

Oriental's net income rose by 15.75%, Nasdaq and Dow Jones declined with stock rotations, investors expect a lower interest rate cycle, and jobless claims rose.

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The U.S. and European stock markets closed mostly down, continuing yesterday's Nasdaq's Largest Single-Day Decline Since 2022. Today, investors continue performing stock rotations to prepare for another cycle of decreasing interest rates. On local news, Puerto Rico's OFG Bancorp (OFG), the bank holding company for Oriental Bank, delivered better-than-expected revenues and net income increases. We discuss the results below and provide a chart that compares the top six U.S. banks to the top three Puerto Rico banks. We also note that all have year-to-date double-digit returns.

Amidst Wednesday's market turbulence, the Nasdaq suffered its worst daily performance since 2022. Today's trading session fell further down by another 127.70 and is down 527.22 points this week, and the Dow Jones, after breaking records yesterday, today fell 533.06 points with little in the way of market-moving news. Bonds recovered slightly, with the 10-year Treasury closing at 4.20%, and the 2-year Treasury rose to 4.46%, altering the steady rate decline throughout July. Commodity prices, including gold and oil, have seen minimal movement, and the U.S. dollar remains stable. This week has been marked by significant volatility and a broad rotation across asset classes; it's unsurprising to see it increase as investors reassess their portfolios and examine the economic outlook and Federal Reserve policy for the coming months.

Jobless Claims Indicate Easing Labor Market

The latest jobless claims report reflects continued softening in the labor market following historically tight employment conditions. New claims reached 243,000 for the week, a 9% increase from the previous week and 4% above the four-week average. The data suggests loosening employment conditions, aligning with the recent slowdown in consumer spending growth. Despite this softening, the labor market remains healthy by historical standards, with jobless claims not indicating a sharp decline in labor demand and the unemployment rate only inching up slightly from historically low levels. Overall, consumer spending is expected to moderate rather than collapse, leading to slower economic growth but avoiding a recession this year.

Shifts in Market Leadership

This week's significant market rotation has shifted the focus away from big-cap tech and growth stocks, which have led much of 2024, driven by excitement around AI and strong earnings growth prospects. Recent economic data, the prospect of lower interest rates, and changing election expectations have spurred a shift in market leadership and overall sentiment. As Technology stocks have lagged this week, while small-cap and cyclical sectors have outperformed, it outlines the importance of proper asset class and sector diversification. It aligns with our view that market leadership would broaden as economic momentum slows and the likelihood of Fed rate cuts increases.

Corporate Earnings Parade:

- **OFG Bancorp (OFG):** Reported 2Q24 revenues of \$179.410 million, increasing 5.22%, net income of \$51.131 million, rising 15.75%, and earnings per share of \$1.08, beating expectations. The Stock Closed at \$43.03, down -\$0.03.

Key Economic Data:

- **U.S. Initial Claims for Unemployment Insurance:** rose to 243,000, up from 223,000 last week, a change of 8.97%.
- **30-year mortgage Rate:** fell to 6.77%, compared to 6.89% last week.
- **UK ILO Unemployment Rate: Aged 16-64:** rose to 4.50%, compared to 4.40% last month.
- **Japan Consumer Price Index YoY:** rose to 2.80%, compared to 2.50% last month.

Eurozone Summary:

- **Stoxx 600:** Closed at 514.01, down 0.82 points or 0.16%.
- **FTSE 100:** Closed at 8,204.89, up 17.43 points or 0.21%.
- **DAX Index:** Closed at 18,354.76, down 82.54 points or 0.45%.

