

# The GDPNow for 4Q is at 2.50%, U.S. Retail Sales Rise 2.63%, and Wall Street Ends the Week with Losses.

**November 15, 2024**

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The U.S. and European markets closed the week with losses after the post-election rally lost its mojo following several appointments by President-Elect Trump that have created concern for critical sectors of the markets. The impact to the indexes was quite bad as the loss leader during the week was the Nasdaq Composite lost -3.13%, followed by the Birling Puerto Rico Stock Index with -2.52%, S&P 500 with a loss of -2.12%, and Birling US Bank Index with -0.73%.

A cautious Federal Reserve stance on monetary easing has tempered rate-cut expectations, leading to higher bond yields and lower stock prices, as seen in the latest key index results. In Asia, markets delivered mixed results, with China's retail sales growth hitting an eight-month high, signaling some relief for the country's economy. Meanwhile, crude oil prices are on track for a weekly decline of around 4%, as the International Energy Agency projects a surplus in 2025 fueled by strong U.S. production.

## **Treasury Yields Rise on Fed's Cautious Tone**

Treasury yields are climbing as the Federal Reserve signals a more measured approach to rate cuts. Fed Chair Jerome Powell indicated that policymakers may pause before lowering rates again, citing stronger economic and inflation data. The bond market has adjusted accordingly, with the likelihood of a December rate cut dropping to under 60%, down from 80% just a day prior.

While rate cuts remain possible next year, the target range may shift toward 3.5%-4.0% rather than the previously forecasted 3.0%-3.5%. The final decision on December 17-18 will hinge on upcoming inflation and employment data, which could further clarify the Fed's next move.

## **Retail Sales Reflect Resilient, Yet Slowing, Consumer Activity**

October retail sales rose by 0.4% month-over-month, with September's figure increasing to 0.8%. Strong vehicle sales buoyed the numbers, though core control-group sales, which exclude volatile categories like autos and gasoline, dipped 0.1%, missing expectations of a 0.3% increase.

Despite this softer-than-expected performance, upward revisions for prior months suggest solid consumer spending through year-end. Lower gas prices, robust income growth, and rising asset values are likely to sustain consumption, supporting expectations for continued economic expansion and a bull market continuation.

President-elect Donald Trump's recent appointments have raised significant concerns among market participants and political analysts; we discuss the nominees in detail and their probability of confirmation.

## **Matt Gaetz as Attorney General**

Representative Matt Gaetz of Florida, a staunch ally of Trump, has been under investigation by the House Ethics Committee for allegations of sexual misconduct and illicit drug use.

Estimated Probability of Confirmation: 30%

### **Tulsi Gabbard, as Director of National Intelligence**

A former Congresswoman who served in the U.S. House of Representatives from 2013 to 2021 has been a vocal critic of U.S. foreign policy and has expressed controversial views on national security matters.

Estimated Probability of Confirmation: 40%

### **Robert F. Kennedy Jr. as Secretary of Health and Human Services**

Robert F. Kennedy Jr., an environmental attorney and vaccine skeptic with an outspoken opposition to vaccines and promotion of conspiracy theories, has drawn criticism from health experts and public health organizations.

Estimated Probability of Confirmation: 35%

### **Pete Hegseth as Secretary of Defense**

Pete Hegseth, a former Army National Guard officer, and Fox News lacks extensive military, defense policy, or managerial experience and has raised questions about his qualifications for leading the Department of Defense.

Estimated Probability of Confirmation: 45%

### **Market Concerns and Confirmation Challenges**

The market's apprehension stems from the unconventional nature of these appointments and the potential for policy shifts that could disrupt established norms. The lack of traditional qualifications and the controversial backgrounds of these nominees may lead to governance challenges and uncertainty in key policy areas.

The Senate confirmation process requires a majority vote, and the Republican Party's slim majority may not guarantee confirmation for these nominees.

More importantly, investors often seek stability and predictability, and these appointments introduce elements of unpredictability that can affect market confidence.

### **GDPNow Update:**

- **The GDPNow for the fourth quarter was updated on November 15, 2024, to 2.50%, unchanged from November 7.**

### **Key Economic Data:**

- **U.S. Retail and Food Services Sales YoY:** fell to 1.74%, compared to 2.16% last month.
- **U.S. Retail and Food Services Sales MoM:** rose to 0.43%, compared to 0.06% last month.
- **U.S. Export Prices YoY:** fell -2.13%, compared to -0.87% last month.
- **U.S. Import Prices YoY:** fell -0.14%, compared to 0.78% last month.
- **U.S. Industrial Production MoM:** fell -0.28%, compared to 0.34% last month
- **U.S. Wholesalers Inventories MoM:** fell 0.11%, compared to 0.25% last month.
- **U.S. Business Inventories MoM:** fell 0.27%, compared to 0.35% last month.

