

Markets React with Mixed Results Fed Cuts by 25 Basis Points.

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by Francisco Rodríguez-Castro
frc@birlingcapital.com

The U.S. and European markets closed with mixed results as the S&P 500 and Nasdaq reached record levels. Communication services and technology stocks led the rally, reflecting a robust risk-on sentiment. Bond yields reversed their recent upward trend, providing additional support to equities. Overseas, Chinese markets advanced on better-than-expected export data for October, while European stocks gained after the Bank of England cut its benchmark interest rate by 0.25%. The U.S. dollar weakened against major currencies, while WTI crude oil prices rose amid concerns over potential sanctions on Iran and Venezuela following the U.S. election.

Federal Reserve Cuts Rates Again

The Federal Reserve's Federal Open Market Committee (FOMC) lowered its target range for the federal funds rate by 0.25%, bringing it to 4.5%-4.75%, which aligns with market expectations. The Fed noted progress toward its dual mandate of maximum employment and stable inflation around 2%. Markets are now pricing an additional 0.75% in rate cuts by 2025, which could bring the rate down to 3.75%-4%. While further cuts are anticipated, the pace may moderate as the Fed seeks to guide the economy toward a soft landing. Lower interest rates reduce borrowing costs, boosting economic growth and corporate profitability.

Labor Market Shows Signs of Cooling

Weekly jobless claims increased to 221,000, up from 218,000 the previous week, signaling a gradual normalization of the labor market. This shift supports the narrative of a "soft landing" for the U.S. economy, as a cooling job market typically moderates wage growth and eases inflationary pressures in services. Meanwhile, labor productivity rose 2.2% in the third quarter, slightly below expectations of 2.3%. Increased productivity, which reflects higher output per hour worked, is a positive signal for long-term economic growth.

GDPNow

- GDPNow was updated on 11.7.24 to 2.50% GDP for the fourth quarter, up from 2.40%, increasing 4.16%.

Key Economic Data:

- **U.S. Initial Claims for Unemployment Insurance:** rose to 221,000, up from 218,000 last week, increasing 1.38%.
- **U.S. Productivity:** rose to 2.20%, compared to 2.10% last quarter.
- **U.S. Consumer Credit Outstanding MoM:** fell to \$8.929 billion, down from \$26.63 billion last month, decreasing -66.47%.
- **30-Year Mortgage Rate:** rose to 6.72%, compared to 6.54% last week.
- **Eurozone Retail Trade YoY:** rose to 0.80%, compared to -0.10% last month.

- **Germany Exports MoM:** fell to 1.30%, compared to 1.70% last month.
- **Germany Industrial Production Index MoM:** fell to -2.50%, compared to 2.60% last month.
- **Germany Trade Balance:** rose to 22.50 billion, up from 16.80 billion last month, decreasing 33.93%.
- **China Trade Balance:** fell to 81.71 billion, down from 91.02 billion last month, decreasing - 10.23%.
- **China Exports YoY:** fell to 2.43%, compared to 8.73% last month.
- **China Trade Balance:** fell to 582.62 billion, down from 649.34 billion last month, decreasing - 10.28%.

Eurozone Summary:

- **Stoxx 600:** Closed at 509.92, up 3.14 points or 0.62%.
- **FTSE 100:** Closed at 8,140.74, down 25.94 points or 0.32%.
- **DAX Index:** Closed at 19,362.52, up 323.21 points or 1.70%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 43,729.34, down 0.59 points or 0.0%.
- **S&P 500:** closed at 5,975.10, up 44.06 points or 0.74%.
- **Nasdaq Composite:** closed at 19,269.46, up 285.91 points or 1.51%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,945.60, up 394.21 points or 11.10%.
- **Birling Capital U.S. Bank Stock Index:** closed at 6,415.95, up 637.74 points or 11.04%.
- **U.S. Treasury 10-year note:** closed 4.31%.
- **U.S. Treasury 2-year note:** closed at 4.21%.

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