

Tech Stocks Rally on A.I. Hype as European Markets Tumble; Bond Yields Fall with Cooling U.S. Inflation.

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The U.S. and European stock markets closed the week mostly down except for the Nasdaq, which closed slightly up.

European markets displayed notable weakness, prompting a global shift towards technology stocks, defensive sectors, and government bonds. French President Emmanuel Macron's announcement of snap elections following a defeat in the European Parliament added to the political uncertainty, causing European stocks to decline significantly. The Stoxx 600 experienced its worst weekly drop since October. Meanwhile, the U.S. dollar strengthened against major currencies, Treasury yields fell, and the 10-year yield dropped to 4.20%.

Bond yields have recently plummeted, leading to the year's most significant weekly gain for investment-grade bonds. Contributing factors include:

- Risk-averse sentiment in Europe.
- Signs of a cooling U.S. labor market.
- Positive inflation news.

Although Fed officials anticipate only one rate cut this year, down from the three projected in March, the May CPI data showed a cooler-than-expected core index, reaching its lowest level since April 2021. Additionally, producer prices saw their most significant decline in seven months. This data has led markets to fully price two rate cuts for 2024, which seems feasible if the disinflation trend continues. Regardless of the number of cuts this year, the Fed is likely entering a multi-year rate-cutting cycle, boosting bond performance after years of price adjustments.

Despite market fluctuations and concerns about interest rates, the tech sector, particularly in the U.S., has shown consistent strength, driven by excitement around artificial intelligence (A.I.). Major tech stocks have reached new highs, with semiconductor companies leading the charge. Adobe shares, for example, surged about 14% today, marking the most significant gain in nearly four years. The company surpassed second-quarter expectations and raised its full-year guidance, highlighting robust sales of its AI-driven creative products. While A.I. is poised for substantial growth over the next five to ten years, we continue to emphasize the importance of diversification. So far, the benefits of A.I. have largely favored companies developing and supporting A.I. infrastructure. However, the next phase could see productivity gains for companies applying A.I. innovatively. We recommend balancing growth stocks with cyclical and value investments, which may outperform once the Fed cuts interest rates.

Key Economic Data:

- **U.S. Index of Consumer Sentiment:** fell to 5.60, down from 69.10 last month, decreasing -5.07%.
- **U.S. Export Prices YoY:** rose to 0.61%, compared to -0.86% last month.

- **U.S. Import Prices YoY:** is unchanged at 1.07%, compared to 1.07% last month.
- **Canada Wholesale Sales MoM:** rose to 4.07%, compared to -2.25% last month.
- **Canada Manufacturing Shipments:** rose to 70.80 billion, up from 70.01 billion last month, increasing 1.13%.

Eurozone Summary:

- **Stoxx 600:** closed at 511.05, down 4.99 points or 0.97%.
- **FTSE 100:** closed at 8,146.86, down 16.81 points or 0.21%.
- **Dax Index:** closed at 18,002.02, down 263.66 points or 1.44%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 38,589.16, down 57.94 points or 0.15%.
- **S&P 500:** closed at 5,431.60, down 2.14 points or 0.04%.
- **Nasdaq Composite:** closed at 17,688.88, up 21.32 points or 0.12%.
- **Birling Capital Puerto Rico Stock Index** closed at 3,241.38, down 17.45 points or 0.54%.
- **Birling Capital U.S. Bank Stock Index** closed at 5,026.46, down 7.77 points or 0.15%.
- **U.S. Treasury 10-year note** closed at 4.20%.
- **U.S. Treasury 2-year note** closed at 4.67%.

