



Global Stocks Continue Rally as the U.S. GDP Now for the 3Q24 rises to 3.20%, Markets Brace for Key Inflation Data After Strong Gains.

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The U.S. and European stock markets closed higher, adding to yesterday's gains. Positive economic indicators, including GDP Now for the third quarter rising at 3.20% GDP among other indicators and a more supportive tone from the Federal Reserve, lifted sentiment. Leading sectors included consumer staples, financials, and industrials, reflecting a defensive and cyclical strength mix. Gold edged up while oil prices retreated, with crude easing off recent highs driven by uncertainties in the Middle East.

Emerging markets were notable movers, especially China, where stocks plunged following underwhelming policy stimulus details that fell short of the October rally's expectations for China's market.

A critical development has been the sharp increase in bond yields this month. Following a strong September jobs report, markets re-evaluate the likelihood of upcoming Fed rate cuts. The 10-year Treasury yield rose, closing at 4.06% for the first time in over two months. Meanwhile, short-term rates have surged even more, with the 2-year Treasury yield closed at 3.99%, up from 3.5% just two weeks ago.

Despite this, the stock market has shown resilience, which is appropriate given that the rise in yields reflects economic strength, not an inflation spike. This doesn't suggest that the Fed will abandon rate cuts but rather that it may proceed cautiously, as ongoing economic momentum could slow the decline in inflation.

Key events ahead

While the week's data releases have been light, the pace is set to pick up. On Thursday, all eyes will be on the consumer price index (CPI) report, which is expected to show a slight drop in the headline figure, bringing it closer to its lowest level since 2021. The latest Inflation Nowcasting has the CPI at 2.25% and the Core CPI at 3.11%.

Categories like vehicle and leisure will be necessary, but stubbornly high shelter prices will be in sharp focus. A slowdown in housing costs would be a positive sign for inflation. However, any signs of strong economic growth interrupting the disinflationary trend could lead to market volatility. Attention will shift to Friday's corporate earnings reports, starting with three of the largest U.S. banks, JPMorgan, Citigroup, and Wells Fargo. While labor and inflation trends are crucial, we see corporate earnings growth as a significant market driver as we approach 2025. The current 15% earnings-per-share (EPS) growth forecast for the S&P 500 in 2025 is ambitious but achievable. It's also necessary, given the market's 20% year-to-date rise and high valuations that already reflect optimism about future profits.

GDPNow Update:

- The GDPNow for the Third Quarter of 2024 was updated on October 8 to 3.20% from 2.50%, increasing by 28%.

Key Economic Data:

- **U.S. Wholesale Inventories MoM:** fell by 0.11%, compared to 0.25% last month.
- **Germany Trade Balance:** rose to 24.90 billion, up from 20.40 billion last month, increasing 22.06%.
- **Germany Exports MoM:** rose to 1.70%, compared to -3.40% last month.

Eurozone Summary:

- **Stoxx 600:** Closed at 520.05, up 3.41 points or 0.66%.
- **FTSE 100:** Closed at 8,243.74, up 53.13 points or 0.65%.
- **DAX Index:** Closed at 19,254.93, up 188.46 points or 0.99%.

