

Tesla, American Airlines, AT&T, and Oriental beat earnings estimates, The European Central Bank increased rates for the first time in 11 years, and Wall Street closed up.

Julio 21, 2022

by Francisco Rodríguez-Castro
frc@birlingcapital.com

The U.S. & European stock markets closed the session primarily up as investors on both sides of the Atlantic absorbed various topics. Some of the developments include the first European Central Bank interest increase in 11 years and the resignation of Italian Prime Minister Draghi to U.S. President Joe Biden testing positive for COVID-19.

In the U.S., the corporate earnings parade continues with largely positive results; yesterday, after the market closed, Tesla (TSLA) reported earnings that beat estimates, and its shares rose more than 10%, closing at \$815.12 up \$72.62 today's trading. We review American Airlines (AAL), AT&T (T), and OFG Bancorp (OFG), all delivered earnings that beat expectations providing a lift to the markets.

In Europe, the European Central Bank's Governing Council's increased the three key ECB interest rates by 50 basis points, the first increase in 11 years and more significant than consensus estimates of 25 basis points. The ECB wants to reduce inflation, which at 8.64% is 332% above its 2% target.

The other matter engulfing the Eurozone is the resignation of Prime Minister Mario Draghi, whom Italian President Sergio Mattarella accepted and dissolved parliament on Thursday, forcing a snap national election that will happen on September 25. His election then was full of hope to help fix a broken political system in Italy; sadly, the system failed him.

Mario Draghi, a former ECB President, became Prime Minister 18 months ago, and a massive sell-off of Italian bonds followed.

Investors should keep an eye on the U.S. housing market as it has begun to unravel as existing home sales are down; the data provided by the National Association of Realtors points to a 14.2% decrease compared to Year-over-Year.

Corporate Earnings Parade:

- **OFG Bancorp. (OFG):** reported 2Q22 earnings with revenues of \$146.3 million, up 6.8%, beating estimates, and a net income of \$40.43 million, up 7.07%; Oriental's provision for loan losses increased to \$6.6 million up \$5.1 million. The company has a price target of \$35.00, and the stock closed at \$26.76, down \$0.23.
- **American Airlines (AAL):** reported 2Q22 earnings with revenues of \$13.42 billion, up 12.2%, beating estimates, and a net income of \$476 million, and the load factor reached 86.9%. The company stock has a price target of \$17.72 and closed at \$14.08, down \$1.13.
- **AT&T Inc (T):** reported 2Q22 earnings that beat estimates with revenues of \$29.6 billion, down 17.1%, beating estimates, and a net income of \$5.897 billion, down 21.68% and reflecting the

impact of the DirecTV spinoff and other asset sales in the third quarter of 2021. The company stock has a price target of \$22.83, closing at \$18.92, down \$1.56.

Key economic data:

- U.S. Initial Claims for Unemployment Insurance: rose to 251,000, up from 244,000 last week, increasing 2.87%.
- 30-Year Mortgage Rate: rose to 5.54%, compared to 5.51% last week.
- Japan Consumer Price Index YoY: rose to 1.70%, compared to 1.50% last month.

Puerto Rico COVID-19 Update July 21:

- Daily Cases: 454, up 7.07%.
- Positivity Rate: 30.85%, up 5.89%.
- Hospitalizations: 343, down 2.54%.
- Deaths: 8, down 11.11%.
- Source Puerto Rico Department of Health.

Eurozone Summary for July 21:

- Stoxx 600 closed at 424.39, up 1.88 points or 0.44%.
- FTSE 100 closed at 7,270.51, up 6.20 points or 0.09%.
- Dax Index closed at 13,246.64, down 35.34 points or 0.27%.

