

GLOBAL MARKET SQUARE



Global Tech Outage Disrupts Multiple Sectors, American Express Reports 2Q24 Earnings rose 39%, and Wall Street Falls.

July 19, 2024

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The U.S. and European stock markets closed the week down in reaction to a massive tech outage on Friday that is being labeled as the "**Biggest Information Technology Disruption in History**," and it wreaked havoc on flights, banking services, and various businesses worldwide, with the travel industry bearing the brunt of the disruption. Despite these alarming headlines, U.S. stocks remained relatively stable. However, CrowdStrike, a cybersecurity firm, saw its shares plummet 11.10% after revealing its software was behind the computer system crashes. In related news, Microsoft's shares dipped only 0.74%.

Market Movements and Sector Rotation

This week, the tech-centric Nasdaq fell by 3.41%, marking its steepest weekly decline since late April, and the S&P 500 has fallen 1.71%. Gains in the Dow, mid-cap, and small-cap stocks counterbalanced this short-term downturn in tech. WTI oil prices dropped by 1%, while Treasury bond yields and the dollar slightly increased.

For much of the year, U.S. mega-cap tech stocks have led the global stock rally, with the Nasdaq climbing nearly 25% by early July. However, the past two weeks have shifted from tech, growth, and large-cap stocks to cyclical sectors, value, and small-cap stocks. The Russell 2000, representing small-cap stocks, has notably outperformed, rising over 10% following last week's more astonishing inflation data, which bolstered expectations for rate cuts. The current stock rotation that has engulfed the markets aligns with predictions that leadership will diversify as the Federal Reserve approaches a rate-cutting cycle.

Upcoming Earnings and Inflation Reports

Next week's earnings season picks up more steam, and the Fed's preferred inflation measure, the Core PCE, due July 26, will determine if the sector rotation will persist. Thus far, mega-cap tech companies have delivered exceptional earnings growth compared to the broader market, but this gap is expected to narrow starting this quarter. Around 30% of S&P 500 companies, including Tesla, Visa, and Alphabet, are set to report earnings next week. In addition, investors will closely monitor the core personal consumption expenditures (PCE) price index, which is the latest Inflation Nowcasting is anticipated to drop to 2.39% in June, the lowest reading since March 2021. This cooling inflation and labor market data suggest the Fed might initiate its first rate cut in September, although the bank will stay attuned to incoming economic data. The onset of a multi-year rate-cutting cycle, positive yet moderating economic growth, and rising corporate profits underpin the bull market. However, beware that we are entering the traditionally volatile months of September and October, and with election headlines intensifying, volatility is likely to increase. Nonetheless, current conditions suggest that any market pullbacks could present buying opportunities.

Inflation Nowcasting for June:

1. **PCE:** 2.40%
2. **Core PCE:** 2.39%

Corporate Earnings Parade:

- **American Express Co (AXP):** Reported 2Q24 revenues of \$16.333 billion, up 8%, net income of \$3.015 billion, rising 39%, and earnings per share of \$3.49, beating expectations. The Stock Closed at \$242.38, down -\$6.82.

Key Economic Data:

- **U.K. Retail Sales YoY:** fell to -0.20%, compared to 1.70% last month.
- **Germany Producer Price Index YoY:** is at -1.60%, compared to -2.20% last month.

Eurozone Summary:

- **Stoxx 600:** Closed at 509.64, down 4.34 points or 0.85%.
- **FTSE 100:** Closed at 8,155.72, down 49.17 points or 0.60%.
- **DAX Index:** Closed at 18,165.59, down 189.17 points or 1.03%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 40,287.53, down 377.49 points or 0.93%.
- **S&P 500:** closed at 5,544.59, down 39.59 points or 0.71%.
- **Nasdaq Composite:** closed at 17,871.22, down 144.28 points or 0.81%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,765.21, up 37.06 points or 0.97%.
- **Birling Capital U.S. Bank Stock Index:** closed at 5,445.20, down 161.71 points or 2.88%.
- **U.S. Treasury 10-year note:** closed at 4.25%.
- **U.S. Treasury 2-year note:** closed at 4.49%.



Inflation Nowcasting PCE & Core PCE

Inflation Nowcasting	PCE Forecast	Core PCE Forecast
June	2.40%	2.39%

The next Report is due on July 26, 2024

The Economic Cycle: US GDP, US Index of Consumer Sentiment, US Inflation Rate, Effective Federal Funds Rate & 10-year US Treasury

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Wall Street Recap

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