- **Canada Manufacturing Shipments:** fell to 69.45 billion, down from 70.37 billion last month, decreasing -1.30%.
- **Canada Wholesale Sales MoM:** fell -1.78%, compared to 0.78% last month.
- **UK Real GDP QoQ:** fell to 0.50%, compared to 0.70% last quarter.
- **UK Balance of Trade:** fell by -15.91 billion, down from -1.959 billion last quarter.
- **UK Industrial Production Index YoY:** fell -1.80%, compared to -1.70% last month.

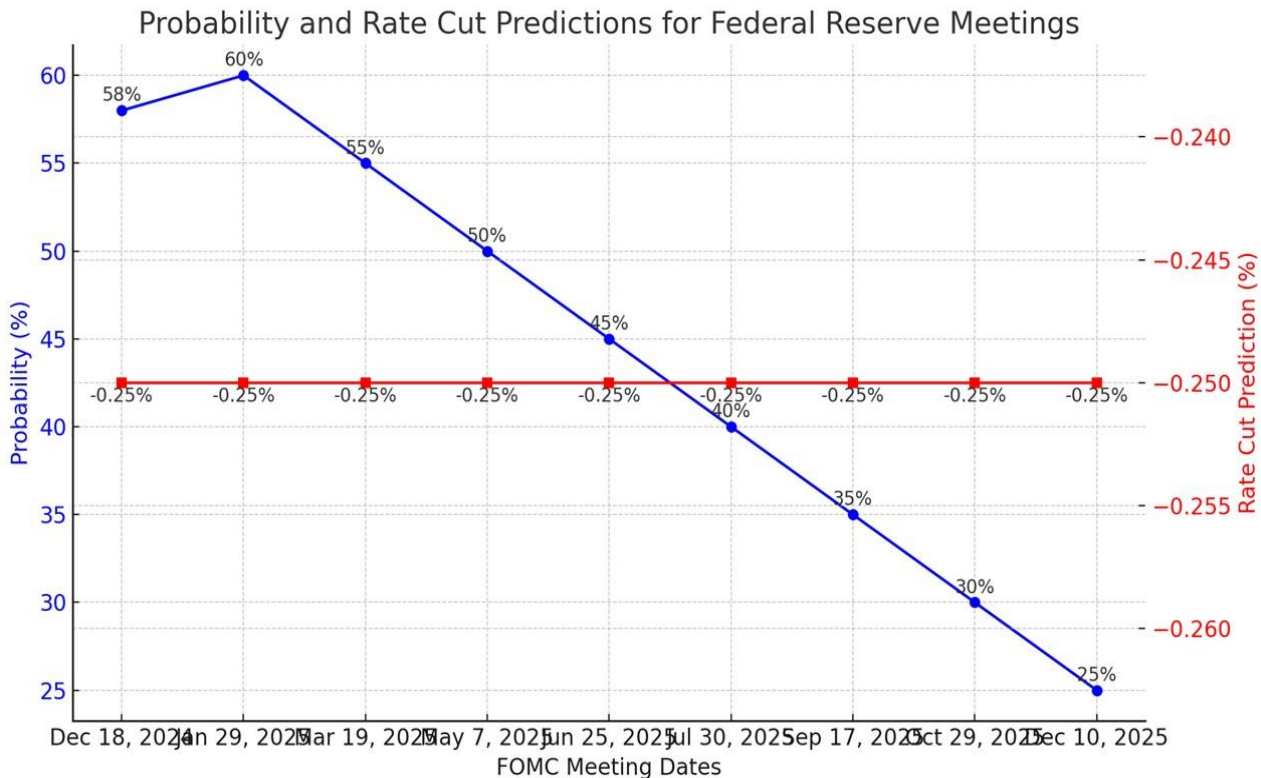
**Eurozone Summary:**

- **Stoxx 600:** Closed at 503.19, down 3.84 points or 0.76%.
- **FTSE 100:** Closed at 8,063.61, down 7.58 points or 0.094%.
- **DAX Index:** Closed at 19,220.03, down 43.67 points or 0.23%.

