

# Historic Port Strike Could Cost \$5bn a Day and Fed Signals Shape October Market Outlook as Global Investors Eye Key Developments.

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As a historic strike unfolds, the U.S. and European stock markets begin the new month of October on a down note, with investors closely monitoring critical developments in the Middle East and a massive strike in most of the U.S. Eastern border and Gulf coast seaports.

The Volatility Index (VIX), often called Wall Street's "fear gauge", surged above 19 on Tuesday, reaching its highest point since September 11. This spike reflects heightened investor anxiety as traders moved towards safer assets, driven by escalating tensions in the Middle East. They are also digesting Fed Chair Powell's remarks from yesterday, which signaled a cautious approach to cutting interest rates.

Meanwhile, European markets closed mixed, and the U.S. dollar weakened after European inflation dipped below the ECB's 2% target for the first time since 2021. This fact fueled optimism that the central bank might reduce interest rates again in October. In China, markets are closed for holidays. However, optimism remains strong following last week's stimulus measures, which drove the most significant outperformance of Chinese stocks relative to other emerging markets in 25 years.

## Potential Disruption from Port Strike

A significant strike has begun, with 45,000 dockworkers at 36 East Coast and Gulf Coast seaports walking off the job, marking the first strike of this magnitude since 1977.

The strike by dockworkers at all seaports along the U.S. East and Gulf coasts is poised to cause significant disruptions to global supply chains, with extended work stoppages potentially leading to noticeable shortages of popular goods for American consumers.

The strike, which spans ports from Maine to Texas, began early Tuesday, driven by disputes over wages and concerns about automation. This labor action, the first of its kind by the International Longshoremen's Association (ILA) in almost 50 years, is expected to have far-reaching impacts on the movement of ships carrying billions of dollars in cargo. The strike is estimated to cost \$5 billion daily; if prolonged, the strike could have serious economic consequences.

The strike could impact as much as half of all U.S. trade, potentially driving up prices if it continues for an extended period. While the situation is evolving, it's worth noting that the strike may not cause as much disruption as the 2021 post-pandemic port backlog. Companies have likely anticipated this, as container traffic surged earlier this year. Furthermore, West Coast ports, which are more crucial for holiday goods, remain operational, and importers can reroute shipments at a higher cost. If no resolution is reached soon, the Biden administration may intervene, imposing an 80-day cooling-off period to resume port operations while negotiations proceed.

## Focus Shifts to Jobs as Q3 Closes on a High Note

The third quarter finished with another strong performance in equity markets, with the S&P 500 rising 5.5%, marking its fourth consecutive positive quarter and pushing its year-to-date gain to around 20%. While the Fed's shift in policy has provided broad support for stocks, it was a mix of defensive and cyclical sectors—such as real estate, utilities, financials, and industrials—that led the charge instead of the usual leaders like tech and communication services. The Nasdaq underperformed the equal-weighted S&P 500, while value stocks and small- and mid-cap companies outpaced their peers. As the quarter concludes, attention turns to the labor market, a recent source of volatility. Job openings data will be released today, followed by private payroll figures tomorrow and the September jobs report on Friday. The consensus is that the U.S. economy added 150,000 jobs, a slight uptick from the previous month, while unemployment is expected to remain steady at 4.2%. In our view, the job market is cooling due to increased workforce participation rather than a spike in layoffs. This dynamic, paired with a slowing but still expanding economy and Fed rate cuts aimed at fostering growth, could help sustain the current economic expansion and bull market, albeit with occasional volatility.

## GDPNow Update:

- The GDPNow for the Third Quarter of 2024 was updated on October 1 to 2.50% from 3.10%, decreasing by 19.35%.

## Key Economic Data:

- **U.S. Job Openings:** Total Nonfarm: rose to 8.04 million, up from 7.711 million last month, increasing 4.27%.
- **U.S. Construction Spending MoM:** is at -0.09%, compared to -0.47% last month.
- **Japan Consumer Confidence Index:** is at 36.70, unchanged from 36.70 last month.
- **Japan Unemployment Rate:** fell to 2.50%, compared to 2.70% last month.

## Eurozone Summary:

- **Stoxx 600:** Closed at 520.88, down 2.01 points or 0.38%.
- **FTSE 100:** Closed at 8,276.65, up 39.70 points or 0.48%.
- **DAX Index:** Closed at 19,213.14, down 111.79 points or 0.58%.

## Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 42,156.97, down 173.18 points or 0.41%.
- **S&P 500:** closed at 5,708.75, down 53.73 points or 0.93%.
- **Nasdaq Composite:** closed at 17,910.36, down 278.81 points or 1.53%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,862.41, up 50.19 points or 1.32%.
- **Birling Capital U.S. Bank Stock Index:** closed at 5,352.77, up 22.70 points or 0.432%.
- **U.S. Treasury 10-year note:** closed at 3.74%.
- **U.S. Treasury 2-year note:** closed at 3.61%.

