

GLOBAL MARKET SQUARE



Stock Market Mixed with Broader Market Leadership Expected as AI Stocks Maintain Momentum and Treasury Yields Edge Higher.

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The U.S. and European stock closed with mixed results, with the S&P 500 and the Nasdaq closing lower.

The Nasdaq has gained 18.05% YTD, the S&P 500 has risen by 14.75%, and the Birling U.S. Bank Index has increased by 17.91%. In contrast, the laggards have been the Dow Jones YTD increase of 3.83%, and the Birling P.R. Stock index has a negative YTD return of -1.95%.

Recently, Treasury yields edged up on Thursday, although they have dropped significantly over the past few weeks, particularly following softer-than-expected May inflation data. The 10-year Treasury yield increased by approximately 0.02% to 4.25%, well below the April peak of 4.70%. The recent decline in bond yields has bolstered stock and bond market performance.

Mega-cap technology stocks continue to drive market performance. Following a robust year in 2023, these stocks have maintained momentum into the first half of 2024. Notably, the technology and communication services sectors, including many large-cap A.I. stocks, outperform the broader S&P 500, each up over 23% this year compared to the S&P 500's roughly 15% gain. These mega-cap tech companies have delivered solid earnings and maintain substantial cash reserves, enabling them to reinvest in their businesses and return value to shareholders. However, we believe market leadership needs to expand beyond mega-cap technology for several reasons:

1. We expect earnings growth to broaden in the latter half of the year. While Q1 earnings growth was primarily driven by the technology sectors, by Q4, other sectors are anticipated to contribute equally to earnings growth.
2. As we approach potential Fed rate cuts, cyclical sectors may catch up as yields moderate.
3. While A.I. enablers like semiconductors have led gains so far, A.I.'s efficiencies will eventually benefit multiple sectors, promoting broader stock leadership.

Next week, market attention will turn to more inflation data with the release of May's personal consumption expenditure (PCE) inflation data. The Fed's preferred inflation metric is referenced in its quarterly forecasts. Expect headline PCE inflation to decrease from 2.7% year-over-year to 2.6% and core PCE inflation (excluding food and energy) to decline from 2.8% to 2.6%. In its recent June meeting, the Fed forecasted core PCE inflation to be 2.8% for 2024. Suppose inflation falls below this forecast and remains low consistently. In that case, the Fed might have the flexibility to cut interest rates this year, potentially more than the single cut projected in their updated views. We anticipate one or two rate cuts in the latter half of 2024, driven by a gradual decrease in inflation and a cooling U.S. labor market.

Key Economic Data:

- **U.S. Initial Claims for Unemployment Insurance:** fell to 238,000, down from 243,000 last week, decreasing -2.06%.
- **U.S. Building Permits:** fell to 1.386 million, down from 1.44 million last month, decreasing -3.75%.
- **U.S. Housing Starts:** fell to 1.277 million, down from 1.352 million last month, decreasing -5.55%.
- **30-Year Mortgage Rate:** fell to 6.87%, compared to 6.95% last week.
- **Eurozone Economic Sentiment Indicator:** rose to 96.00, up from 95.60 last month.
- **Eurozone Consumer Confidence Indicator:** is at -14.30, up from -14.70 last month.
- **Germany Producer Price Index YoY:** is at -2.20%, compared to -3.30% last month.
- **Japan Consumer Price Index YoY:** fell to 2.50%, compared to 2.70% last month.

Eurozone Summary:

- **Stoxx 600:** Closed at 519.91, up 4.78 points or 0.93%.
- **FTSE 100:** Closed at 8,272.46, up 67.35 points or 0.82%.
- **DAX Index:** Closed at 18,254.18, up 186.27 points or 1.03%.