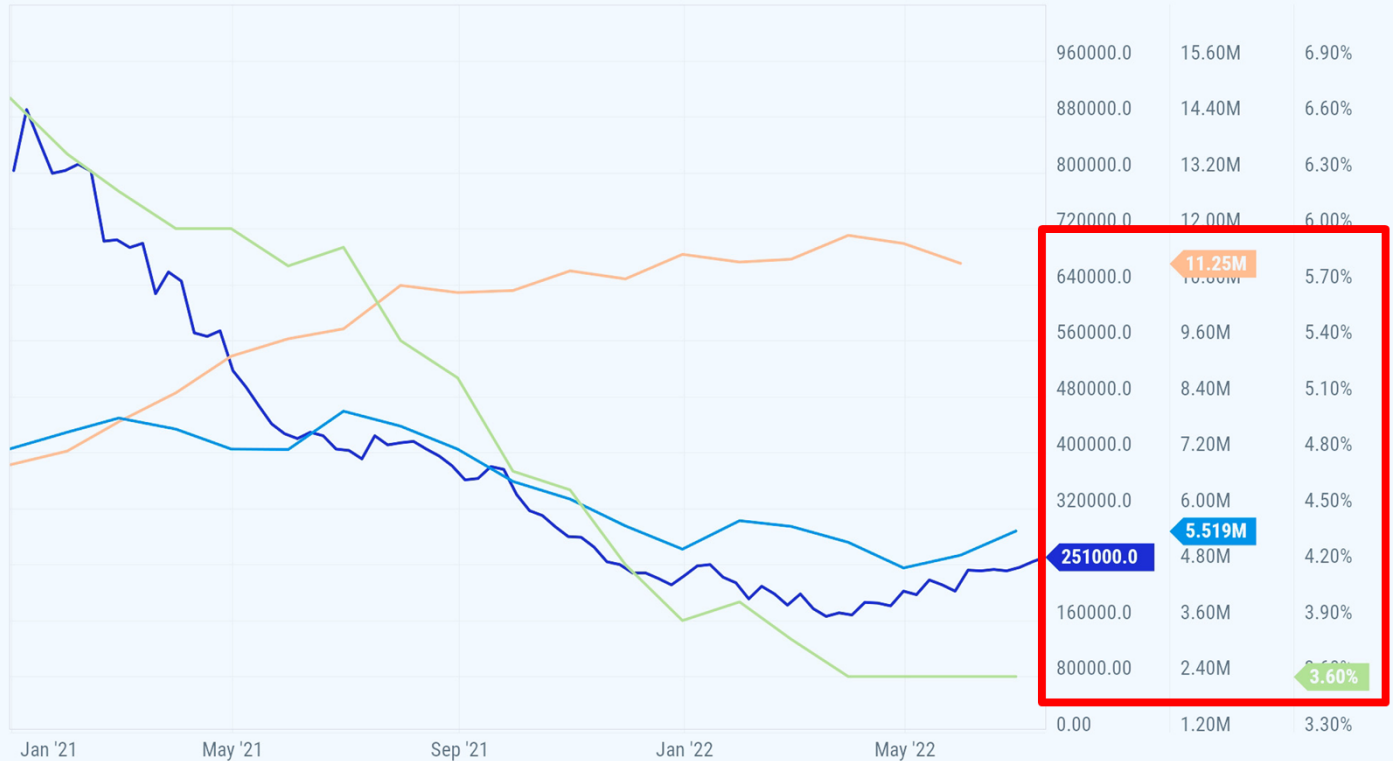
Wall Street Summary for July 21:

- Dow Jones Industrial Average closed at 32,036.90, up 162.66 points or 0.51%.
- S&P 500 closed at 3,998.95, up 39.05 points or 0.99%.
- Nasdaq Composite closed at 12,059.61, up 161.96 points or 1.58%.
- Birling Capital Puerto Rico Stock index closed at 2,741.78, down 6.26 points or 0.23%.
- The U.S. Treasury 10-year note closed at 2.91%.
- The U.S. Treasury 2-year note closed at 3.10%.

The Inverted Yield Curve spread widened for the eleventh consecutive trading session.

