesterday's strong performances from the rest of the Top Six US Banks. In early trading, Wall Street was up following December's retail-sales data, which highlights the resilience of consumer spending. Retail sales rose by 0.45% for the month, while control-group sales—excluding volatile categories like autos and gas—climbed 0.70%, exceeding expectations. These results signal continued strength in consumer demand despite broader economic uncertainties.

Following Bank of America and Morgan Stanley's better-than-expected results, corporate earnings should have provided a market tailwind. The Top US Banks, JPMorgan, Goldman Sachs, Citigroup, Wells Fargo, Bank of America, and Morgan Stanley, all constituents of the Birling US Bank Index, surpassed estimates. Meanwhile, bond yields, which fell sharply after Wednesday's inflation report, closed today with the 10-year Treasury yield at 4.61%; so far this week has fallen 18 basis points,

Consumer Spending Remains a Pillar of Economic Strength

December retail-sales data underscored the solid momentum in US consumer spending heading into 2025. Retail sales grew by 0.45%, just shy of forecasts for a 0.5% increase. However, the November figure was revised upward to a 0.8% gain from an initial 0.77%, highlighting a stronger-than-expected finish to the year. Notably, spending at furniture and home goods stores and sporting goods outlets rose by more than 2%, signaling robust discretionary purchasing by consumers.

Control-group sales outpaced forecasts, growing by 0.7% compared to a 0.4% rise expectation. This segment's strength, which filters out volatile categories, underscores the fundamental health of household spending. Over the past two years, consumer demand has been the linchpin of US economic growth, and its resilience appears poised to persist. Key factors supporting this trend include solid household balance sheets, easing inflation, and a robust labor market, which should sustain economic momentum through 2025.

A Volatile Start to 2025, But Positive Trends Persist

The opening weeks of 2025 have been marked by volatility, with the S&P 500 experiencing four sessions of swings greater than 1% in just nine trading days. Despite the choppiness, the index has gained approximately 1% year-to-date, with most sectors posting positive returns. While short-term fluctuations are likely to continue, the broader outlook remains constructive for equity markets. The robust start to the fourth-quarter earnings season, particularly among major banks, has bolstered confidence in corporate profitability. Analysts predict this momentum will carry into 2025, with S&P

500 earnings projected to grow by approximately 14% for the year. Strong labor-market conditions and moderating inflation are expected to support real income growth and consumer spending, key pillars of economic expansion.

Economic indicators remain encouraging. The Atlanta Fed's GDPNow model estimates fourth-quarter GDP growth at 2.7%, while the ISM Manufacturing PMI recently hit its highest level since March. Although market volatility is likely to persist, these trends suggest a favorable environment for continued growth in the US economy and equity markets throughout 2025.

Corporate Earnings Parade:

- **Bank of America Corp. (BAC):** reported 4Q24 revenues of \$25,347 billion, up 15%, net income of \$6,665 billion, up 112%, and earnings per share of \$0.82, surpassing estimates. BAC has a Tier 1 Capital Ratio of 11.90% and a stock price objective of \$50.85. It closed today at \$46.64, down -\$0.46 or -0.98%.
- **Morgan Stanley (MS):** reported 4Q24 revenues of \$16,223 billion, up 26%, net income of \$3,714 billion, up 144.82%, and earnings per share of \$2.22, beating estimates. MS has a Tier 1 Capital Ratio of 15.90% and had a stock price objective of \$130.78 and closed today at \$135.81, up \$5.26 or 4.03%.
- **For a deeper dive into the earnings reports** and to explore our detailed analyses, click on the link next to each bank name:

1. **Bank of America** - [BAC Overview](#)
2. **Morgan Stanley** - [MS Overview](#)

Key Economic Data:

- **US Initial Claims for Unemployment Insurance:** rose to 217,000, up from 203,000 last week, increasing 6.90%.
- **US Retail and Food Services Sales MoM:** fell to 0.45%, compared to 0.77% last month.
- **US Export Prices YoY:** rose to 1.84%, compared to 0.88% last month.
- **US Import Prices YoY:** rose to 2.24%, compared to 1.36% last month.
- **US Wholesalers Inventories MoM:** fell by -0.19%, compared to -0.00% last month.
- **US Business Inventories MoM:** rose to 0.10%, compared to 0.05% last month.
- **NY Fed Business Leaders Survey Current Business Activity:** fell by -5.60, down from -5.20 last month.
- **NAHB/Wells Fargo US Housing Market Index:** rose to 47.00, up from 46.00 last month.
- **Germany Consumer Price Index YoY:** rose to 2.60%, compared to 2.20% last month.
- **UK Industrial Production Index YoY:** fell by -1.80%, compared to -1.10% last month.
- **China Real GDP QoQ:** rose to 0.90%, compared to 0.70% last quarter.

Eurozone Summary:

- **Stoxx 600:** Closed at 520.05, up 5.03 points or 0.98%.
- **FTSE 100:** Closed at 8,391.90, up 90.73 points or 1.09%.
- **DAX Index:** Closed at 20,665.39, up 80.71 points or 0.39%.

Wall Street Summary:

- **Dow Jones Industrial Average:** Closed at 43,153.13, down 68.42 points or 0.16%.
- **S&P 500:** Closed at 5,937.34, down 12.57 points or 0.21%.

- **Nasdaq Composite:** Closed at 19,338.29, down 172.94 points or 0.89%.
- **Birling Capital Puerto Rico Stock Index:** Closed at 3,703.97, up 47.98 points or 1.31%.
- **Birling Capital US Bank Index:** Closed 6,704.79, up 306.28 points or 4.79%.
- **US Treasury 10-year note:** closed at 4.61%.
- **US Treasury 2-year note:** closed at 4.23%.

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