

GLOBAL MARKET SQUARE



Global Markets Split Focus as Political Uncertainty Meets Robust Earnings Reports Creating Market Volatility.

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The U.S. and European stock markets closed with mixed results, as markets split their focus between the evolving political landscape and the imminent quarterly earnings reports, with a sprinkle of uncertainty added to the mix. Wall Street closed down, and the Asian and European markets closed mixed. At the same time, global markets remain focused on the latest second-quarter earnings, with Coca-Cola and UPS reporting before the market opened. At the same time, Alphabet and Tesla announced their results after the market closed. These reports provide the first insight into the performance of major tech companies over the past three. Despite this scenario, markets have held steady due to robust fundamentals, which shall be further scrutinized as the corporate earnings parade shows its performance in the upcoming 2Q24 releases.

Following a relatively calm period in May and June, daily market fluctuations have intensified recently, with the S&P 500 experiencing average daily movements of around 1% over the past four trading days. Meanwhile, bond yields such as the 10-year U.S. Treasury rates have swung from 4.48% on July 1 to 4.25% today, a 5.13% decrease. The market is pausing today amidst a barrage of headlines and data, including the political shakeup, upcoming earnings from major tech firms, and a critical inflation report due on Friday.

Solid Start to Earnings Season

This week, the focus is squarely on earnings results, which have begun strongly. Second-quarter announcements have kicked off positively, with major banks vastly exceeding expectations. Today, Coca-Cola (KO) and UPS set the stage, with Coca-Cola reporting better-than-expected profits while UPS fell short of consensus estimates. Despite UPS's underwhelming figures, there was a notable increase in shipping volume growth in the U.S., reflecting continued household spending. However, the main highlights for today are Alphabet (Google) and Tesla, which will report after the market closes. As has been the trend in recent quarters, earnings from major tech companies are expected to influence market sentiment significantly this earnings season. Consensus expectations forecast nearly 10% earnings growth for the second quarter. If this pace is sustained in the coming quarters, it would validate the market's rally this year and support equity performance for the rest of 2024.

Recent Market Performance Signals

The market leadership rotation that began last week has persisted into this week, reflecting an evolving economic outlook and political implications while emphasizing the importance of diversification across asset classes and sectors. Small-cap stocks have been solid, rallying more than 11% between July 10 and July 16, and continued to outperform on Monday with gains exceeding 1%. Cyclical sectors and value-style investments have also outperformed recently, while mega-cap technology and growth investments, which have been the leaders through 2024, have lagged. The best evidence is the 5% pullback in the Nasdaq **between July 10** and the end of last week. This rotation aligns with our outlook at the start of 2024, which anticipated broadening market leadership beyond big tech and AI-related investments towards segments poised to benefit from trends such as

lower interest rates and an economic upswing following a softer growth period in 2024. While it's too early to declare this rotation a fully sustainable trend, it does suggest an outlook of approaching Fed rate cuts, economic resilience, and a healthy pace of corporate profit growth ahead.

Corporate Earnings Parade:

- **Coca-Cola Co (KO):** Reported 2Q24 revenues of \$12.36 billion, up 3%, net income of \$2.41 billion, down 5%, and earnings per share of \$0.84, beating expectations. The Stock has a price objective of \$68.48 and closed today at \$64.95, up \$0.18.
- **United Parcel Service Inc (UPS):** Reported 2Q24 revenues of \$21.88 billion, down 1.1%, net income of \$1.409 billion, down 32.3%, and earnings per share of \$1.64, missing expectations. The Stock has a price objective of \$161.53 and closed today at \$127.89, down -\$17.29.

Key Economic Data:

- **U.S. Existing Home Sales:** fell to 4.11 million, down from 4.14 million last month and decreasing -0.72%.
- **Richmond Fed Manufacturing Index:** fell to -10.00, down from 0.00 last month.
- **Eurozone Economic Sentiment Indicator:** it fell to 95.90, down from 96.10 last month, decreasing -0.21%.
- **Eurozone Consumer Confidence Indicator:** is at -14.00, up from -14.30 last month.
- **China Exports YoY:** rose to 8.61%, compared to 7.62% last month.
- **China Imports YoY:** fell to -2.41%, compared to 1.80% last month.
- **China Trade Balance:** rose to 99.05 billion, up from 82.62 billion last month, an increase of 19.88%.