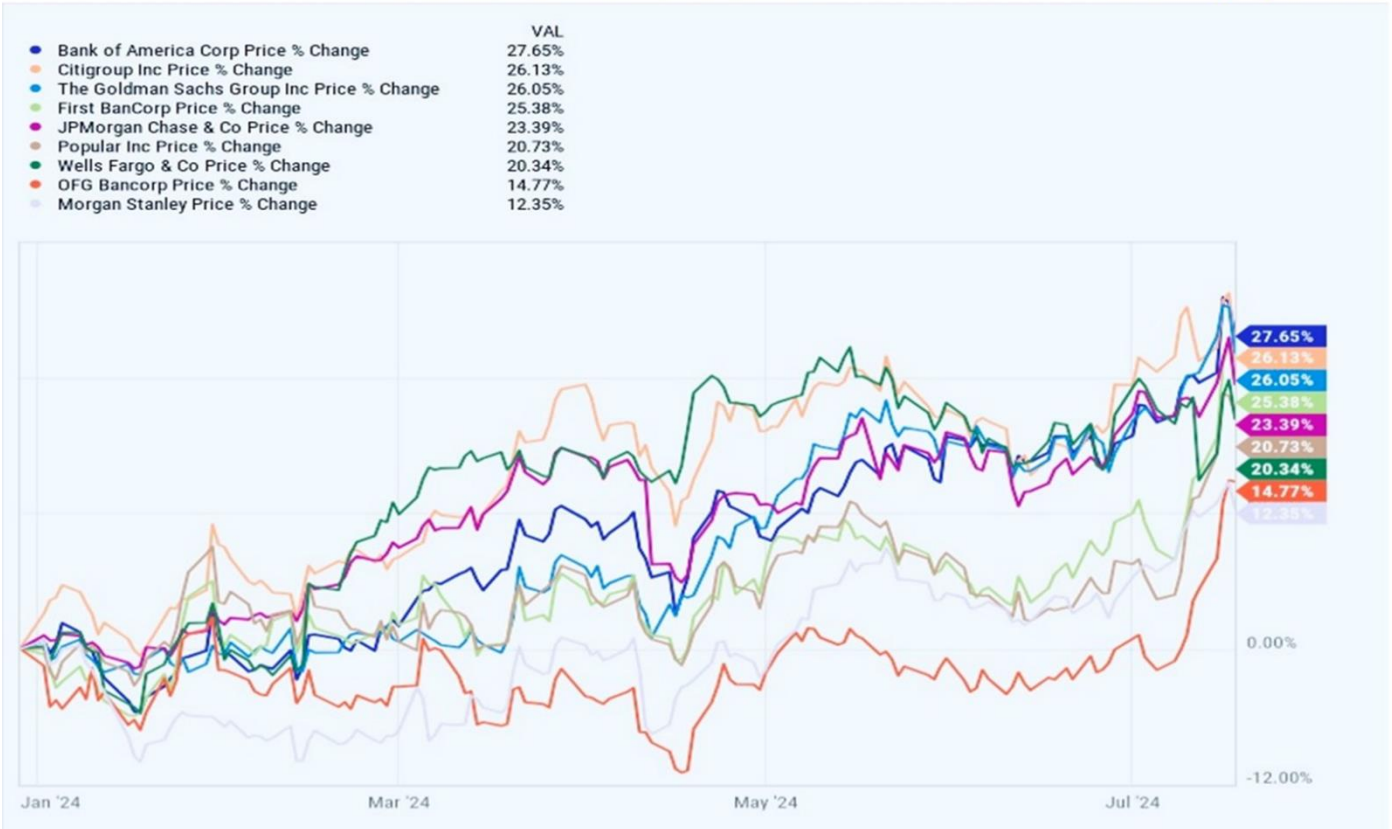
Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 40,665.02, down 533.06 points or 1.29%.
- **S&P 500:** closed at 5,544.59, down 43.68 points or 0.78%.
- **Nasdaq Composite:** closed at 17,871.22, down 125.70 points or 0.70%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,802.79, up 39.88 points or 1.06%.
- **Birling Capital U.S. Bank Stock Index:** closed at 5,606.91, up 30.07 points or 0.54%.
- **U.S. Treasury 10-year note:** closed at 4.20%.
- **U.S. Treasury 2-year note:** closed at 4.46%.



