

# GLOBAL MARKET SQUARE



## The Vix Volatility Index Rises to 20, As Geopolitical Tensions in the Middle East Drive Up the Fear Gage, Oil Prices Surge Over 5%, and U.S. Nonfarm Jobs Report Anticipated.

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The U.S. and European stock markets closed mostly up amid increasing geopolitical tensions in the Middle East, which have taken center stage as investors closely monitor Israel's potential response to an Iranian missile strike. This uncertainty has been reflected in commodity prices, with WTI crude oil prices rising over 5% in the past two days. The VIX volatility index often called the Wall Street fear gauge, has also remained elevated, increasing by more than 15% this week, though it is still relatively contained at around 20. Meanwhile, bond yields have stabilized after a drop on Monday, triggered by the news of Middle Eastern tensions, which led to a flight to safe-haven assets. The 10-year Treasury yield closed at 3.79%, significantly lower than its April high of 4.7%, indicating the start of the Fed's rate-cutting cycle and softer inflation and economic growth trends.

### Escalation in the Middle East

Geopolitical tensions have escalated in the Middle East following Iran's launch of approximately 200 ballistic missiles at Israel, most of which were intercepted. Israel has vowed to retaliate, raising the likelihood of further escalation in the region. With oil and commodity prices increasing, markets have begun to reflect the growing risk.

Additionally, there has been an immediate rise in safe-haven assets, such as gold prices and Treasury yields, along with an increase in the VIX volatility index. However, many of these trades have reversed since Monday as news emerged that casualties and damage were contained. We believe that geopolitics remains a tail risk, with the key concern being a significant escalation in the Middle East, which could reduce oil and energy supply and drive prices higher. Nonetheless, the U.S. and other economies have increased oil and energy production in recent years, particularly in the post-pandemic era, mitigating some of the risks associated with supply disruptions.

### Upcoming U.S. Nonfarm Jobs Report

Investor attention now shifts to the U.S. jobs report for September, which is due on Friday. In the past two months, the jobs report has surprised to the downside with significant negative revisions, causing market volatility. This month's report is expected to show signs of stabilization, with a forecast of 150,000 jobs added, slightly higher than last month's 142,000 but below this year's average of 200,000 jobs added. The unemployment rate is expected to remain steady at 4.2%, while average hourly earnings are anticipated to decrease from 0.4% to 0.3% month-over-month. The U.S. labor market has clearly cooled, but this appears to be a normalization following the post-pandemic period's outsized strength. Although the unemployment rate has risen from last year's low of 3.4%, it remains well below the long-term average of 5.5% - 6.0%. Additionally, the increase in unemployment has been primarily driven by new entrants to the workforce rather than significant job cuts or layoffs. We believe this cooling, but steady labor market supports household consumption broadly.

## Key Economic Data:

- **ADP Employment Change:** rose to 143,000, up from 103,000 last month, increasing 38.83%.
- **ADP Median Pay YoY:** fell to 4.70%, compared to 4.80% last month.
- **ADP Median Annual Pay:** is at 58,700, unchanged from 58,700 last month.
- **U.S. Crude Oil Stocks WoW:** rose to 3.889 million, up from -4.471 million last week.
- **Eurozone Unemployment Rate:** is unchanged at 6.40%, compared to 6.40% last month.

## Eurozone Summary:

- **Stoxx 600:** Closed at 521.14, up 0.26 points or 0.05%.
- **FTSE 100:** Closed at 8,290.86, up 14.21 points or 0.17%.
- **DAX Index:** Closed at 19,164.75, down 48.39 points or 0.25%.

## Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 42,196.52, up 39.55 points or 0.09%.
- **S&P 500:** closed at 5,709.54, up 0.79 points or 0.01%.
- **Nasdaq Composite:** closed at 17,952.42, up 14.76 points or 0.08%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,704.10, down 158.31 points or 4.10%.
- **Birling Capital U.S. Bank Stock Index:** closed at 5,290.86, down 62.50 points or 1.17%.
- **U.S. Treasury 10-year note:** closed at 3.79%.
- **U.S. Treasury 2-year note:** closed at 3.63%.