Eurozone Summary:

- **Stoxx 600:** Closed at 514.79, up 4.76 points or 0.93%.
- **FTSE 100:** Closed at 8,198.78, up 43.06 points or 0.53%.
- **DAX Index:** Closed at 18,407.07, up 235.14 points or 1.29%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 40,358.09, down 57.35 points or 0.14%.
- **S&P 500:** closed at 5,555.74, down 8.67 points or 0.16%.
- **Nasdaq Composite:** closed at 17,997.35, down 10.22 points or 0.06%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,875.72, up 89.32 points or 2.36%.
- **Birling Capital U.S. Bank Stock Index:** closed at 5,404.80, down 13.78 points or 0.25%.
- **U.S. Treasury 10-year note:** closed at 4.25%.
- **U.S. Treasury 2-year note:** closed at 4.40%.

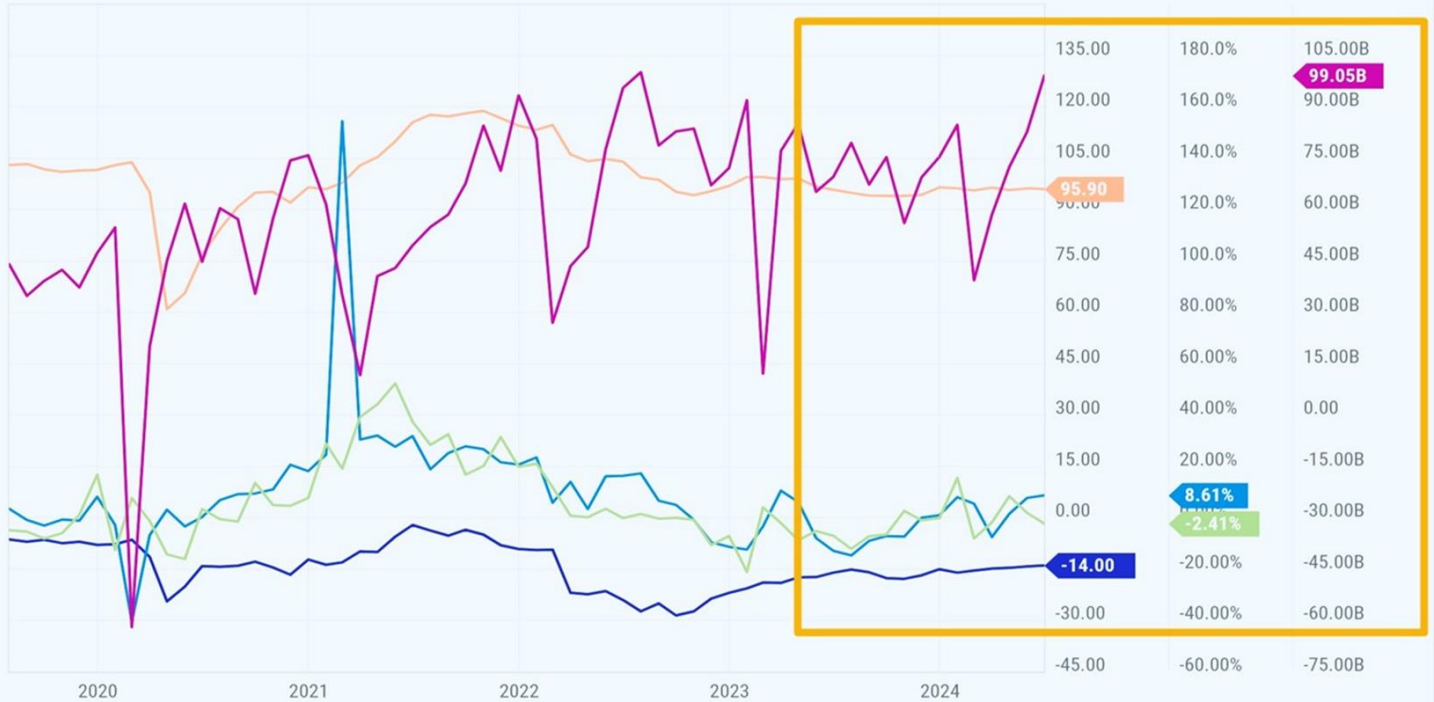


US Existing Home Sales and Richmond Fed Manufacturing Index



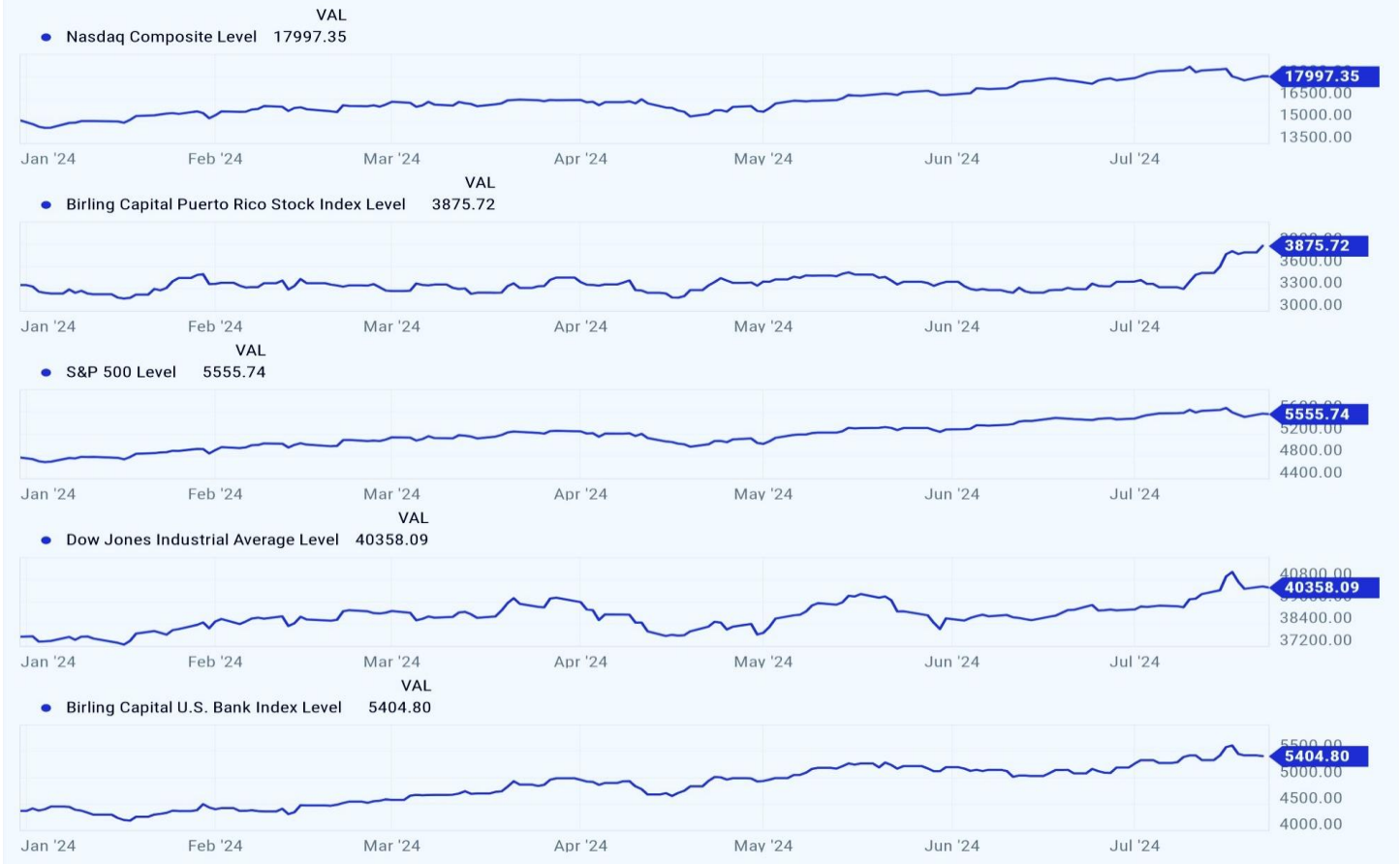
Eurozone Consumer Confidence, Eurozone Economic Sentiment, China Exports, China Imports & China Trade Balance

	VAL
● Eurozone Consumer Confidence Indicator	-14.00
● Eurozone Economic Sentiment Indicator	95.90
● China Exports YoY	8.61%
● China Imports YoY	-2.41%
● China Trade Balance	99.05B





Wall Street Recap July 23, 2024



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