

GLOBAL MARKET SQUARE



U.S. and European Stocks Declined amid Disappointing Earnings from Tech Giants, with the Nasdaq Composite down 3.64% and the S&P 500 down 2.31%.

July 24, 2024

by Francisco Rodríguez-Castro
frc@birlingcapital.com

The U.S. and European stock markets closed broadly lower as key equity indexes were down. The tech-heavy Nasdaq declined massively by a whopping 654.94 after disappointing earnings from two Magnificent Seven stocks, which impacted growth sectors that drove much of this year's market gains. The Dow Jones followed with 502.22 points, and the S&P 500 fell hard 128.61 points, the worst day in Wall Street since 2022.

Tesla shares dropped 12.33% following a fourth consecutive quarter of disappointing earnings. Alphabet's shares also fell 5.03% as higher-than-expected AI spending weighed on the company.

Across the Atlantic, corporate profit disappointments are also evident, with luxury goods company LVMH hitting a six-month low due to slower growth in China impacting luxury spending.

Bonds are gaining as investors await Friday's inflation data.

Between today and the end of next week, over 50% of S&P 500 companies will report earnings, shifting attention from U.S. politics and macroeconomic data to the health of corporate America. The outlook remains positive, with S&P 500 earnings growth expected to accelerate from 6% in the first quarter to about 10% in the second. However, expectations are higher for the broader market, particularly for the Magnificent Seven stocks that have driven most of this year's gains. Analysts project a 30% profit increase for these companies, outpacing the rest of the market. However, as mega-cap tech comparisons from a year ago become more challenging and earnings growth from the rest of the market picks up, we anticipate a broadening in market leadership, fueling ongoing growth.

On the economic front, business activity indexes (S&P Global PMI) released this morning suggest that growth held steady in July, indicating an average pace of expansion. Tomorrow's advanced estimate of second-quarter GDP is likely to reflect similar trends, with the U.S. economy expected to grow by 2%. This represents an acceleration from the previous quarter but a downshift from the robust demand seen in the latter half of last year, marking a return to normalcy. Signs of a slowing labor market and economic growth are evident in the U.S., but cooling inflation could allow the Fed to start cutting rates, potentially achieving a soft landing.

Corporate Earnings Parade:

- **First BanCorp (FBP):** Reported 2Q24 revenues of \$231.7 million, down 1.86%, net income of \$75.838 million, up 7.23%, and earnings per share of \$0.46, beating expectations. The Stock has a price objective of \$20.60.

- **Popular Inc (BPOP):** Reported 2Q24 revenues of \$734.6 million, up 7.69%, net income of \$177.8 million, up 72.12%, and earnings per share of \$2.46, beating expectations. The Stock has a price objective of \$103.62.

Key Economic Data:

- US New Single Family Houses Sold: fell to 617.000, down from 621.000 last month, decreasing - 0.64%.

Eurozone Summary:

- **Stoxx 600:** Closed at 512.30, down 3.17 points or 0.61%.
- **FTSE 100:** Closed at 8,153.69, down 13.68 points or 0.17%.
- **DAX Index:** Closed at 18,387.46, down 170.24 points or 0.92%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 39,853.87, up 504.22 points or 1.25%.
- **S&P 500:** closed at 5,427.13, down 128.61 points or 2.31%.
- **Nasdaq Composite:** closed at 17,324.41, down 654.94 points or 3.64 %.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,961.25, up 85.54 points or 2.21%.
- **Birling Capital U.S. Bank Stock Index:** closed at 5,436.49, up 31.69 points or 0.59%.
- **U.S. Treasury 10-year note:** closed at 4.28%.
- **U.S. Treasury 2-year note:** closed at 4.37%.