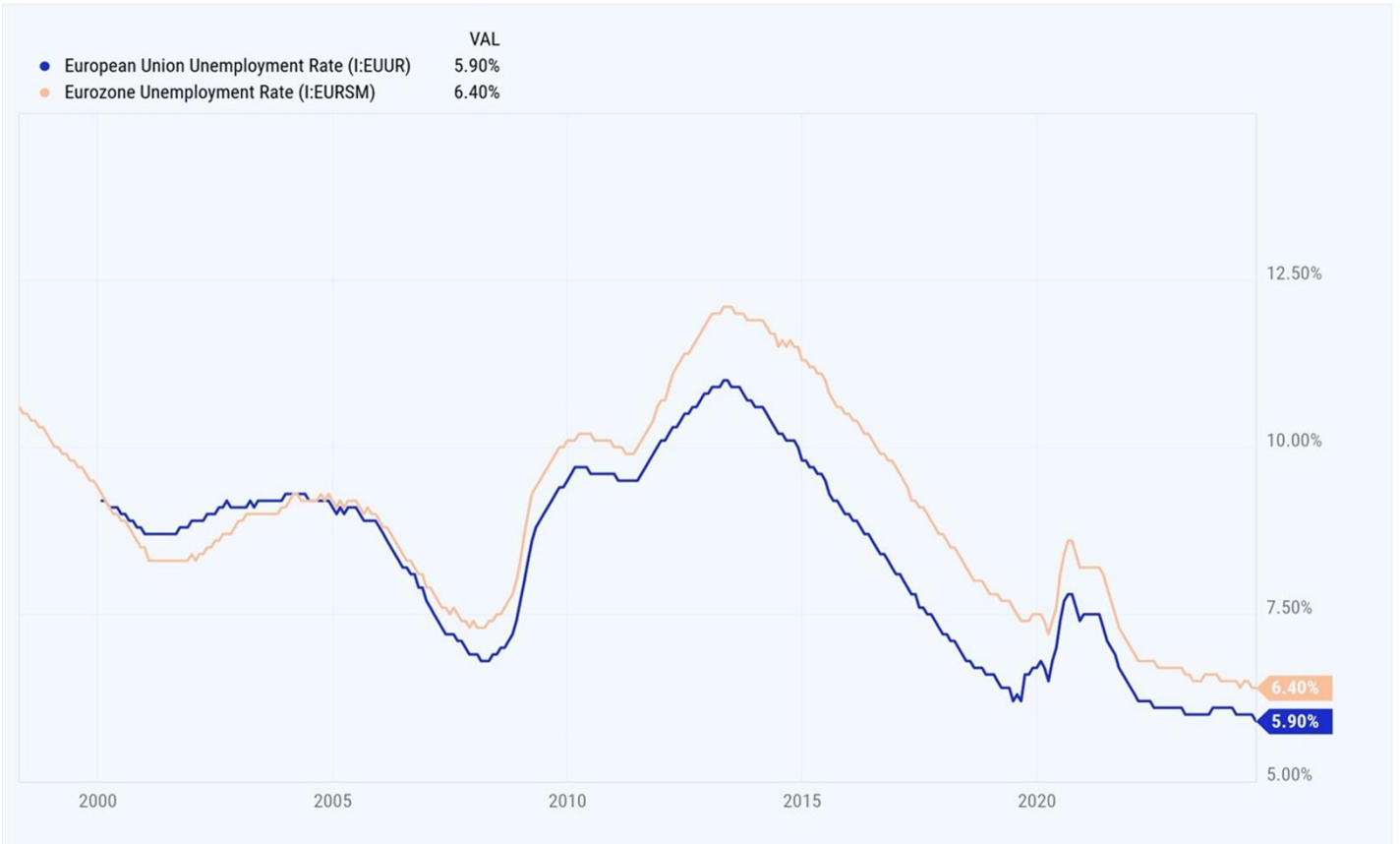


## ADP Employment Change, ADP Median Annual Pay, & ADP Median Pay YoY





## European Union Unemployment Rate, & Eurozone Unemployment Rate



## Dow Jones Industrial Average, S&P 500, Nasdaq Composite, Birling Puerto Rico Stock Index & Birling US Bank Index YTD Returns 10.2.24

	VAL
● Dow Jones Industrial Average Level % Change	11.96%
● S&P 500 Level % Change	19.70%
● Nasdaq Composite Level % Change	19.41%
● Birling Capital Puerto Rico Stock Index Level % Change	10.79%
● Birling Capital U.S. Bank Index Level % Change	21.36%





# Wall Street Recap

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