

# GLOBAL MARKET SQUARE



## Fed Leaves Rates Unchanged, Corporate Earnings Soar and Drive Markets Higher.

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The U.S. and European stock markets closed higher as investors processed the latest earnings reports and the Federal Reserve's rate decision this afternoon, leaving the rates unchanged. Federal Reserve Chair Jerome Powell said Wednesday that the Federal Reserve could cut interest rates at its September meeting if economic data continues on its current path. "If that test is met, a reduction in our policy rate could be on the table as soon as the next meeting in September", Powell said.

Advanced Micro Devices (AMD) saw an 8% increase in shares after exceeding earnings expectations, boosting sentiment around artificial intelligence (AI) and semiconductors. This positive trend was further supported by news that the U.S. would exempt some countries' semiconductor equipment makers from export restrictions to China, with ASML Holding NV climbing 6% on the announcement.

However, Microsoft lagged, experiencing a drop due to slower growth in its cloud division. Meanwhile, Japanese banks rallied following the Bank of Japan's decision to raise its policy rate to 0.25% from the previous 0%-0.10% range and announce a reduction in bond purchases as part of its policy normalization efforts. Additionally, oil prices surged approximately 3% this morning amid escalating tensions in the Middle East.

### Fed Expected Held Rates Steady, Hints at September Cut

The Federal Reserve, as anticipated, kept the rates unchanged in today's meeting.

There is a growing confidence that inflation is trending in the right direction, and Fed officials are increasingly aware of downside risks to the labor market. This increases the likelihood of two interest rate cuts this year instead of a single cut, as in some projects. Since then, inflation has fallen below the Fed's year-end projection of 2.8%, and the unemployment rate has slightly exceeded the 4.0% forecast. While the labor market remains robust, signs of cooling are evident, suggesting further moderation in wage growth, which should help reduce service inflation. The latest ADP report showed a slower-than-expected increase in private payrolls of 122,000 vs. 150,000 expected and a cooling in pay gains for job-stayers and job-changers. These results align with recent Fed commentary that the labor market's supply and demand are balancing, paving the way for less restrictive policies.

### Earnings Season in Full Swing

Approximately 120 S&P 500 companies are set to report earnings today and throughout the week, including three of the Magnificent 7: Meta, Apple, and Amazon. With over 50% of S&P 500 companies having reported, 78% are surpassing second-quarter earnings expectations, compared to the 10-year average of 74%. Healthcare, technology, and financials are notable sectors demonstrating strong earnings performance, helping the S&P 500 earnings remain on track for a 9% rise this quarter—the most robust growth since Q4 2021. Despite a more volatile market phase this month due to high expectations, rising corporate profits suggest that fundamentals remain strong. Election-related uncertainties could drive volatility, particularly as we enter a traditionally challenging season. However, short-term pullbacks will unlikely alter the overall positive stock outlook and the improving

bond market. With inflation moving closer to the Fed's target, peak yields appear behind us. The economy continues to grow, albeit at a slower pace, and rising earnings support current valuations, particularly for segments of the equity market that have lagged.

### Corporate Earnings Parade:

- **Advanced Micro Devices, Inc. (AMD):** Reported its 2Q24 revenues of 5.835 billion, up 9%, net income of \$265 million, up 881%, and earnings per share of \$0.69, beating expectations. The Stock has a price objective of \$189.60, closing today at \$144.48, up \$6.04.
- **Evertec, Inc. (EVTC):** Reported 2Q24 revenues of \$212 million, up 27%, net income of \$31.9 million, up 13%, and earnings per share of \$0.83, beating expectations. The Stock has a price objective of \$40.40, and it closed today at \$34.47, down \$0.04.

### Key Economic Data:

- **ADP Employment Change:** fell to 122,000, down from 155,000 last month, decreasing -21.29%.
- **ADP Median Pay YoY:** fell to 4.80%, compared to 4.90% last month.
- **U.S. Pending Home Sales YoY:** fell -6.60%, compared to -7.43% last month.
- **Target Federal Funds Rate Upper Limit:** is unchanged at 5.50%, compared to 5.50% yesterday.
- **Canada Real GDP MoM:** rose to 0.16%, compared to 0.34% last month.
- **Germany Unemployment Rate:** rose to 6.00%, compared to 5.80% last month.
- **Germany Real Retail Sales YoY:** rose by 1.80%, compared to -1.90% last month.
- **Japan Housing Starts YoY:** fell by -6.66%, compared to -5.20% last month.
- **Japan Short Term Policy Rate:** rose to 0.25%, compared to 0.10% yesterday.

