



The Dow breaks the 40,000 Mark, Disinflation Resumes, The Bull Run Continues in A week of highs.

May 17, 2024

by Francisco Rodríguez-Castro
frc@birlingcapital.com

The U.S. and European stock markets closed with mixed results, with the key indexes hovering around flat lines, ending and close to an otherwise robust week. Yesterday, the Dow reached a significant milestone, by closing at 40,003.59 for the first time. The surge was fueled by a moderation in inflation and growth, boosting confidence that the Federal Reserve might cut interest rates in the latter half of the year. Strong corporate earnings have also bolstered market sentiment, with first-quarter results exceeding expectations.

As the earnings season winds down, investors are keenly awaiting NVIDIA's report, scheduled for NVIDIA's day. The company, central to AI development, has seen its shares rise 90% year-to-date.

In other news, China unveiled comprehensive measures to stabilize its housing market, propelling the MSCI China index to a nine-month high. The support package includes reduced down-payment requirements for homebuyers and \$42 billion in central bank funding for local governments to purchase excess inventory from developers. These properties will be converted into affordable housing to reduce inventory, restore confidence, and alleviate pressure on developers. Despite these initiatives, challenges remain as inventory levels are still high and consumer confidence is low. Reflecting this, home prices in April saw their steepest monthly decline in a decade, down 6.8% year-over-year. While we anticipate a gradual improvement in China's growth trends, we prefer Internationally developed equities over emerging-market stocks.

This week's inflation data offered relief, enabling markets to reach new highs as disinflation resumed after three months of accelerating prices. The data supported the Federal Reserve's current stance of Reservists steady while signaling caution. If the disinflation trend persists, we foresee significant upside potential in undervalued segments of the equity market. Over the past three months, the Nasdaq 100 has lagged behind the S&P 500, which U.S. mid-cap stocks and other major international equity indexes have outpaced. Sector performance also reflects this broadening market support, with eight of the eleven S&P 500 sectors outperforming the index. This suggests a more inclusive rally than last year's narrow gains. The combination of rising corporate profits, continued economic expansion, and the potential for declining yields presents a favorable market environment as the bull run persists.

GDPNow Update:

- The GDPNow for the second quarter of 2024 was updated on May 16, decreasing to 3.60% GDP, down from 4.20%, a 16.70% decrease.

Key Economic Data:

- **U.S. Retail and Food Services Sales MoM:** fell to 0.02%, compared to 0.65% last month.
- **U.S. Retail and Food Services Sales (Excluding Motor Vehicle and Part Dealers) MoM:** fell to 0.20%, compared to 0.86% last month.
- **Eurozone Inflation Rate: Excluding Energy, Food, Alcohol, and Tobacco,** fell to 2.90%, compared to 3.10% last month.

Eurozone Summary:

- **Stoxx 600:** closed at 522.94, down 0.68 points or 0.13%.
- **FTSE 100:** closed at 8,420.26, down 18.39 points or 0.22%.
- **Dax Index:** closed at 18,704.42, down 34.39 points or 0.18%.

Wall Street Summary:

- **Dow Jones Industrial Average** closed at 40,003.59, up 134.21 points or 0.34%.
- **S&P 500** closed at 5,303.27, up 6.17 points or 0.12%.
- **Nasdaq Composite** closed at 16,685.97, down 12.35 points or 0.07%.
- **Birling Capital Puerto Rico Stock Index** closed at 3,487.74, down 28.42 points or 0.81%.
- **Birling Capital U.S. Bank Stock Index** closed at 5,242.42, down 22.24 points or 0.42%.
- **U.S. Treasury 10-year note** closed at 4.42%.
- **U.S. Treasury 2-year note** closed at 4.83%.



