

Inflation in Focus as Markets Brace for PCE Index, Corporate Earnings Continue to Beat Expectations, and Wall Street Surge Continues.

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The US and European stock markets began the week higher, with a broad-based rally across sectors. Asian markets are mainly in the green, setting the tone for a data-heavy week, as investors eagerly await vital economic reports, including China's industrial output, India's third-quarter GDP, and inflation data from Australia and Japan. Bond yields are trending lower, with the 10-year Treasury yield falling to close at 4.27%, down from 4.415 on Friday, a 3.17% loss. Meanwhile, the U.S. dollar is slipping against other major currencies. In commodities, both WTI oil and gold are seeing declines.

The spotlight this week is on inflation, with the release of the October Personal Consumption Expenditure (PCE) index on Wednesday. The Inflation Nowcasting forecast is expected to rise to 2.29% annually, and the Core PCE up to 2.76%. The forecast aligns with the Federal Reserve's projection for the end of 2024. These numbers suggest that inflation is gradually cooling, though the journey may be uneven. We anticipate that the Fed will continue to lower interest rates, albeit at a slower pace. The bond market is currently pricing a 0.75% reduction in Fed rates over the next 12 months.

As corporate earnings season winds down, 95% of S&P 500 companies have reported their third-quarter results, showing an impressive 5.9% year-over-year earnings growth. Earnings have generally exceeded expectations, with 75% of companies surpassing analyst forecasts. Growth has been broad-based, with eight of 11 sectors reporting higher earnings. The three sectors projected to see lower earnings—energy, industrials, and materials—represent less than 15% of the S&P 500's market capitalization. The widening breadth of earnings growth has fueled a shift in market leadership, with consumer discretionary, financials, real estate, industrials, and utilities outperforming the communication services sector, which led earlier in the year.

Puerto Rico Market Update:

Puerto Rico's economic outlook for 2024 presents a challenging scenario. The Puerto Rico Planning Board has forecasted a 2.80% GDP growth for the year, but recent data suggests this target may be out of reach. The island's Economic Activity Index has shown seven consecutive months of contraction, starting with -0.20% in March and deepening to -1.20% by September 2024. With such a prolonged period of negative growth, achieving the projected 2.80% GDP growth now appears increasingly unlikely. The economic data points to a more arduous road ahead for Puerto Rico's recovery in the near term.

Birling Puerto Rico Stock Index Companies Update:

Puerto Rico's public companies have had a banner year in revenues and net income, and most have double-digit returns, except for Evertec.

- **First BanCorp (FBP)** has a YTD Return of 31.22%.
- **OFG Bancorp (OFG)** has a YTD Return of 24.81%.
- **Popular, Inc. (BPOP)** has a YTD Return of 24.09%.
- **Evertec, Inc. (EVTC)** has a YTD Return of -10.06%.

Key Economic Data:

- **U.S. Retail Gas Price:** fell to \$3.168, down from \$3.176 last week, decreasing -0.25%
- **Germany Ifo Business Climate Index:** fell to 85.70, down from 86.50 last month.
- **Germany Ifo Business Expectations Index:** fell to 87.20, down from 87.30 last month.
- **Germany Ifo Business Situation Index:** fell to 84.30, down from 85.70 last month.
- **Japan Business Conditions Composite Coincident Index:** rose to 115.30, up from 114.00 last month, increasing 1.14%.

Eurozone Summary:

- **Stoxx 600:** Closed at 508.78, up 0.31 points or 0.061%.
- **FTSE 100:** Closed at 8,291.68, up 29.60 points or 0.36%.
- **DAX Index:** Closed at 19,405.20, up 82.61 points or 0.43%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 44,736.57, up 440.06 points or 0.99%.
- **S&P 500:** closed at 5,987.37, up 18.03 points or 0.30%.
- **Nasdaq Composite:** closed at 19,054.83, up 51.18 points or 0.27%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,919.95, up 54.53 points or 1.41%.
- **Birling Capital U.S. Bank Stock Index:** closed at 6,568.18, up 68.92 points or 1.06%.
- **U.S. Treasury 10-year note:** closed 4.27%.
- **U.S. Treasury 2-year note:** closed 4.21%.



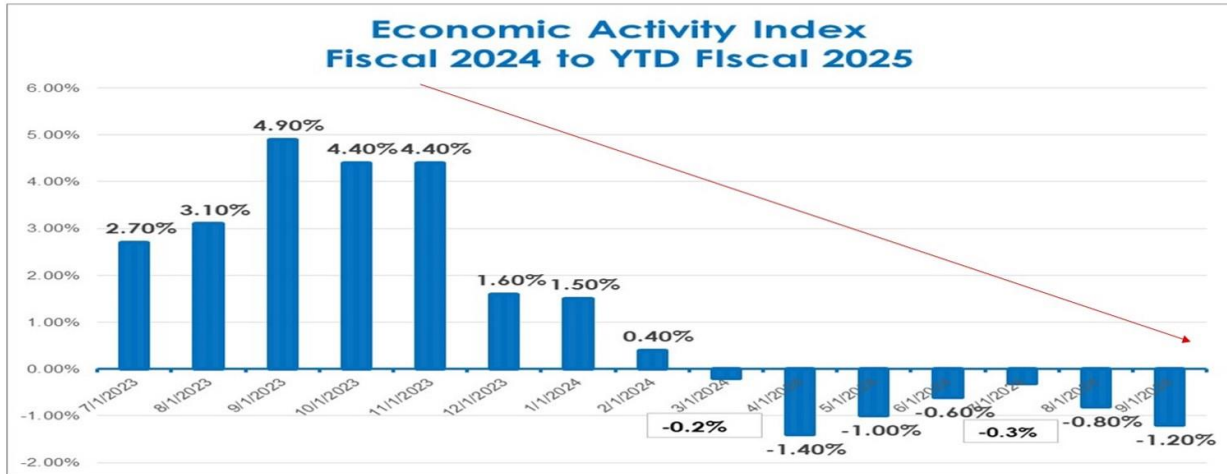
Inflation Nowcasting PCE & Core PCE

Inflation Nowcasting	PCE Forecast	Core PCE Forecast	Updated
October	2.29%	2.76%	25-Nov

Economic Activity Contracting

Puerto Rico is has a forecast of 2.8% GDP for 2024

The September 2024 Economic Activity Index remains in contraction at -1.2% for the seventh straight month



BIRLING
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US Retail Gas Price

US Retail Gas Price (I:USRGP)

VAL
3.168





Germany Ifo Business Climate Index, Germany Ifo Business Expectations Index Germany Ifo Business Situation Index & Japan Business Conditions Composite Index

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