

Microsoft Beats Earnings Expectations but Misses Cloud Earnings, the Fed Begins July Meeting Speculations of Interest Rate Cuts Begin, but unlikely to happen.

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The U.S. and European stock markets closed mixed results, facing downward pressure due to declines in major tech stocks, as investors prepare for the quarterly earnings reports from these industry giants. Meanwhile, traders also focused on Washington, where the Federal Reserve commenced its latest policy meeting.

During the week, four of the Magnificent Seven, including Microsoft, Meta, Apple, and Amazon, are due to report their earnings, influencing investor sentiment. Bond yields remain relatively stable, with the 10-year Treasury yield closing at 4.15%. In global markets, Asia mostly saw declines, while Europe experienced gains as investors await central bank decisions in Japan and the U.K. The U.S. dollar is strengthening against major currencies. WTI oil prices are down in the commodities sector due to concerns over demand from China, while gold prices are rising.

Focus on the Fed

The Federal Open Market Committee (FOMC) begins its July meeting today, with the Fed's interest-rate decision and subsequent press conference by Fed Chair Jerome Powell scheduled for Wednesday. Market consensus is that the Fed will maintain the federal funds rate at 5.25% - 5.5%. While we agree with this expectation, the central bank may indicate that interest-rate cuts are increasingly probable in the latter half of the year. Inflation in the U.S. has moderated, with the Fed's preferred measure, core personal consumption expenditures (PCE) inflation, dropping to 2.6% annualized through June. Additionally, the labor market has shown signs of softening. The U.S. unemployment rate has risen to 4.1%, exceeding the Fed's forecast of 4.0% for the year, and wage growth has slowed to below 4.0%. This environment of easing inflation, potential interest rate cuts, and moderate economic growth is conducive to continued stock-market expansion.

U.S. Jobs Report on Friday

The week concludes with releasing the U.S. nonfarm payroll report on Friday morning. Analysts expect an increase of 175,000 jobs in June, down from 206,000 in May. The unemployment rate is anticipated to remain steady at 4.1%, while average hourly earnings are projected to decrease to 3.7% year-over-year from 3.9% last month. The Fed will closely monitor wage growth data, as slower wage increases typically lead to lower inflation in the services sector. We believe the cooling labor market supports the narrative of a "soft landing" for the U.S. economy and suggests moderating inflation ahead.

Corporate Earnings Parade:

- **Microsoft Corp (MSFT):** Reported its 4Q24 revenues of \$64.73 billion, up 16%, net income of \$22 billion, up 10%, and earnings per share of \$2.95, beating expectations. The Stock has a price objective of \$498.01, and it closed today at \$422.92, down \$3.81.

Key Economic Data:

- **U.S. Job Openings:** Total Nonfarm: fell to 8.184 million, down from 8.23 million last month, fell - 0.56%.
- **Case-Shiller Composite 20 Home Price Index YoY:** fell by 6.74%, compared to 7.21% last month.
- **Case-Shiller Home Price Index:** National: rose to 320.14, up from 319.33 last month, increasing 0.25%.
- **Eurozone Consumer Confidence Indicator:** is at -13.00, up from -14.00 last month.
- **Eurozone Economic Sentiment Indicator:** fell to 95.80, down from 95.90 last month.
- **Germany Real GDP QoQ:** rose to 0.20%, compared to -0.50% last quarter.
- **Germany Consumer Price Index YoY:** rose to 2.30%, compared to 2.20% last month.
- **Japan Consumer Confidence Index:** rose to 36.40, up from 36.20 last month, increasing 0.55%.
- **China PMI:** is unchanged at 49.50, from 49.50 last month.
- **China Non-Manufacturing PMI:** fell to 50.50, down from 51.10 last month, falling -1.17%.

Eurozone Summary:

- **Stoxx 600:** Closed at 514.08, up 2.29 points or 0.45%.
- **FTSE 100:** Closed at 8,274.41, down 17.94 points or 0.22%.
- **DAX Index:** Closed at 18,411.18, up 90.51 points or 0.49%

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 40,743.33, up 203.40 points or 0.50%.
- **S&P 500:** closed at 5,436.44, down 27.10 points or 0.50%.
- **Nasdaq Composite:** closed at 17,147.42, down 222.78 points or 1.28%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,902.82, down 54.77 points or 1.38%.
- **Birling Capital U.S. Bank Stock Index:** closed at 5,395.98, down 69.49 points or 1.27%.
- **U.S. Treasury 10-year note:** closed at 4.15%.
- **U.S. Treasury 2-year note:** closed at 4.36%.