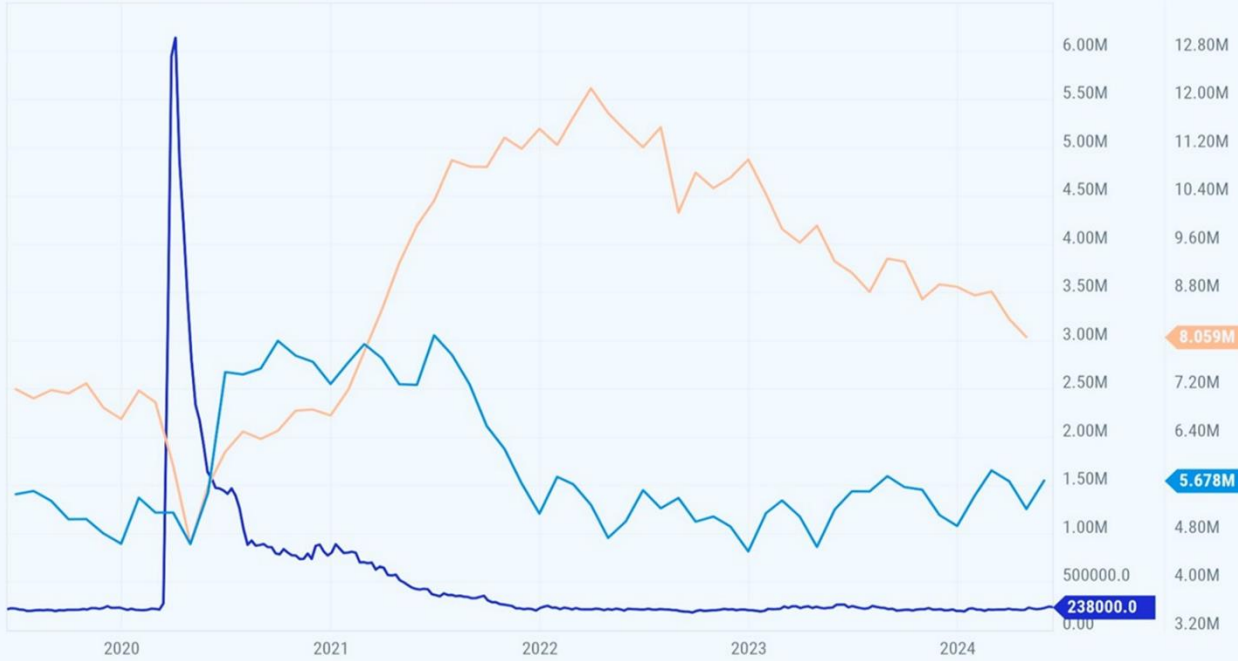
Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 39,134.76, up 299.90 points or 0.77%.
- **S&P 500:** closed at 5,473.17, down 13.86 points or 0.25%.
- **Nasdaq Composite:** closed at 17,721.59, down 140.65 points or 0.79%.
- **Birling Capital Puerto Rico Stock Index** closed at 3,278.01, up 3.86 points or 0.12%.
- **Birling Capital U.S. Bank Stock Index** closed at 5,139.59, up 59.21 points or 1.17%.
- **U.S. Treasury 10-year note** closed at 4.25%.
- **U.S. Treasury 2-year note** closed at 4.70%.



US Initial Claims for Unemployment, US Job Openings Nonfarm and US Job Seekers

- US Initial Claims for Unemployment Insurance 238000.0
- US Job Openings: Total Nonfarm 8.059M
- US Unemployed Persons: Job Seeker 5.678M





US Building Permits, US Housing Starts and 30-Year Mortgage Rate

	VAL
● US Building Permits	1.386M
● US Housing Starts	1.277M
● 30 Year Mortgage Rate	6.87%





Eurozone Consumer Confidence Indicator, EU Economic Sentiment, Germany PPI and Japan CPI

	VAL
● Eurozone Consumer Confidence Indicator (I:ECCISM)	-14.30
● Eurozone Economic Sentiment Indicator (I:EESI)	96.00
● Germany Producer Price Index YoY (I:GCPPIUM)	-2.20%
● Japan Consumer Price Index YoY (I:JPIR)	2.50%





Dow Jones Industrial Average, S&P 500, Nasdaq Composite, Birling Puerto Rico Stock Index & Birling US Bank Index YTD Returns 6.20.24

