

GLOBAL MARKET SQUARE



Global, U.S., and European markets kick off the second half of 2024 with gains, as Fed's Restrictive Policies Under Scrutiny Amid Slowing GDP Growth.

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The U.S. and European stocks began today, the second half of 2024, with gains. Recession risks have diminished, with the economy gaining strength in recent quarters despite the Federal Reserve's restrictive policies. Since the Second Quarter began, the Federal Reserve Bank of Atlanta GDPNow had the U.S. economy growing, and fourteen forecasts later, the latest GDPNow reported on July 1 has 1.70% GDP, which is a far cry from when the estimates began on April 26 with 3.90% GDP, a 56.41% decrease.

Asian markets closed, with Japan rising, Chinese markets were closed due to the Lunar New Year Holiday, and European Markets closed higher.

In the second half of the year, markets will closely monitor the Federal Reserve, inflation trends, and labor market data as critical economic and equity market drivers. If inflation slows and the labor market eases, we anticipate the Fed will be prepared to initiate rate cuts by the end of the third quarter.

All eyes this week will be on Fridays in U.S. labor markets, with the U.S. nonfarm jobs report for June set for release, with expectations of 190,000 new jobs added, down from last month's 272,000. The unemployment rate is projected to remain steady at 4.0%, while the labor-force participation rate is expected to increase from 62.5% to 62.6%. The labor market will significantly influence consumer spending and services inflation. Emerging signs indicate a cooling labor market, with increased labor supply and a softening demand. A gradual cooling, rather than a rapid slowdown, should support reduced consumption and lower inflation, bolstering the Fed's confidence in starting a rate-cutting cycle.

Markets anticipate two Fed rate cuts this year: The next Federal Reserve meeting is scheduled for July 31, with markets expecting rates to hold steady at 5.25%-5.5%. However, CME FedWatch suggests market expectations include two rate cuts in 2024, likely during the September and December meetings. We view up to two rate cuts this year as a plausible scenario, especially if inflation continues to trend towards the Fed's 2.0% target. As inflation's shelter and rent components align with real-time data showing easing, and if wage growth moderates alongside a cooling labor market, inflation may continue to decline. A quarterly rate cut cadence seems probable for the Fed, offering a systematic approach that minimizes uncertainty and volatility, gradually aligning rates with a more neutral level.

Key Economic Data:

- **U.S. Construction Spending MoM:** fell -0.11%, compared to 0.30% last month.
- **U.S. Retail Gas Price:** rose to \$3.557, up from \$3.556 last week, increasing 0.03%.
- **Germany Consumer Price Index YoY:** fell to 2.20%, compared to 2.40% last month.

Eurozone Summary:

- **Stoxx 600:** Closed at 513.04, up 1.62 points or 0.32%.
- **FTSE 100:** Closed at 8,166.76, up 2.64 points or 0.03%.
- **DAX Index:** Closed at 18,290.66, up 55.211 points or 0.30%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 39,169.52, up 50.66 points or 0.13%.
- **S&P 500:** closed at 5,475.09, up 14.61 points or 0.27%.
- **Nasdaq Composite:** closed at 17,879.30, up 146.70 points or 0.83%.
- **Birling Capital Puerto Rico Stock Index** closed at 3,387.53, up 59.04 points or 1.77%.
- **Birling Capital U.S. Bank Stock Index** closed at 5,186.36, up 104.12 points or 2.05%.
- **U.S. Treasury 10-year note** closed at 4.48%.
- **U.S. Treasury 2-year note** closed at 4.77%.



GDPNow

Date	GDPNow 2Q24	Change
4/26/2024	3.90%	Initial Forecast
5/1/2024	3.30%	-15.38%
5/2/2024	3.30%	0.00%
5/8/2024	4.20%	27.27%
5/16/2024	3.60%	-14.29%
5/24/2024	3.50%	-2.78%
5/31/2024	2.70%	-22.86%
6/3/2024	1.80%	-33.33%
6/6/2024	2.60%	44.44%
6/7/2024	3.10%	19.23%
6/18/2024	3.10%	0.00%
6/20/2024	3.00%	-3.23%
6/27/2024	2.70%	-10.00%
6/28/2024	2.20%	-18.52%
7/1/2024	1.70%	-22.73%



Wall Street Recap

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