Case-Shiller Composite 20 Home Price Index and Case-Shiller Home Price Index





Dow Jones Industrial Average, S&P 500, Nasdaq Composite, Birling Puerto Rico Stock Index & Birling US Bank Index YTD Returns 7.30.24

	VAL
● Dow Jones Industrial Average Level % Change	8.10%
● S&P 500 Level % Change	13.98%
● Nasdaq Composite Level % Change	14.23%
● Birling Capital Puerto Rico Stock Index Level % Change	16.73%
● Birling Capital U.S. Bank Index Level % Change	23.78%

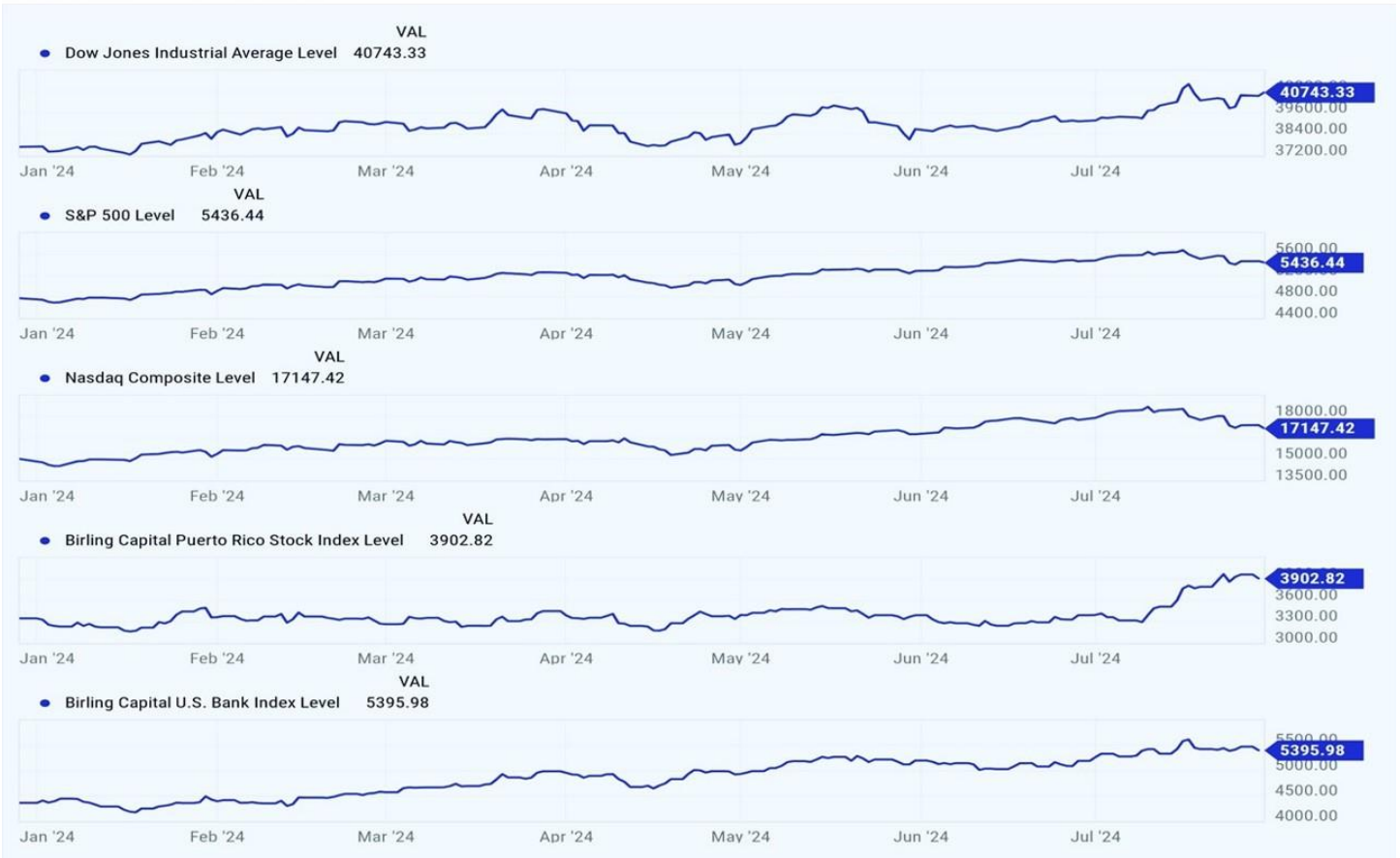




Wall Street Recap

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