GDP NOW

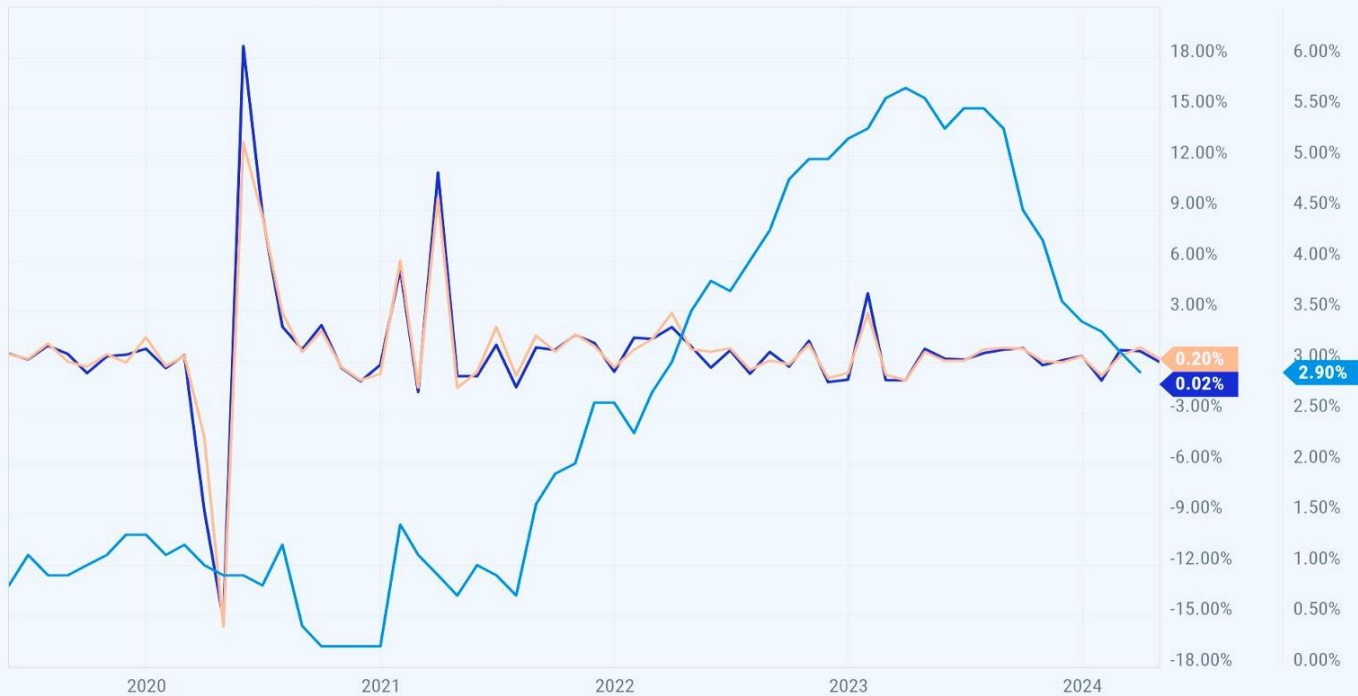
Date	GDPNow 2Q24	Change
4/26/24	3.90%	Initial Forecast
5/1/24	3.30%	-15.4%
5/2/24	3.30%	0.0%
5/8/24	4.20%	21.4%
5/16/24	3.60%	-16.7%

US Retail Sales and Food Service MoM, US Retail Sales and Food Service excluding Energy, Food, Alcohol and Tobacco & EU Inflation Rate

www.birlingcapital.com

- US Retail and Food Services Sales MoM
- US Retail and Food Services Sales (Excluding Motor Vehicle and Part Dealers) MoM
- Eurozone Inflation Rate: Excluding Energy, Food, Alcohol, and Tobacco

