

Stocks Rally as CPI reading Surprises trending down, US retail sales fall, and Wall Street Rises.

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The US and European stock markets rose on the news of a lower-than-expected CPI reading, which showed a deceleration in inflation compared to the previous month. The headline CPI increased by 3.36% year-over-year, down from 3.48% and below the Inflation Nowcasting, which had the CPI at 3.50%, showing a 3.44% decrease.

The CPI decrease benefited interest-rate-sensitive sectors within the S&P 500, such as real estate and utilities. In Asia, markets displayed mixed results overnight as the People's Bank of China maintained its key policy rate. Meanwhile, European markets have gained momentum thanks to unexpectedly strong eurozone industrial production data. The optimistic inflation report and weaker-than-expected retail sales figures have pushed Treasury yields lower, with the 10-year yield closing at 4.36%.

With the release of April's CPI data, inflation remains a focal point for markets today. The headline CPI rose by 0.3% month-over-month, slightly below the anticipated 0.4% increase. Core CPI, excluding food and energy, matched expectations with a 0.3% monthly rise. Year-over-year, headline CPI increased by 3.4% and core CPI by 3.6%, marking the lowest annual rise since April 2021. Notably, the services component of the CPI, which has been persistently high, increased by just 0.4% month-over-month, the lowest since December. This report moves the Fed closer to considering rate cuts, but sustained lower inflation over several months is likely needed before any action is taken. We anticipate continued downward trends in inflation, potentially leading to one or two rate cuts by the Fed later this year.

Signs of Consumer Fatigue Emerge.

Recent retail sales data indicate that consumers showed signs of fatigue in April. Overall retail sales were flat month-over-month, and control-group retail sales, excluding volatile items like gasoline, building materials, and auto dealers, fell by 0.3% against expectations of a 0.4% rise. Additionally, March's headline retail sales were revised down from a 0.7% to a 0.6% month-over-month increase. These figures suggest some weariness among consumers, though not complete exhaustion. The labor market, while easing, remains robust by historical standards, which should support consumer spending. We expect consumer demand to moderate from 2023 levels but remain positive, bolstering ongoing economic growth this year.

Key Economic Data:

- **US Consumer Price Index YoY:** fell to 3.36%, compared to 3.48% last month.
- **US Core Consumer Price Index YoY:** fell to 3.62%, compared to 3.80% last month.
- **US Inflation Rate:** fell to 3.36%, compared to 3.48% last month.
- **US Retail and Food Services Sales MoM:** fell to 0.02%, compared to 0.65% last month.
- **US Business Inventories MoM:** fell - 0.07%, compared to 0.27% last month.

- **US Wholesalers Inventories MoM:** fell -0.44%, compared to 0.25% last month.
- **NAHB/Wells Fargo US Housing Market Index:** fell 45.00, down from 51.00 last month.
- **Canada Manufacturing Shipments:** fell to 69.88B, down from 71.41B last month.
- **Eurozone Industrial Production Index YoY:** is at -1.00%, compared to -6.30% last month.
- **Japan Real GDP QoQ:** rose to 0.10%, compared to -0.80% last quarter.

Eurozone Summary:

- **Stoxx 600:** closed at 524.71, up 3.06 points or 0.59%.
- **FTSE 100:** closed at 8,445.80, up 17.67 points or 0.21%.
- **Dax Index:** closed at 18,869.36, up 152.94 points or 0.82%.

Wall Street Summary:

- **Dow Jones Industrial Average** closed at 39,908.00, up 349.89 points or 0.88%.
- **S&P 500** closed at 5,308.15, up 61.47 points or 1.17%.
- **Nasdaq Composite** closed at 16,742.39, up 231.21 points or 1.40%.
- **Birling Capital Puerto Rico Stock Index** closed at 3,496.81, up 33.05 points or 0.95%.
- **Birling Capital U.S. Bank Stock Index** closed at 5,211.82, up 46.26 points or 0.90%.
- **U.S. Treasury 10-year note** closed at 4.36%.
- **U.S. Treasury 2-year note** closed at 4.73%.



