



# GLOBAL MARKET SQUARE



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## Markets Brace for Employment Data with All Eyes on Nonfarm Payrolls Amid Rate Cut Hopes and Economic Indicators Signal Slowdown.

June 4, 2024

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The U.S. and European stock markets closed with asymmetrical results. In contrast, Wall Street closed higher, and the European markets have continued their spiral downward, reflecting the market's cautious stance ahead of pivotal employment data releases. Key indicators such as the U.S. job vacancies reported today followed on Wednesday with the ADP Employment Change, and the comprehensive nonfarm payroll statistics due on Friday are highly anticipated. These reports should show a slight deceleration in the labor market, albeit from an exceptionally robust baseline. For instance, the expected unemployment rate is a robust 3.9% for May, showing a slight increase from the previous year's 3.4% low. This current state of the financial market underscores the importance of the upcoming economic indicators and their potential impact on market performance.

The economic landscape is softening, as evidenced by early indicators suggesting an improvement in inflation metrics, contributing to a decline in bond yields. The yield on the 10-year Treasury note has retreated to close at 4.33%, down from the recent peak of around 4.71% on April 25. This downward trend in yields has benefited bond prices and buoyed the equity market, with the S&P 500 rallying approximately 6% from its April nadir.

Market sentiment has shifted to anticipate a pair of interest rate reductions by the Federal Reserve in 2024, with expectations set for September and December, as per the CME FedWatch tool. This outlook aligns with the latest economic data, which suggests a tempering of consumer activity and overall economic momentum, with key metrics like the ISM manufacturing index and retail sales figures falling short of projections. Moreover, recent inflation data, particularly the Personal Consumption Expenditures (PCE) price index—a favored gauge of inflation by the Fed—has aligned with forecasts, continuing a downward trajectory. April's PCE data revealed a headline inflation rate of 2.65% year-over-year and a core inflation rate of 2.75%, edging closer to the Federal Reserve's annual targets of 2.4% for headline inflation and 2.6% for core inflation. The Fed will likely await additional data confirming this cooling trend before considering a rate cut, potentially at the September 18 Federal Open Market Committee (FOMC) meeting. These potential rate cuts could significantly impact the market's future direction, making it a crucial factor for investors to consider.

The U.S. nonfarm payroll report for May is a pivotal economic indicator, serving as a barometer for the labor market's health and an inflation indicator. It is projected to show the creation of roughly 185,000 new jobs, surpassing the previous month's figure of 175,000 but falling below the current year's monthly average of 245,000 and the prior year's 250,000. The unemployment rate is expected to hold steady at 3.9%, a slight uptick from last year's 3.4% low. Investors are also monitoring wage trends, with average hourly earnings anticipated to maintain a year-over-year growth rate of 3.9%, the weakest since June 2021. A moderation in job growth and wage increases could signal easing inflationary pressures, which, barring any unforeseen adverse developments, might be interpreted positively by both the Federal Reserve and the stock market.

### GDPNow Update:

- The GDPNow for the second quarter of 2024 was updated on June 3. It decreased to 1.80% GDP, down from 2.70%, a 33.33% decrease.

### Key Economic Data:

- **U.S. Job Openings: Total Nonfarm:** fell to 8.059 million, down from 8.355 million last month, decreasing -3.54%.
- **U.S. Durable Goods New Orders MoM:** fell to 0.65%, compared to 0.80% last month.
- **U.S. Durable Goods Excluding Defense New Orders MoM:** fell -0.02%, compared to 1.15% last month.
- **Germany Unemployment Rate:** is unchanged at 6.00%, compared to 6.00% last month.

### Eurozone Summary:

- **Stoxx 600:** closed at 517.05, down 2.80 points or 0.54%.
- **FTSE 100:** closed at 8,232.04, down 30.71 points or 0.37%.
- **Dax Index:** closed at 18,405.64, down 202.52 points or 1.09%.

### Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 38,711.29, up 140.26 points or 0.36%.
- **S&P 500:** closed at 5,291.34, up 7.94 points or 0.15%.
- **Nasdaq Composite:** closed at 16,857.05, up 28.38 points or 0.17%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,329.47, down 58.14 points or 1.72%.
- **Birling Capital U.S. Bank Stock Index** closed at 5,166.54, down 26.36 points or 0.51%.
- **U.S. Treasury 10-year note** closed at 4.33%.
- **U.S. Treasury 2-year note** closed at 4.77%.

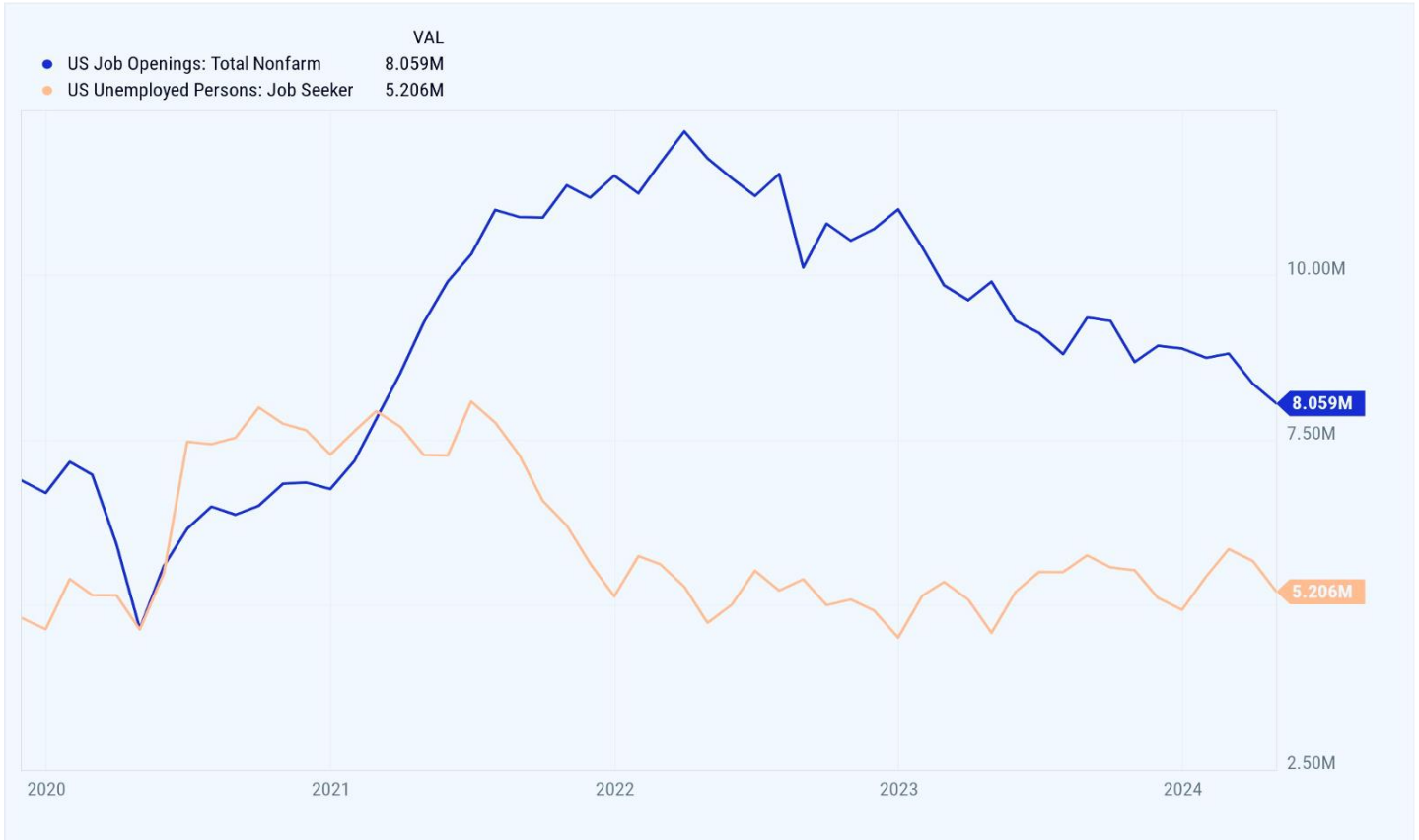


# GDP NOW

| Date    | GDPNow 2Q24 | Change           |
|---------|-------------|------------------|
| 4/26/24 | 3.90%       | Initial Forecast |
| 5/1/24  | 3.30%       | -15.4%           |
| 5/2/24  | 3.30%       | 0.0%             |
| 5/8/24  | 4.20%       | 21.4%            |
| 5/16/24 | 3.60%       | -16.7%           |
| 5/24/24 | 3.50%       | -2.78%           |
| 5/31/24 | 2.70%       | -22.86%          |
| 6/3/24  | 1.80%       | -33.33%          |