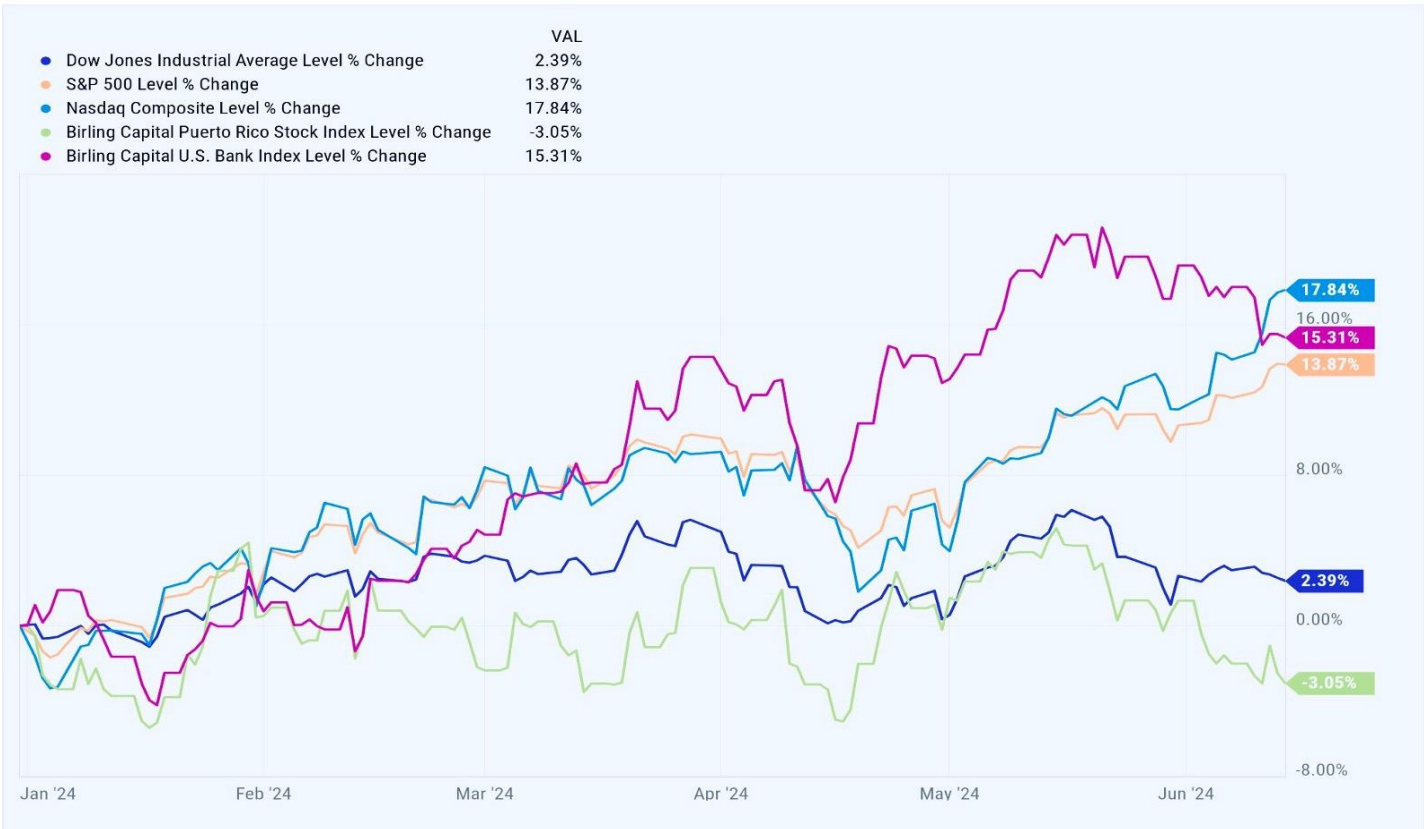


US Index of Consumer Sentiment, US Export Prices & US Import Prices





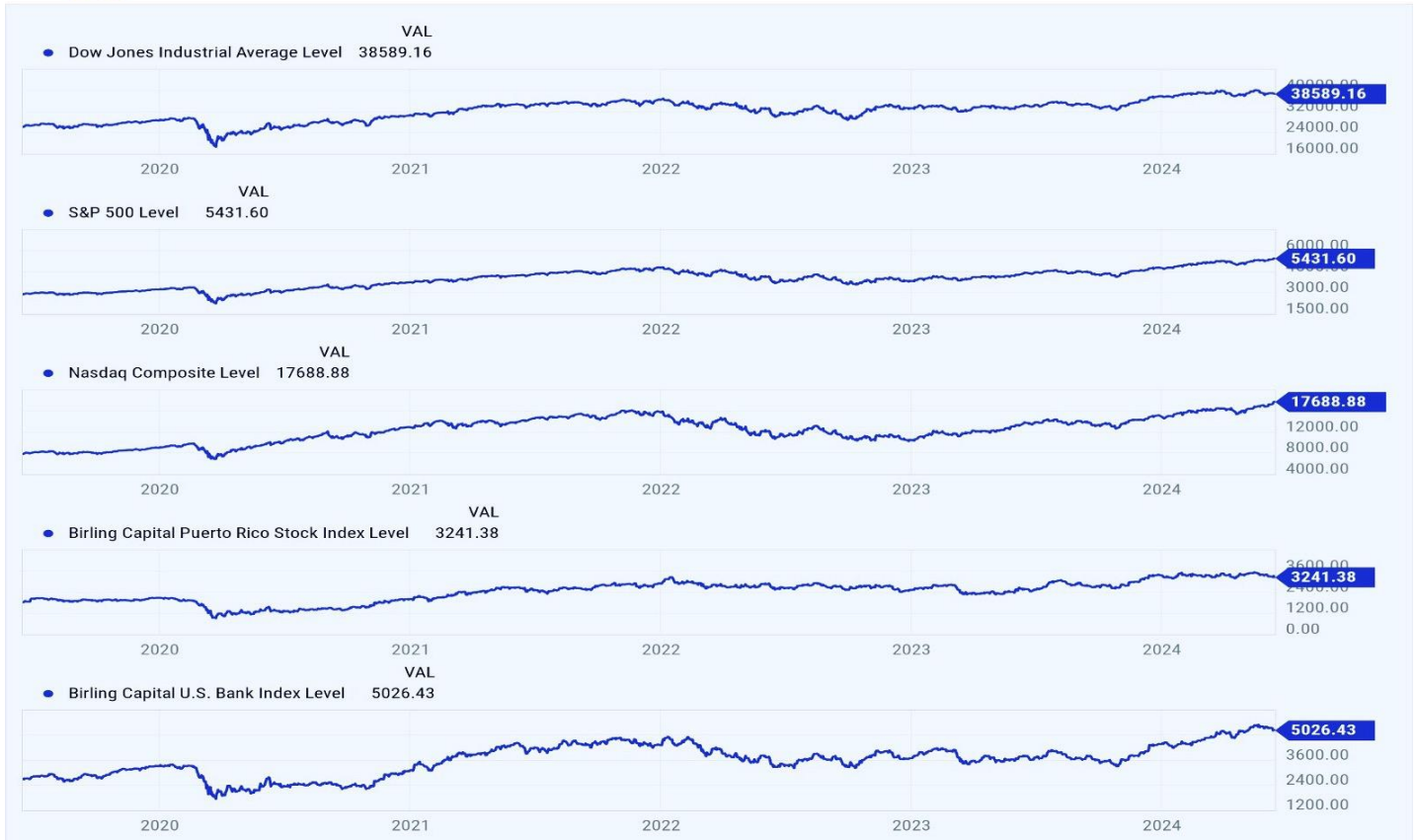
Dow Jones, S&P 500, Nasdaq Composite, Birling PR Stock Index & Birling US Bank Index YTD Returns 6.14.24





Wall Street Update

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