Inflation Nowcasting Versus Actual

Inflation Forecasts Vs Actual

Month	US CPI Forecast	CPI Actual	Core CPI Forecast	Core CPI Actual
April	3.50%	3.36%	3.65%	3.62%



US CPI, US Inflation Rate & US Core CPI

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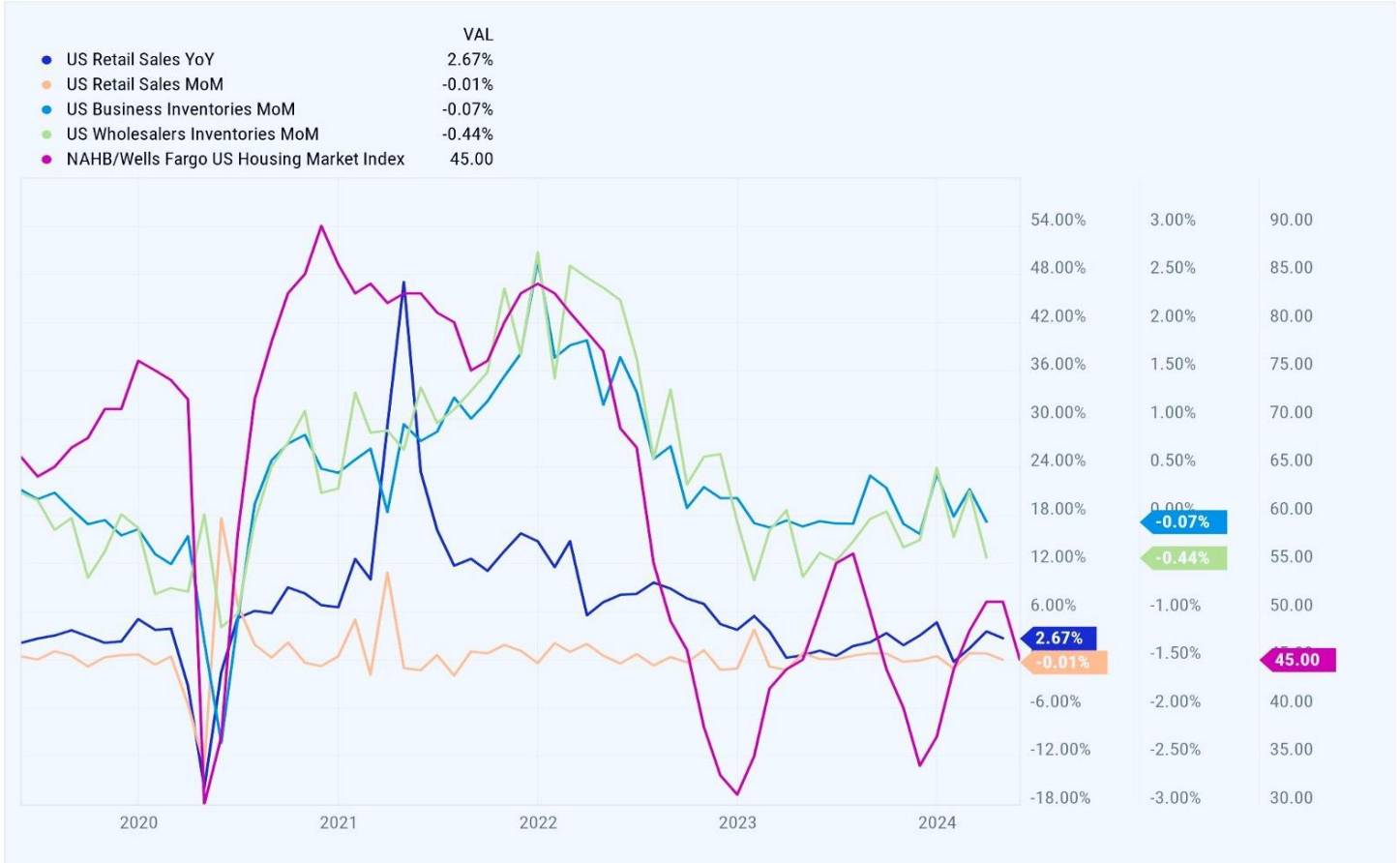
- US Consumer Price Index YoY 3.36%
- US Inflation Rate 3.36%
- US Core Consumer Price Index YoY 3.62%





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US Retail Sales YoY, US Retail Sales MoM, US Business Inventories, US Wholesale Inventories & NAHB/Wells Fargo US Housing Market Index





Wall Street Recap

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