### 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 40,842.79, up 99.46 points or 0.24%.
- **S&P 500:** closed at 5,522.30, up 85.86 points or 1.80%.
- **Nasdaq Composite:** closed at 17,599.40, up 451.98 points or 2.64%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,932.65, up 29.84 points or 0.76%.
- **Birling Capital U.S. Bank Stock Index:** closed at 5,482.40, up 86.42 points or 1.60%.
- **U.S. Treasury 10-year note:** closed at 4.09%.
- **U.S. Treasury 2-year note:** closed at 4.29%.



# ADP Employment Net Change, ADP Median Annual Pay, US Job Openings and US Job Seekers

	VAL
ADP Employment Change	122000.0
ADP Median Annual Pay	58800.00
US Job Openings: Total Nonfarm	8.184M
US Unemployed Persons: Job Seeker	6.36M

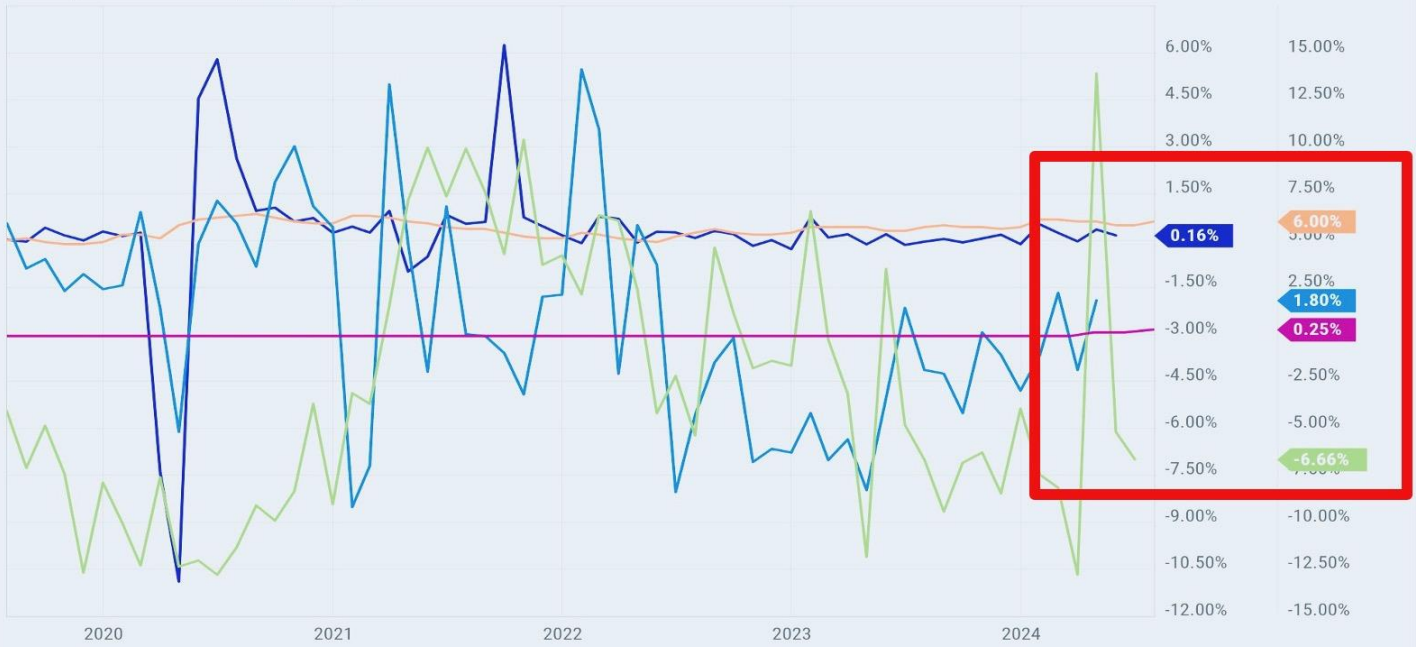




# Canada GDP, Germany Unemployment Rate, Germany Real Retail Sales, Japan Housing Starts & Japan Policy Rate

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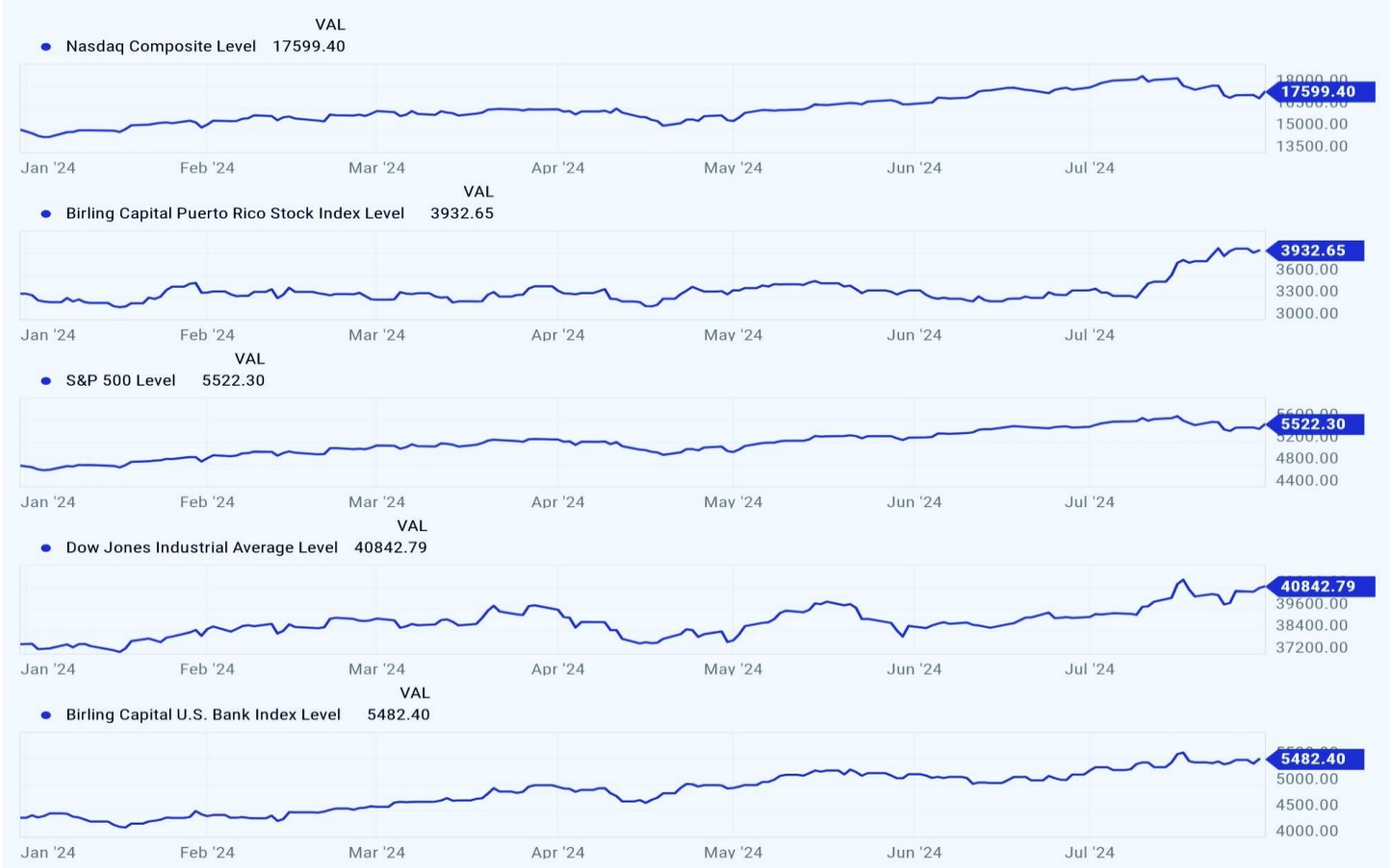
- Canada Real GDP MoM (I:CRGDPSMP) VAL 0.16%
- Germany Unemployment Rate (I:GURU8UFW) 6.00%
- Germany Real Retail Sales YoY (I:GCRRS) 1.80%
- Japan Housing Starts YoY (I:JCHS) -6.66%
- Japan Short Term Policy Rate (I:JSTPR) 0.25%





# Wall Street Recap

## July 31, 2024



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