

First-Quarter GDP Revised Down Amid Cooling Consumer Spending, Tech Sector Slump Drags U.S. Markets Lower and European Sentiment Rises.

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The U.S. and European stock markets closed with mixed results, weighed down by a technological sector slump. The decline was primarily due to disappointing guidance from Salesforce, which reported quarterly results after markets closed yesterday. Salesforce Inc (CRM) has been facing challenges with weak Q1 bookings performance, leading to concerns among investors and analysts. The demand trends in Q1 returned to a sluggish environment, impacting deal cycles, budget scrutiny, and seat expansion. Despite sustaining its fiscal 2025 guidance, the company's weak bookings in Q1 are testing investor patience. As a result, Salesforce's stock price fell 19.73% to \$218.04.

In summary, the Dow Jones has lost 1,011.89 points this week.

Concurrently, bond yields decreased, with the 10-year yield closing to 4.55%. This movement followed a downward revision of first-quarter GDP data, indicating the economy grew at a 1.3% quarterly rate, down from the initial 1.6% estimate.

Asian markets closed lower, while European markets saw gains, buoyed by improved eurozone economic sentiment compared to the previous month.

The second estimate for first-quarter GDP revealed a downward revision, lowering the annualized growth rate from 1.6% to 1.3%. This revision was due to decreased consumer spending, adjusted from 2.5% to 2%. The reduction in expenditure was particularly evident in goods, while spending on services thrived at 3.9%. Despite signs of cooling, the U.S. consumer remains resilient. The softer growth data might help ease inflationary pressures, potentially prompting the Federal Reserve to consider interest rate cuts. We anticipate replicating the economic strength of late 2023 will be challenging, and project GDP growth will slow to 1.5% - 2% this year. Nonetheless, robust labor market conditions and potential rate cuts could support continued economic expansion.

As the week concludes, market attention will turn to inflation, with April's Personal Consumption Expenditures (PCE) data due on Friday. The Inflation Nowcasting has the PCE at 2.68%, down from 2.71% last month, and the Core PCE at 2.74%, down from 2.82% last month.

Although April's consumer price index (CPI) indicated moderating inflation, it followed three consecutive months of higher-than-expected inflation readings. Notably, the three-month annualized change in core PCE jumped to 4.4% in March from 1.6% in December 2023. This increase has been driven mainly by persistent services inflation, while goods inflation remained subdued, with a modest 0.1% rise in March. We expect service inflation to moderate in the coming months, aided by easing labor market conditions and lowering shelter costs. This should pave the way for the Federal Reserve to implement one or two interest rate cuts in the latter half of the year.

Key Economic Data:

- **U.S. Initial Claims for Unemployment Insurance** rose to 219,000, up from 216,000 last week, increasing by 1.39%.
- **U.S. Total Vehicle Sales:** rose to 16.22 million, up from 16.01 million last month, increasing 1.29%.
- **U.S. Pending Home Sales YoY:** rose 0.13%, compared to -7.01% last month.
- **30-Year Mortgage Rate:** fell to 6.94%, compared to 7.02% last week.
- **Eurozone Unemployment Rate:** is unchanged at 6.50%, compared to 6.50% last month.
- **Eurozone Consumer Confidence Indicator:** is at -14.30, up from -14.70 last month.
- **Eurozone Economic Sentiment Indicator:** rose to 96.00, up from 95.60 last month, increasing 0.42%.
- **China PMI:** fell to 50.40, down from 50.80 last month.
- **China Non-Manufacturing PMI:** fell to 51.20, down from 53.00 last month.

Eurozone Summary:

- **Stoxx 600:** closed at 516.50, up 3.08 points or 0.59%.
- **FTSE 100:** closed at 8,231.05, up 47.98 points or 0.59%.
- **Dax Index:** closed at 18,496.79, up 23.50 points or 0.13%.

Wall Street Summary:

- **Dow Jones Industrial Average** closed at 38,111.48, down 330.06 points or 0.86%.
- **S&P 500** closed at 5,235.48, down 31.47 points or 0.60%.
- **Nasdaq Composite** closed at 16,737.08, down 183.50 points or 1.08%.
- **Birling Capital Puerto Rico Stock Index** closed at 3,333.92, down 37.90 points or 1.12%.
- **Birling Capital U.S. Bank Stock Index** closed at 5,115.85, down 53.04 points or 1.03%.
- **U.S. Treasury 10-year note** closed at 4.55%.
- **U.S. Treasury 2-year note** closed at 4.92%.