Bank of America, Citigroup, Goldman Sachs, First Bancorp, JP Morgan Chase, Popular, Wells Fargo, OFG Bancorp & Morgan Stanley YTD Returns as of 7.18.24

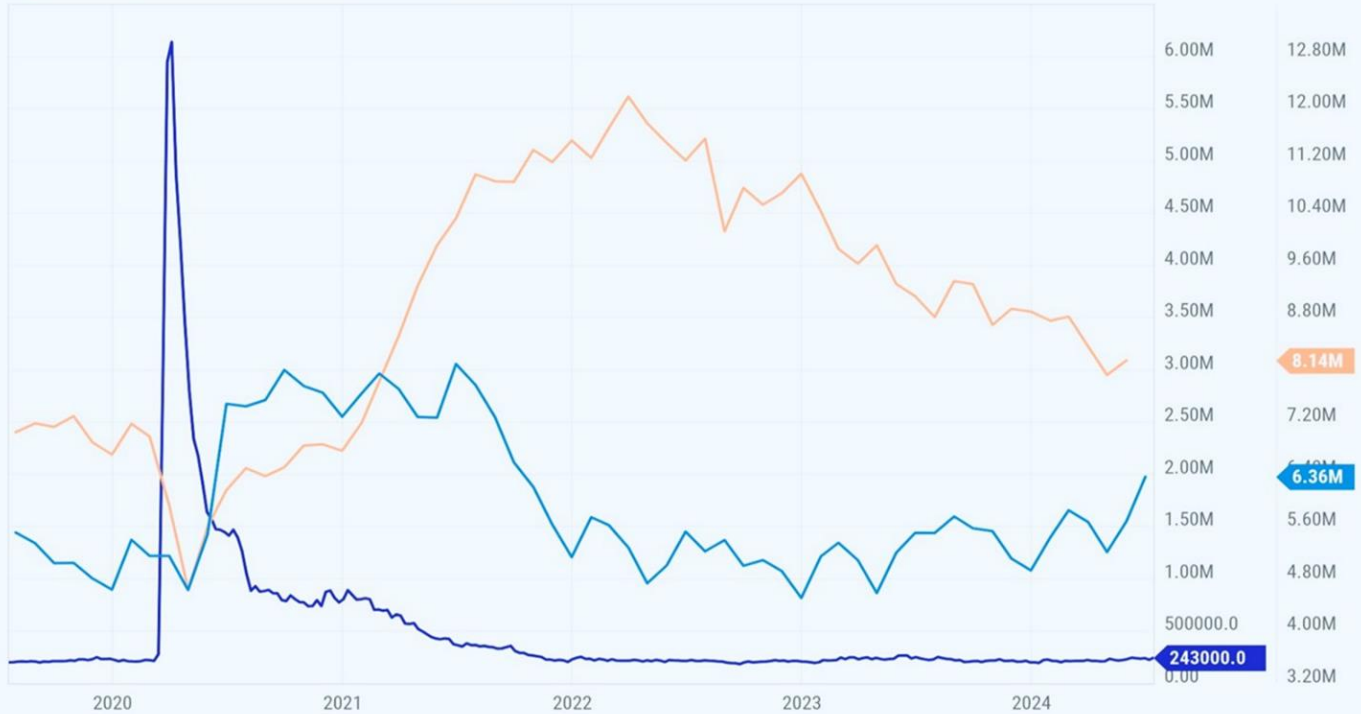
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US Initial Claims for Unemployment, US Job Openings Nonfarm and US Job Seekers

- US Initial Claims for Unemployment Insurance 243000.0
- US Job Openings: Total Nonfarm 8.14M
- US Unemployed Persons: Job Seeker 6.36M





30-Year Mortgage Rate, UK ILO Unemployment Rate and Japan CPI

- 30 Year Mortgage Rate VAL 6.77%
- UK ILO Unemployment Rate: Aged 16-64 4.40%
- Japan Consumer Price Index YoY 2.80%





Wall Street Recap

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