

# GLOBAL MARKET SQUARE



## Stock Markets Climb on Bank of Canada's Rate Cuts and Slowing U.S. Job Growth Stirs Fed Rate Cut Hopes, NVIDIA Reached \$3.014 Trillion Market Cap.

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The U.S. and European stock markets closed higher on Wednesday, driven by the ADP private payrolls report. This report, a significant indicator of the U.S. labor market, revealed a slowdown in job growth. This and recent favorable inflation trends suggest that the Federal Reserve might be more inclined to start a rate-cutting cycle in the coming months. According to the CME FedWatch tool, markets anticipate two Fed rate cuts this year, one in September and another in December. This week, two major global central banks made significant policy rate decisions: the Bank of Canada (BoC) and the European Central Bank (ECB). The BoC has initiated its first rate cut of the cycle, reducing rates by 0.25%, from 5.0% to 4.75%, ahead of the Federal Reserve. Canadian bond yields fell sharply, with the 2-year Canadian government bond yield dropping by 0.07% to 3.98%. Similarly, U.S. Treasury yields softened, with the 10-year Treasury yield trending down, closing at 4.29%. In recent weeks, the decline in government bond yields has bolstered sentiment in bond and stock markets.

The Nasdaq rise today was driven by NVIDIA Corp. (NVDA), which closed up \$60.71 or 5.22% to \$1,225.13, reaching a market capitalization of \$3,014 trillion with a year-to-date return of 135.10%; NVIDIA is now the second most valuable company, followed by Apple at \$2.99 Trillion, and surpassed only by Microsoft with \$3.15 trillion.

The ADP private payrolls report revealed that 152,000 jobs were added in May, 13.14% below the expected 175,000 jobs and last month's 188,000 new jobs. The report highlighted a sharp decline in manufacturing jobs and a slowdown in leisure and hospitality. Goods-producing jobs contributed about 3,000 jobs in May while service-providing jobs made up the majority, with 149,000 new jobs added. Additionally, the ADP report noted a slowdown in wage gains. Wage growth for job-changers slowed for the second consecutive month, at about 7.8% year-over-year, while wage growth for job-stayers remained flat for the third month at 5.0%. The labor market, which had shown post-Covid strength driven by lower labor supply and higher demand, is normalizing. We are now seeing labor supply improve while demand softens, which could lead to further easing of wage gains and services inflation. This normalization of the labor market is a positive sign of the market's recovery.

On Wednesday, the Bank of Canada announced a 0.25% cut in its policy rate, from 5.0% to 4.75%, marking its first rate cut in four years and the first G7 nation to decrease rates. The BoC had kept interest rates steady at 5.0% for nearly a year but is now seeing better trends in underlying inflation and some softening in the broader economy, prompting this rate cut. This move precedes the Federal Reserve's actions, as the Fed has been hesitant to cut rates with U.S. inflation still sticky at a 3.4% year-over-year CPI headline rate. In contrast, Canada's headline CPI inflation fell from 8.1% in June 2022 to 2.7% last month. The BoC should continue to gradually lower its benchmark interest rate, potentially with 0.25% cuts quarterly. While the BoC remains data-dependent, the Canadian economy has softened more than the U.S., with expected real GDP growth this year at just 1.0%, compared to 1.3% in 2023 and 3.8% in 2022. This rate cut by the BoC could significantly impact the Canadian economy, as both inflation eases, and economic growth slows in Canada faster than in the U.S.

### Key Economic Data:

- **ADP Employment Change:** fell to 152,000, down from 188,000 last month, decreasing -19.15%.
- **U.S. ISM Services PMI:** rose to 53.80, up from 49.40 last month, increasing 8.91%.
- **U.S. ISM Services New Orders Index:** rose to 54.10, up from 52.20 last month.
- **U.S. ISM Services Employment Index:** rose to 47.10, up from 45.90 last month.
- **U.S. ISM Services Prices Paid Index:** fell to 58.10, down from 59.20 last month.
- **U.S. Recession Probability:** is unchanged at 58.31%, compared to 58.31% last month.

### Eurozone Summary:

- **Stoxx 600:** closed at 521.23, up 4.18 points or 0.81%.
- **FTSE 100:** closed at 8,246.95, up 14.91 points or 0.18%.
- **Dax Index:** closed at 18,575.94, up 170.30 points or 0.93%.