US Initial Claims for Unemployment, US Job Openings & US Job Seekers,



US Total Vehicle Sales, US Pending Home Sales and 30-Year Mortgage Rate

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- US Total Vehicle Sales VAL 16.22M
- US Pending Home Sales YoY 0.13%
- 30 Year Mortgage Rate 6.94%





Eurozone Unemployment Rate, EU Economic Sentiment Indicator, and EU Consumer Confidence Indicator

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- Eurozone Unemployment Rate (t:EURSM) VAL 6.50%
- Eurozone Economic Sentiment Indicator (t:EESI) 95.60
- Eurozone Consumer Confidence Indicator (t:ECCISM) -14.70

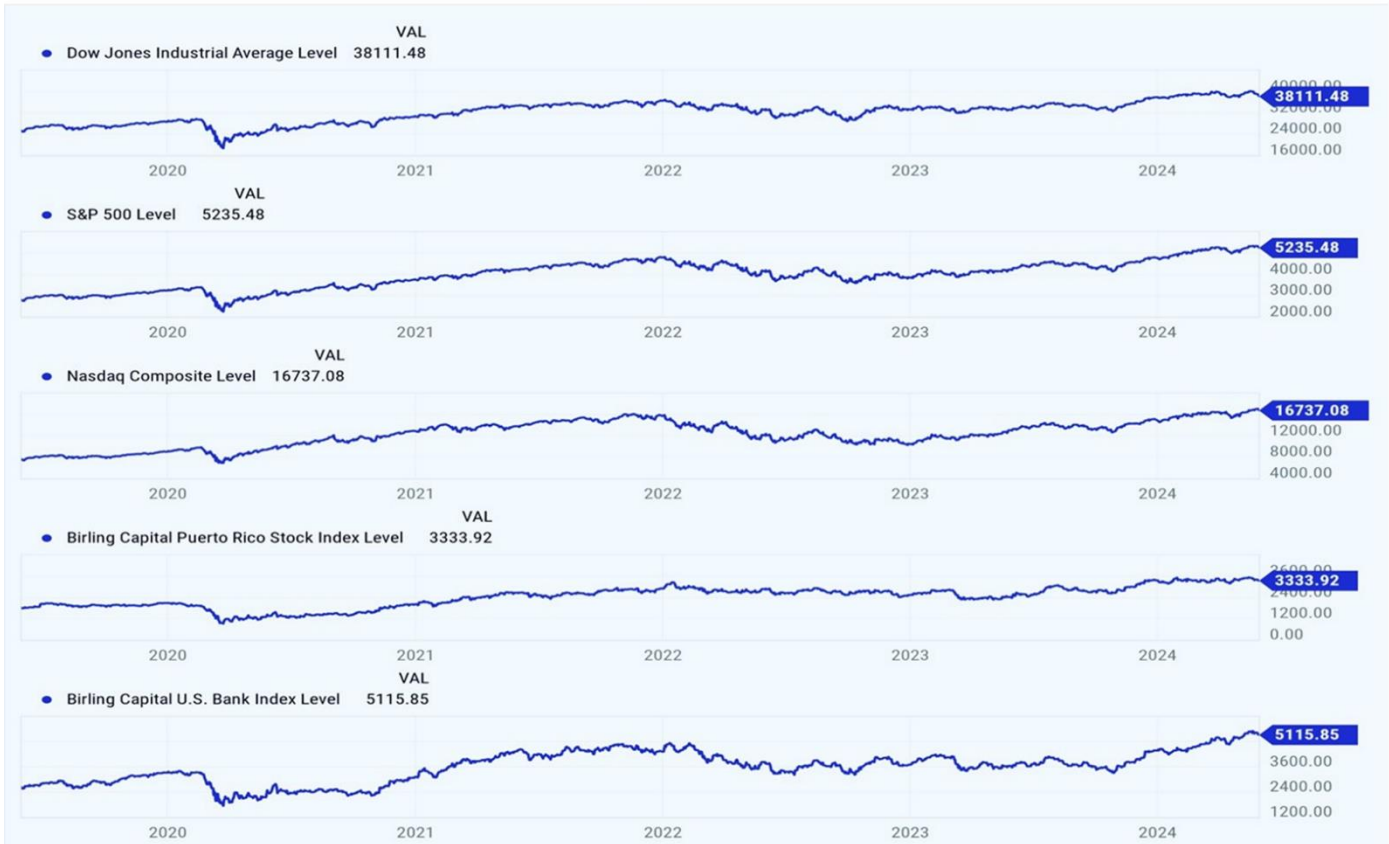




Wall Street Recap

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