**Wall Street Summary:**

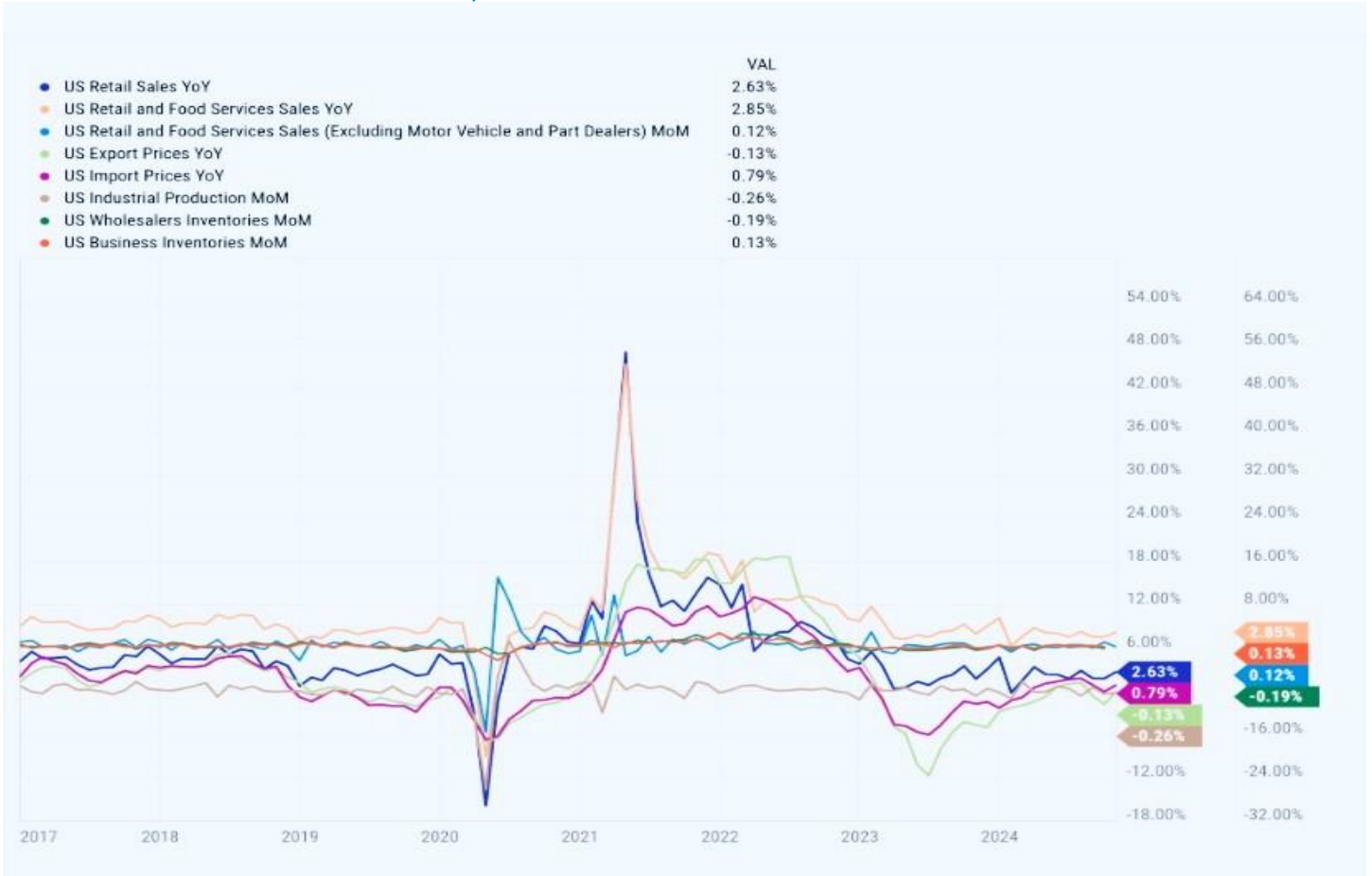
- **Dow Jones Industrial Average:** closed at 43,444.99, down 305.87 points or 0.70%.
- **S&P 500:** closed at 5,870.62, down 78.55 points or 1.32%.
- **Nasdaq Composite:** closed at 18,680.12, down 427.53 points or 2.24%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,802.01, down 65.19 points or 1.69%.
- **Birling Capital U.S. Bank Stock Index:** closed at 6,396.59, down 20.09 points or 0.31%.
- **U.S. Treasury 10-year note:** closed 4.43%.
- **U.S. Treasury 2-year note:** closed 4.31%.

**Federal Reserve Bank Interest Rate Cut Probability as of 11.15.24**



11.15.24

US Retail Sales, US Retail & Food Services Sales, US Retail & Food Services Sales (Excluding Motor Vehicle and Part Dealers), US Export Prices, US Import Prices, US Industrial Production, US Wholesalers Inventories, US Business Inventories



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