# US Job Openings: Total Nonfarm and US Unemployed Persons: Job Seeker

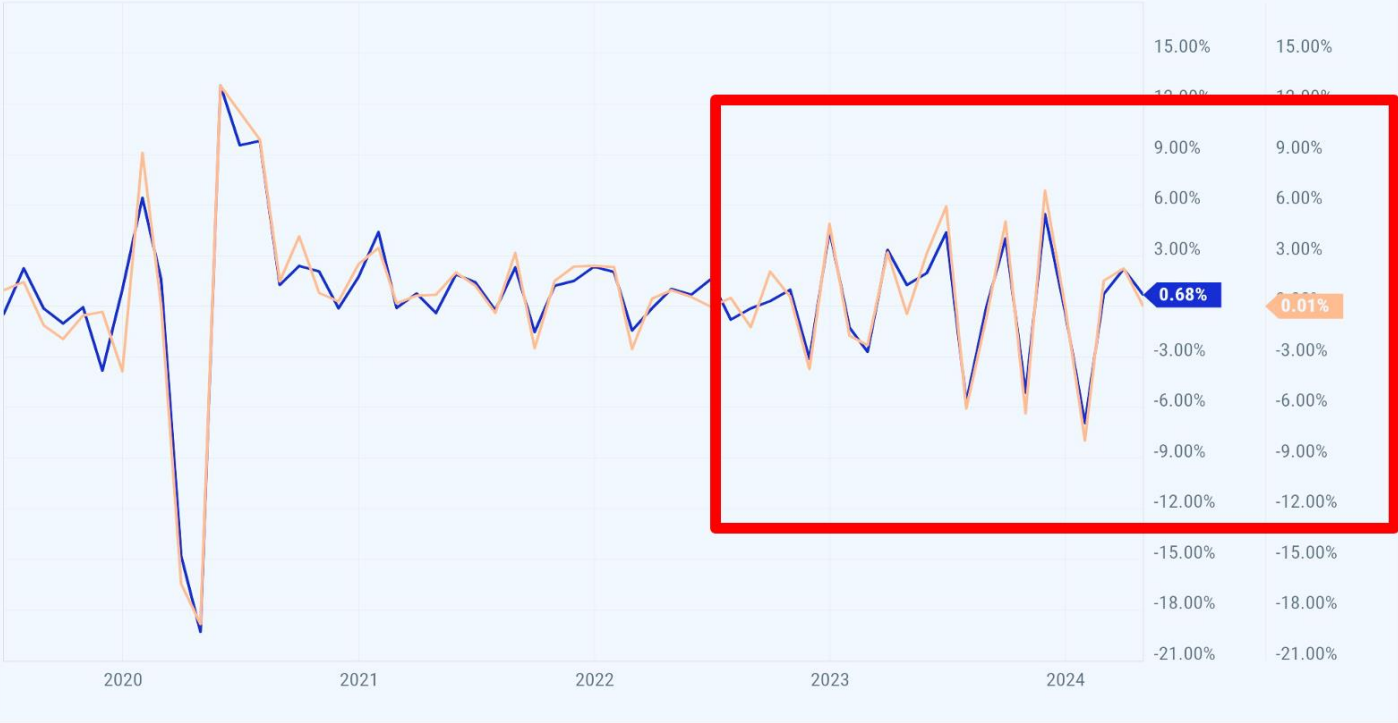




# US Durable Goods Now Orders & US Durable Goods Excluding Defense New Orders

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