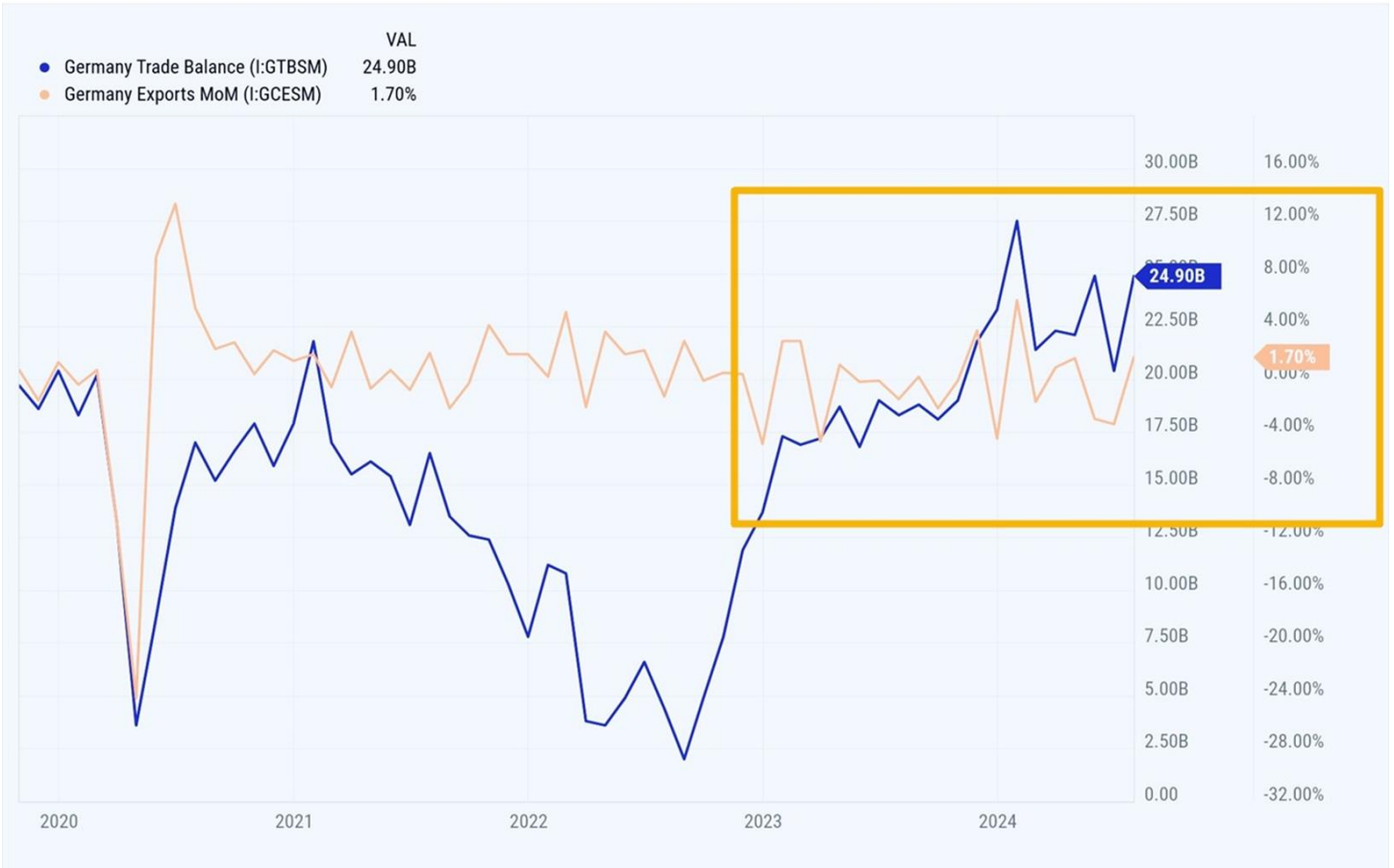
Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 42,512.00, up 431.63 points or 1.03%.
- **S&P 500:** closed at 5,792.04, up 40.91 points or 0.71%.
- **Nasdaq Composite:** closed at 18,291.62, up 108.70 points or 0.60%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,691.76, down 28.84 points or 0.78%.
- **Birling Capital U.S. Bank Stock Index:** closed at 5,415.56, up 12.12 points or 0.22%.
- **U.S. Treasury 10-year note:** closed at 4.06%.
- **U.S. Treasury 2-year note:** closed at 3.99%.

Date	GDPNow 3Q24	Change
7/25/2024	2.80%	Initial Forecast
8/1/2024	2.50%	10.71%
8/6/2024	2.90%	16.00%
8/8/2024	2.90%	0.00%
8/15/2024	2.40%	-17.24%
8/15/2024	2.00%	-16.67%
9/3/2024	2.00%	0.00%
9/4/2024	2.10%	5.00%
9/9/2024	2.50%	19.05%
9/17/2024	3.00%	20.00%
9/18/2024	2.90%	-3.33%
9/27/2024	3.10%	6.90%
10/1/2024	2.50%	-19.35%
10/8/2024	3.20%	28.00%



Germany Trade Balance & Germany Exports MoM





Wall Street Recap

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