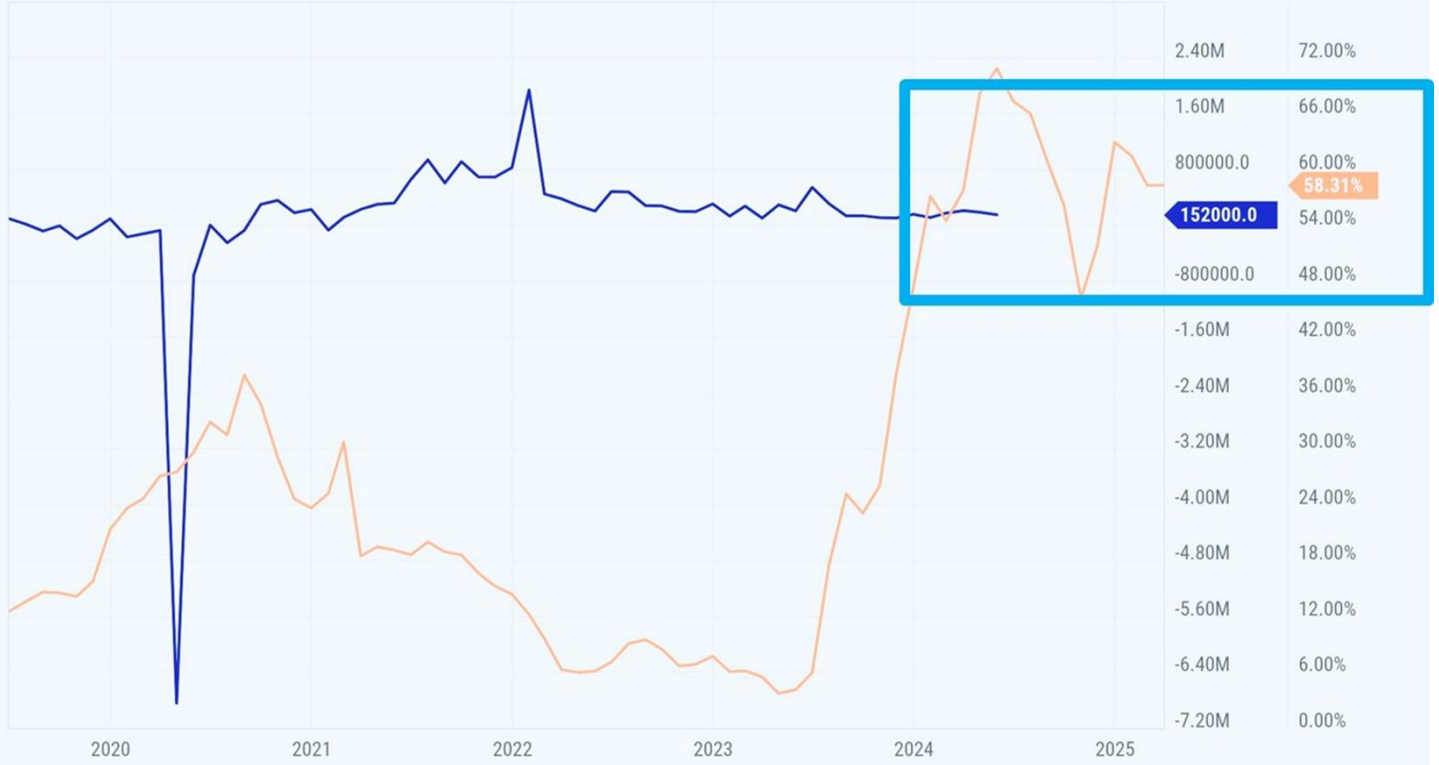
### Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 38,711.29, up 96.04 points or 0.25%.
- **S&P 500:** closed at 5,354.03, up 62.69 points or 1.18%.
- **Nasdaq Composite:** closed at 17,187.90, up 330.86 points or 1.96%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,292.91, down 36.56 points or 1.10%.
- **Birling Capital U.S. Bank Stock Index** closed at 5,122.51, down 44.03 points or 0.85%.
- **U.S. Treasury 10-year note** closed at 4.29%.
- **U.S. Treasury 2-year note** closed at 4.72%.



# ADP Employment Change and US Recession Probability

VAL  
● ADP Employment Change (I:ADPEC) 152000.0  
● US Recession Probability (I:USRPEM) 58.31%



# US ISM Services PMI, US ISM Services New Orders, US ISM Services Employment Index, and US ISM Services Priced Paid Index

	VAL
● US ISM Services PMI (I:ISMNMI)	53.80
● US ISM Services New Orders Index (I:ISMNNOI)	54.10
● US ISM Services Employment Index (I:ISMNMEI)	47.10
● US ISM Services Prices Paid Index (I:ISMNPPI)	58.10





# Wall Street Recap

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