<b>Date</b>	<b>GDPNow 3Q24</b>	<b>Change</b>
<b>7/25/2024</b>	<b>2.80%</b>	<b>Initial Forecast</b>
<b>8/1/2024</b>	<b>2.50%</b>	<b>10.71%</b>
<b>8/6/2024</b>	<b>2.90%</b>	<b>16.00%</b>
<b>8/8/2024</b>	<b>2.90%</b>	<b>0.00%</b>
<b>8/15/2024</b>	<b>2.40%</b>	<b>-17.24%</b>
<b>8/15/2024</b>	<b>2.00%</b>	<b>-16.67%</b>
<b>9/3/2024</b>	<b>2.00%</b>	<b>0.00%</b>
<b>9/4/2024</b>	<b>2.10%</b>	<b>5.00%</b>
<b>9/9/2024</b>	<b>2.50%</b>	<b>19.05%</b>
<b>9/17/2024</b>	<b>3.00%</b>	<b>20.00%</b>
<b>9/18/2024</b>	<b>2.90%</b>	<b>-3.33%</b>
<b>9/27/2024</b>	<b>3.10%</b>	<b>6.90%</b>
<b>10/1/2024</b>	<b>2.50%</b>	<b>-19.35%</b>

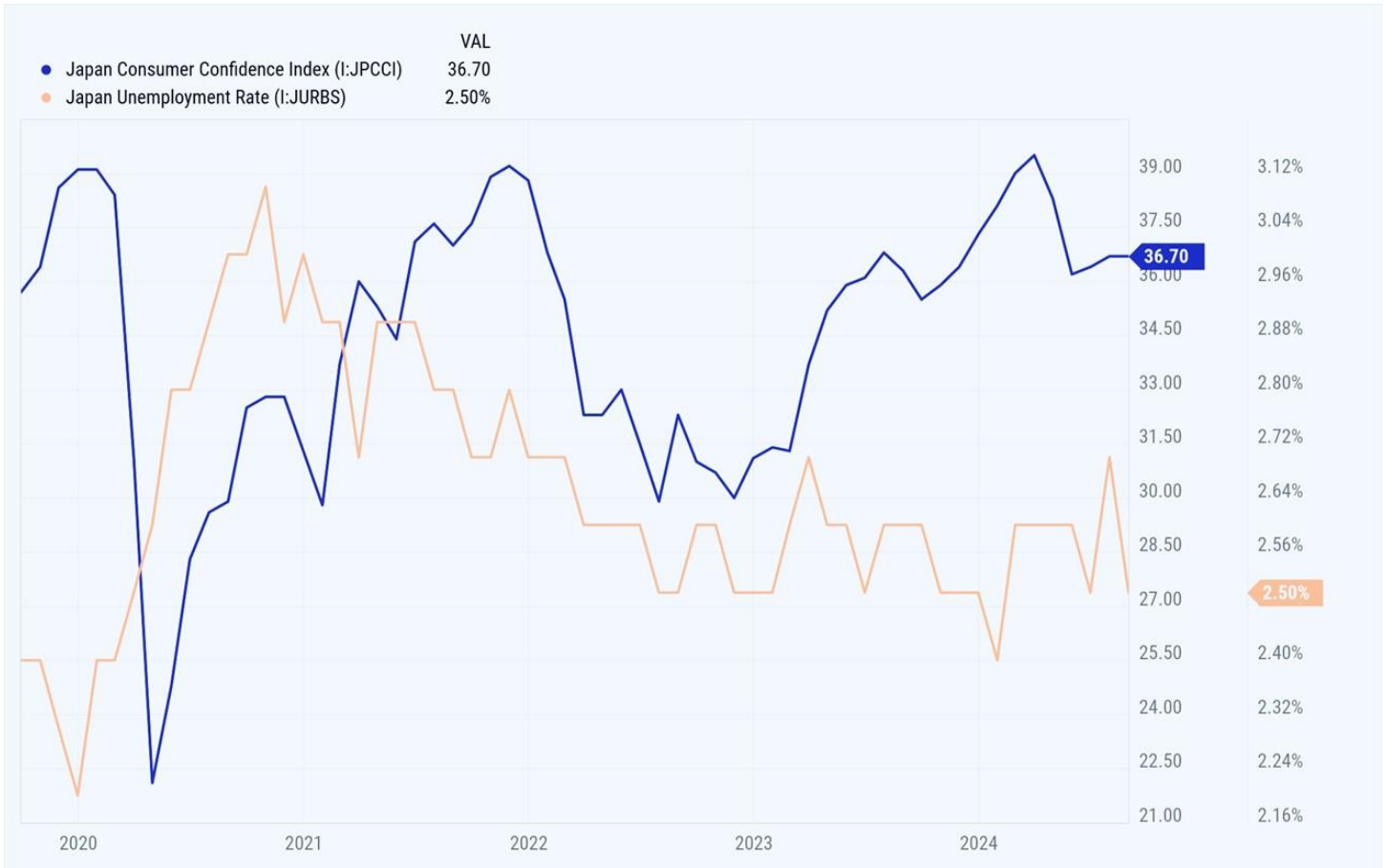


# US Job Openings and US Job Seekers





# Japan Consumer Confidence Index & Japan Unemployment Rate





# Wall Street Recap

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