	VAL
● Dow Jones Industrial Average Level % Change	3.83%
● S&P 500 Level % Change	14.75%
● Nasdaq Composite Level % Change	18.05%
● Birling Capital Puerto Rico Stock Index Level % Change	-1.95%
● Birling Capital U.S. Bank Index Level % Change	17.91%

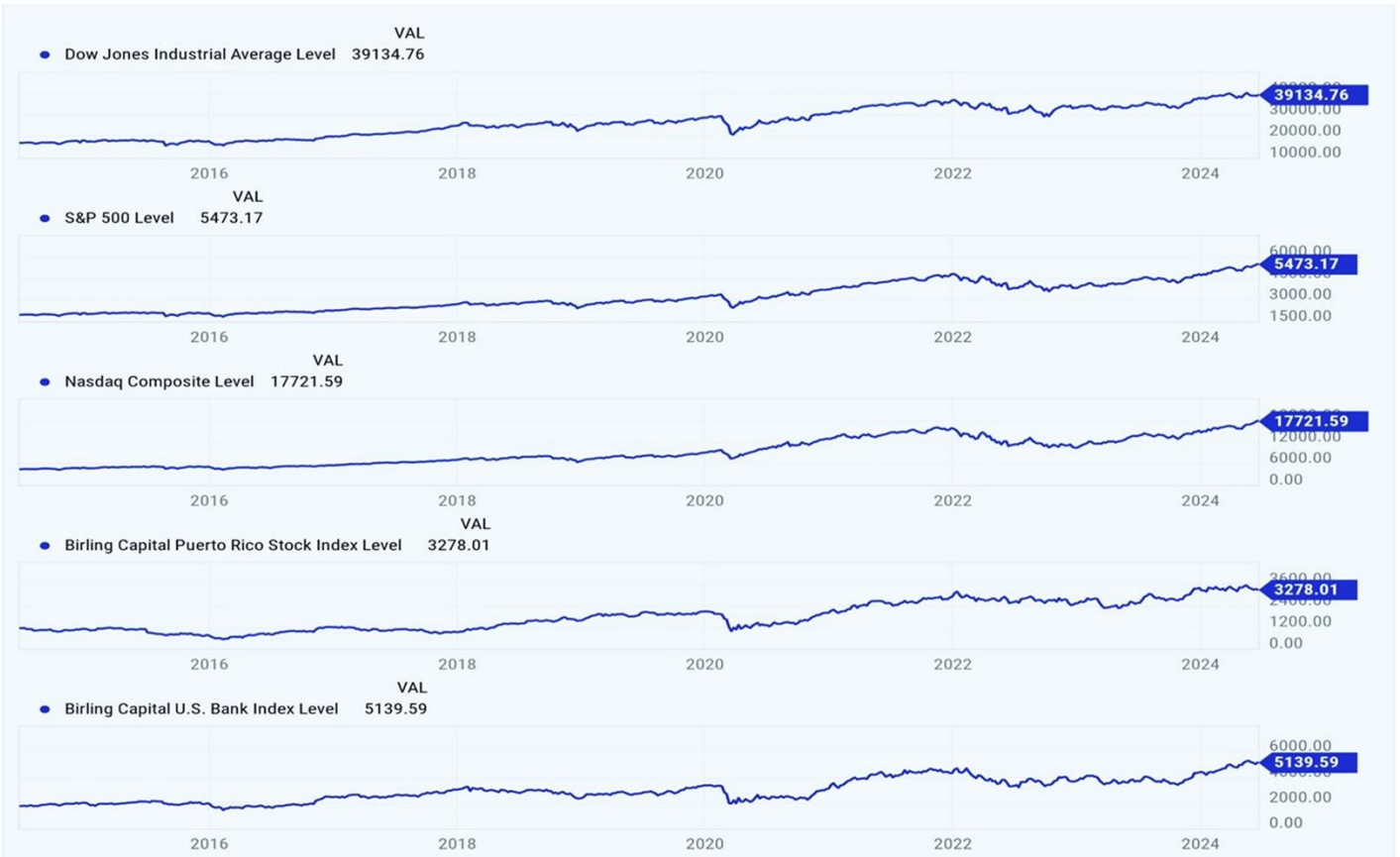




Wall Street Recap

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