Inflation Nowcasting PCE & Core PCE

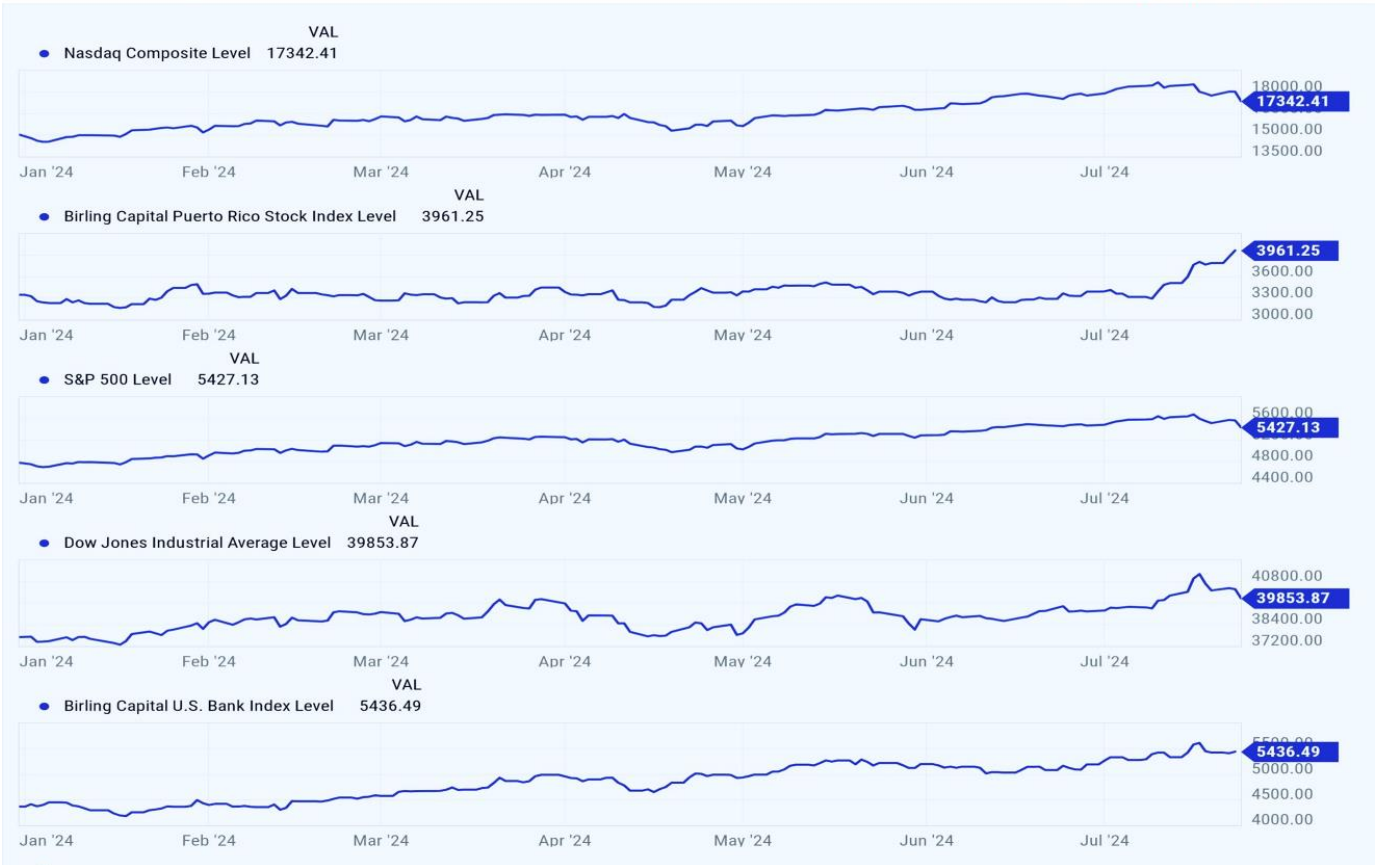
Inflation Nowcasting	PCE Forecast	Core PCE Forecast
June	2.40%	2.39%

The next Report is due on July 26, 2024



Wall Street Recap

July 24, 2024



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.