

# Dow Jones Falls 398.51 points, Yields Climb Due to Strong Jobs Data, CPI in Focus and 3Q Earnings Season Begins Amid Rising Geopolitical TENSIONS.

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The U.S. and European stock markets began the week with dismal results that took the Dow Jones down by 398.51 points as geopolitical tensions remain elevated as investors closely watch for Israel's response to the recent Iranian missile attack, driving WTI crude oil prices past \$75. Rate-sensitive sectors are under pressure, with the benchmark 10-year Treasury yield closing at 4.03%. Despite today's risk-off environment, equities remain near record levels, indicating a potential strong year-end finish.

Yields increase amid Fed reconsideration – The 10-year Treasury yield has risen to close at 4.03%, while the 2-year yield closed at 3.99%, its highest level since August, as investors process Friday's robust jobs report. The data eased concerns about the labor market and underscored that the U.S. economy remains stable, aligning with the possibility of a soft landing. Although solid job creation and wage growth support consumer spending—favorable for economic expansion—it also signals a slower pace of rate cuts by the Federal Reserve. This mirrors Fed Chair Powell's recent comments, indicating no rush to lower rates. As a result, bond markets now see a 0% probability of a significant rate cut in November, with the Fed likely sticking to more minor quarter-point adjustments in its final two meetings of the year. While shifting rate expectations weigh on bond prices in the near term, we expect yields to gradually decline as the Fed targets a more neutral rate (3.0%-3.5%) over the next 18 months.

This week's economic spotlight is on U.S. inflation data, with the Consumer Price Index (CPI) report on Thursday and the Producer Price Index (PPI) on Friday. September's inflation figures using the latest Inflation Nowcasting have the CPI at 2.25% with modest price increases and the slowest pace since early 2021, driven by lower energy costs. The core CPI is at 3.11%, down from the previous month. On the corporate side, the third-quarter earnings season starts with major banks reporting on Friday. With stock valuations high, earnings will need to play a crucial role in sustaining the nearly two-year market rally. Analysts expect earnings to grow 4.2% for the quarter, marking the fifth consecutive quarter of growth, albeit slower than Q2. The technology sector is expected to lead earnings growth, followed by healthcare and communication services. In contrast, the energy and materials sectors are anticipated to report declines. Strong economic growth will continue to underpin positive earnings for stocks this year and into the next, helping to extend the bull market. However, the 15% earnings growth predicted for the S&P 500 may be overly optimistic.

## Companies Reporting 3Q Earnings this week:

- 10/8
  - **PepsiCo Inc (PEP)**
- 10/10
  - **Delta Air Lines (DAL)**

1. 10/11
  - **JP Morgan Chase (JPM)**
  - **Citigroup (C)**
  - **Wells Fargo (WFC)**

#### Key Economic Data:

- **U.S. Retail Gas Price:** fell to \$3.303, down from \$3.311 last week, decreasing -0.24%.
- **U.S. Consumer Credit Outstanding MoM:** rose to \$25.45 billion, up from \$5.228 billion last month, increasing 386.9%.
- **Eurozone Retail Trade YoY:** rose to 0.80%, compared to -0.10% last month.
- **Japan Business Conditions Composite Coincident Index:** fell to 113.50, down from 117.20 last month.

#### Eurozone Summary:

- **Stoxx 600:** Closed at 519.48, up 0.92 points or 0.18%.
- **FTSE 100:** Closed at 8,303.62, up 22.99 points or 0.28%.
- **DAX Index:** Closed at 19,104.10, down 16.83 points or 0.88%.

#### Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 41,954.24, down 398.51 points or 0.94%.
- **S&P 500:** closed at 5,695.94, down 55.13 points or 0.96%.
- **Nasdaq Composite:** closed at 17,923.90, down 213.95 points or 1.18%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,763.79, up 79.05 points or 2.15%.
- **Birling Capital U.S. Bank Stock Index:** closed at 5,408.48, up 144.84 points or 2.75%
- **U.S. Treasury 10-year note:** closed at 4.03%.
- **U.S. Treasury 2-year note:** closed at 3.99%.



## Inflation Nowcasting CPI & Core CPI

Inflation Nowcasting	CPI Forecast	Core CPI Forecast	Updated
<b>September</b>	<b>2.25%</b>	<b>3.11%</b>	<b>7-Oct</b>

# US Retail Gas Price & US Consumer Credit Outstanding

● US Retail Gas Price VAL 3.303  
● US Consumer Credit Outstanding MoM 25.45B



# Eurozone Retail Trade YoY and Japan Business Conditions Composite Coincident Index

● Eurozone Retail Trade YoY      VAL      0.80%  
● Japan Business Conditions Composite Coincident Index      113.50





# Wall Street Recap

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