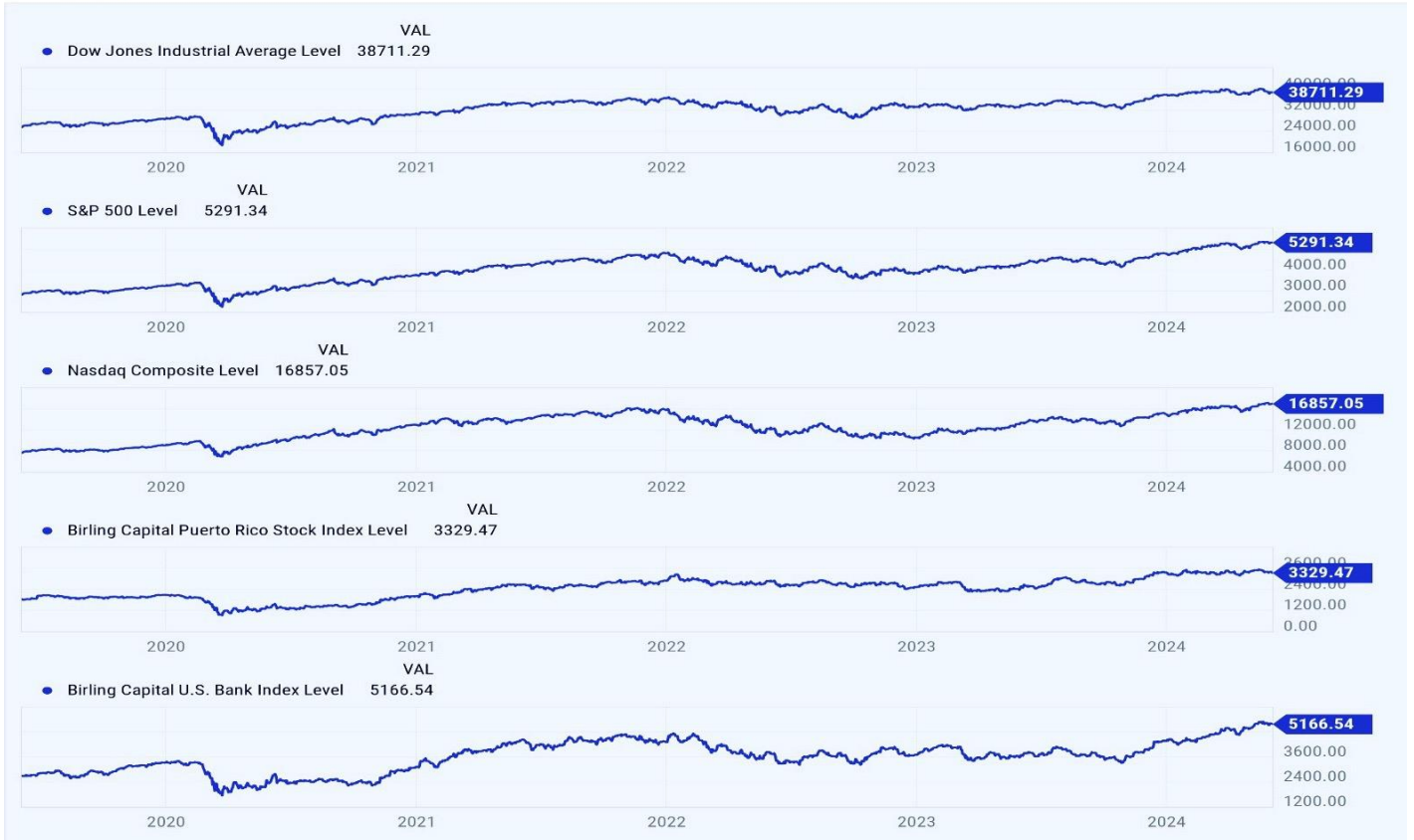
- US Durable Goods New Orders MoM VAL 0.68%
- US Durable Goods Excluding Defense New Orders MoM 0.01%





# Wall Street Update

## June 4, 2024



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