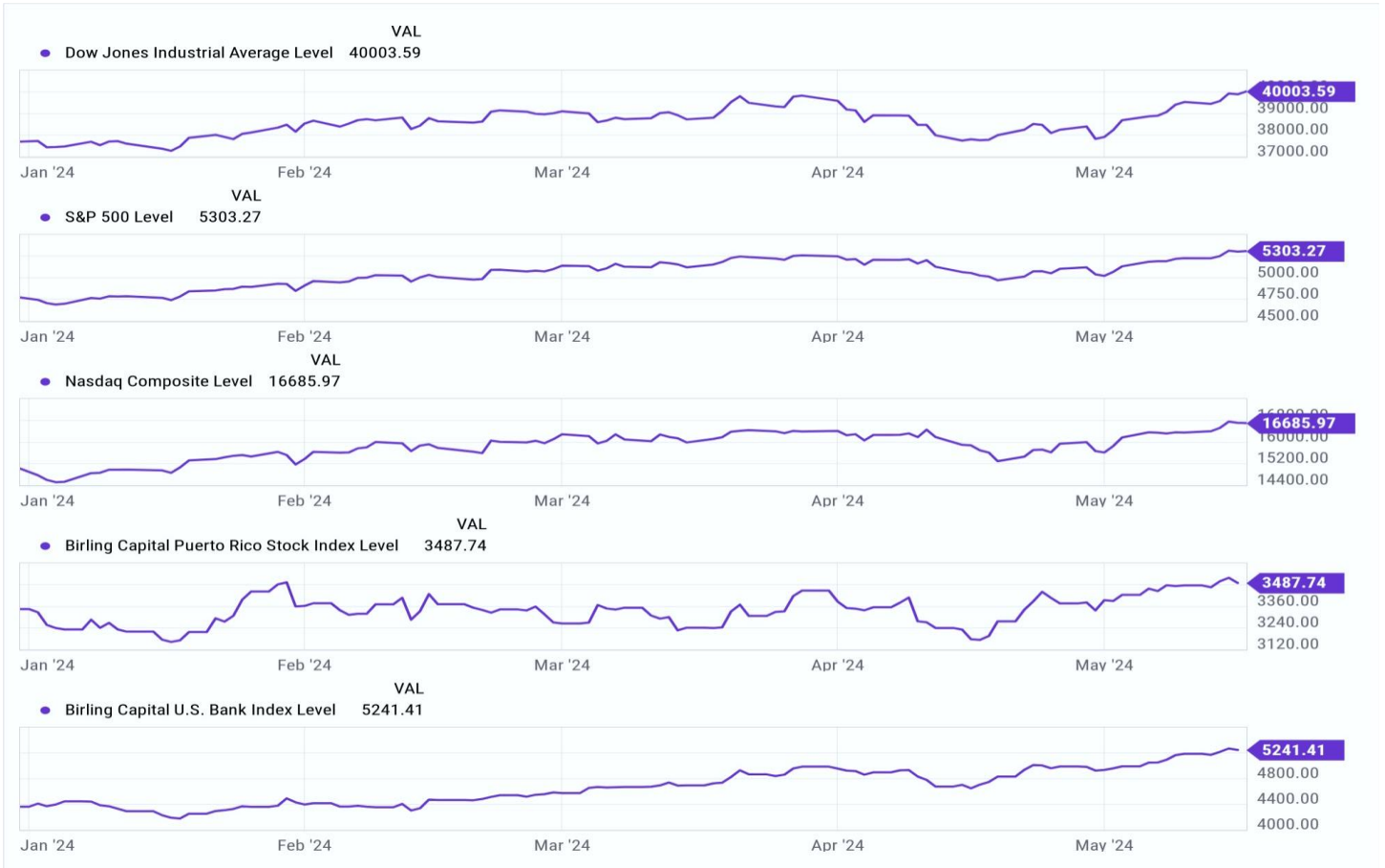
VAL
0.02%
0.20%
2.90%





Wall Street Recap

May 17, 2024



Global Market Square © es una publicación preparada por Birling Capital LLC y resume los recientes desarrollos geopolíticos, económicos, de mercado y otros que pueden ser de interés para los clientes de Birling Capital LLC. Este informe está destinado únicamente a fines de información general, no es un resumen completo de los asuntos a los que se hace referencia y no representa asesoramiento de inversión, legal, regulatorio o fiscal. Se advierte a los destinatarios de este informe que busquen un abogado profesional adecuado con respecto a cualquiera de los asuntos discutidos en este informe teniendo en cuenta la situación de los destinatarios. Birling Capital no se compromete a mantener a los destinatarios de este informe informados sobre la evolución futura o los cambios en cualquiera de los asuntos discutidos en este informe. Birling Capital. El símbolo de registro y Birling Capital se encuentran entre las marcas registradas de Birling Capital. Todos los derechos reservados.