The federal Labor Department reported on July 21 that jobless claims rose to **251,000** versus 244,000 last week, increasing 2.87%. The third weekly rise

- US Initial Claims for Unemployment Insurance
- US Job Openings: Total Nonfarm
- US Unemployed Persons: Job Seeker
- US Unemployment Rate

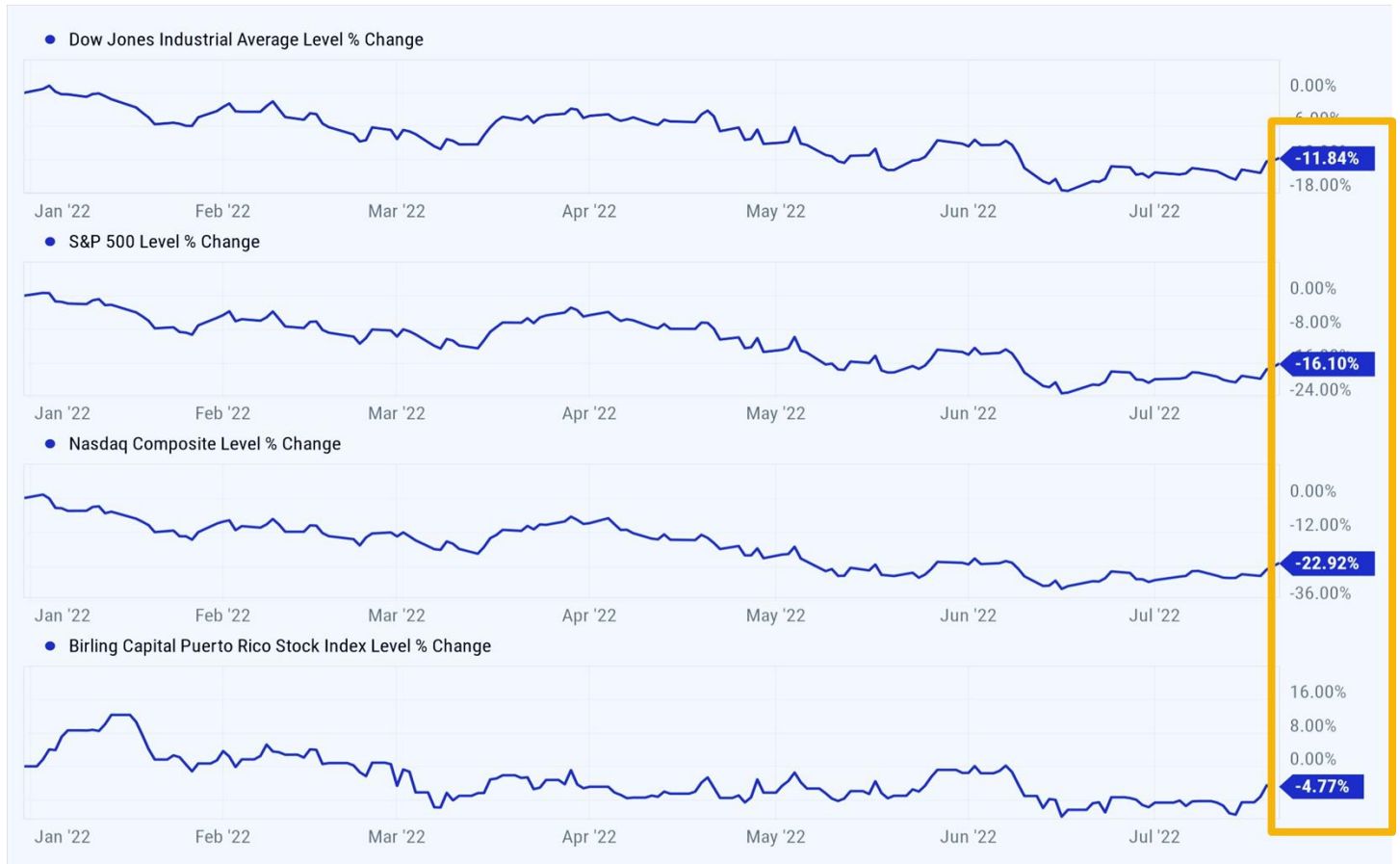




www.birlingcapital.com

Wall Street July 21, 2022

YTD Returns





Wall Street July 21, 2022



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.