

GLOBAL MARKET SQUARE



Market Focus Shifts to Inflation with Stable Jobless Claims, Rising Auto Sales, and Durable Goods, while Eurozone Sentiment Dropping.

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The U.S. and European stocks closed with mixed results. In the U.S., Initial jobless claims came in slightly below consensus expectations, indicating a stable labor market. On the other hand, durable goods orders saw a modest increase of 0.1% in May, surpassing expectations of no change. Meanwhile, Total Auto Sales rose to 16.41 million, a slight increase of 0.72%.

All the economic data would have taken the market higher, but since tomorrow, the PCE is set to be released, and being the Fed's preferred inflation benchmark, Wall Street has been in a holding pattern. If the PCE falls short of expectations, headlines about stagflation are likely to emerge. However, if the estimates are accurate or the data comes in cooler than anticipated, it could help the market transition smoothly into July.

Asian markets mostly declined overnight due to weak industrial profit growth in China. Similarly, European markets were down following a disappointing eurozone economic sentiment reading that fell to 95.90.

The markets' attention is now turning to inflation, with the release of the personal consumption expenditures (PCE) inflation data for May due tomorrow. The Inflation Nowcasting, the Fed's preferred inflation measure, has the PCE at 2.62% and the Core PCE at 2.56%.

Earlier this month, both the consumer price index (CPI) and producer price index (PPI) inflation readings came in below expectations, boosting market confidence that inflation is trending lower after three consecutive months of higher-than-expected readings. Consequently, markets are now pricing in approximately two Federal Reserve interest rate cuts in 2024, up from one predicted at the end of April.

In our assessment, two rate cuts by the Fed in 2024 seem reasonable but are not guaranteed. The Fed will likely need to see several months of consistently lower inflation before gaining the confidence to lower rates.

Initial jobless claims for last week were reported at 233,000, slightly below the expected 235,000 and down from the previous week's 239,000. This brings the four-week moving average to 236,000, the highest since September 2023, yet still low by historical standards.

The modest increase in jobless claims aligns with our view that labor market conditions will gradually loosen in the coming months. We do not anticipate a significant rise in layoffs or unemployment. Instead, we expect the robust job creation seen in recent months to slow as the labor market supply-demand imbalance normalizes. A healthy, albeit easing, labor market should continue supporting consumer spending and extending economic expansion.

Key Economic Data:

- **U.S. Initial Claims for Unemployment Insurance:** fell to 233,000, down from 239,000 last week, decreasing -2.511%.
- **U.S. Pending Home Sales YoY:** is at -6.60%, compared to -7.43% last month.
- **30-year mortgage Rate:** fell to 6.86%, compared to 6.87% last week.
- **U.S. Total Vehicle Sales:** rose to 16.41 million, up from 16.30 million last month, increasing 0.72%.
- **U.S. Durable Goods New Orders MoM:** fell to 0.11%, compared to 0.22% last month.
- **Kansas City Fed Manufacturing Production Index:** fell to -11.00, down from -1.00 last month.
- **Eurozone Economic Sentiment Indicator:** fell to 95.90, down from 96.10 last month, decreasing -0.21%.
- **Eurozone Consumer Confidence Indicator:** is at -14.00, up from -14.30 last month.

Eurozone Summary:

- **Stoxx 600:** Closed at 512.59, down 2.22 points or 0.43%.
- **FTSE 100:** Closed at 8,179.68, down 45.65 points or 0.55%.
- **DAX Index:** Closed at 18,210.55, up 55.31 points or 0.30%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 39,164.06, up 36.26 points or 0.09%.
- **S&P 500:** closed at 5,482.87, up 4.97 points or 0.09%.
- **Nasdaq Composite:** closed at 17,858.68, up 53.53 points or 0.30%.
- **Birling Capital Puerto Rico Stock Index** closed at 3,328.82, down 4.90 points or 0.15%.
- **Birling Capital U.S. Bank Stock Index** closed at 5,087.94, down 29.27 points or 0.57%.
- **U.S. Treasury 10-year note** closed at 4.29%.
- **U.S. Treasury 2-year note** closed at 4.70%.



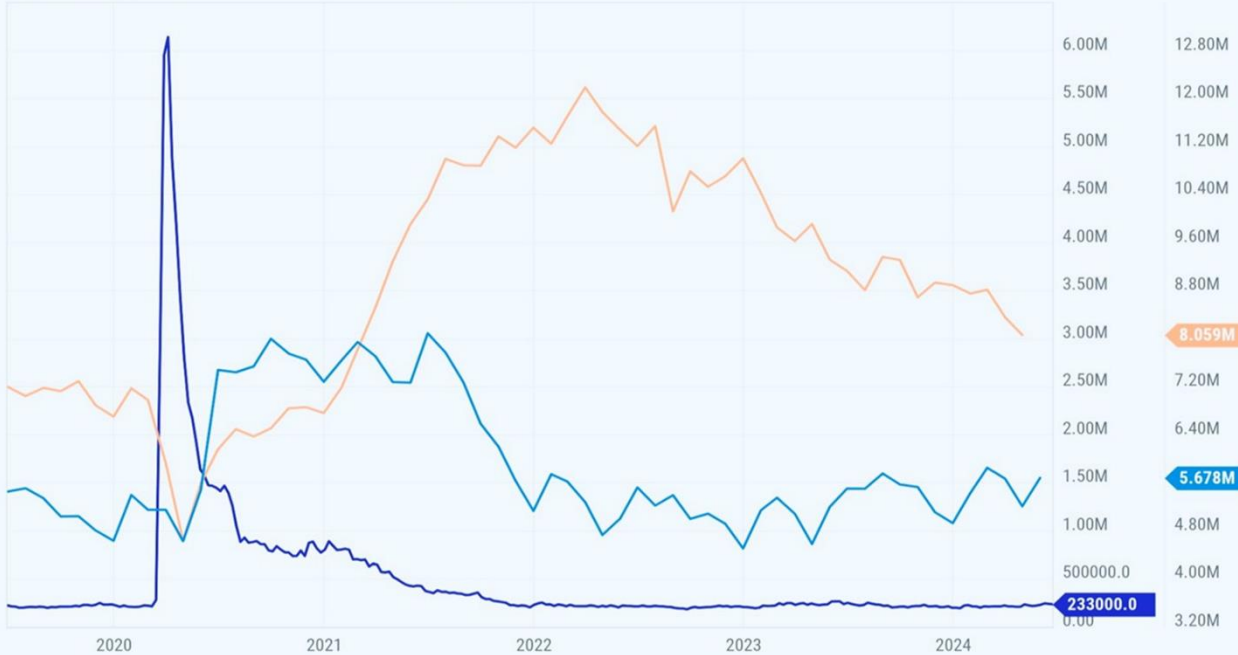
Inflation Nowcasting PCE & Core PCE

Inflation Nowcast	PCE	Core PCE	Updated
June	2.62%	2.56%	27-Jun



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

- US Initial Claims for Unemployment Insurance 233000.0
- US Job Openings: Total Nonfarm 8.059M
- US Unemployed Persons: Job Seeker 5.678M





US Total Vehicle Sales, US Pending Home Sales, 30-Year Mortgage Rate, US Durable Goods & Kansas City Fed Manufacturing

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● US Total Vehicle Sales	16.41M
● US Pending Home Sales YoY	-6.60%
● 30 Year Mortgage Rate	6.86%
● US Durable Goods New Orders MoM	0.11%
● Kansas City Fed Manufacturing Production Index	-1.00





Wall Street Recap

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