

Financials Lead Market Gains as Producer Price Index Declines to 1.76%; JPMorgan and Wells Fargo Outperform.

October 11, 2024

by Francisco Rodríguez-Castro
frc@birlingcapital.com

The U.S. and European stock markets closed the week with gains as the U.S. Producer Price Index fell to 1.76% a decrease of 84.32% since its high on June 2022 and sector leadership was driven by the large banks and financials due to solid earnings reports from JPMorgan Chase and Wells Fargo, emerged as the top-performing sectors of the day. In contrast, the technology and consumer discretionary sectors lagged. This shift in market leadership is likely to endure, particularly as the Federal Reserve continues its rate-cutting strategy and earnings growth is seen across both tech and non-tech sectors.

The U.S. Producer Price Index (PPI) inflation data for August aligned with forecasts. Headline PPI fell to 1.76%, below last month's 1.91%, while core PPI rose to 2.81%, up from 2.65% last month, with the primary driver of inflation was the services sector, which saw a 0.2% increase, while goods prices fell by 0.2%, mainly due to declining energy and gasoline prices. We expect factors like slower wage growth and a potential easing in shelter and rent prices to help bring inflation down gradually.

The third-quarter earnings season began positively, with JPMorgan and Wells Fargo exceeding expectations. JPMorgan reported record net income and raised its full-year guidance, emphasizing the resilience of consumer spending. Wells Fargo also surpassed earnings forecasts, highlighting a more diversified revenue base that helped offset a decline in net interest income. Financials were the best-performing sector of the day. Overall, third-quarter earnings for the S&P 500 are expected to grow by 4.2% year-over-year, a notable drop from the 7.7% forecast in June.

Corporate Earnings Parade:

- **JPMorgan Chase & Co (JPM):** reported 3Q24 revenues of \$42,654 billion, up 7%, net income of \$12,898 billion, down 2%, and earnings per share of \$4.38. JPM has a stock price objective of \$220.66 and closed today at \$222.27, up \$9.43 or 4.43%.
- **Wells Fargo & Co (WFC):** reported 3Q24 revenues of \$20,366 billion, down 2%, net income of \$5,119 billion, down 11%, and earnings per share of \$1.42. WFC has a stock price objective of \$65.71, and the stock closed at \$60.97, \$3.22 or 5.58%.

Key Economic Data:

- **U.S. Producer Price Index YoY:** fell to 1.76%, compared to 1.91% last month.
- **U.S. Core Producer Price Index YoY:** rose to 2.81%, compared to 2.65% last month.
- **U.S. Index of Consumer Sentiment:** It fell to 68.90, down from 70.10 last month and decreasing -1.71%.
- **Canada Employment Net Change:** rose to 46,700, up from 22,100 last month and increasing 111.3%.
- **Canada Unemployment Rate:** fell to 6.50%, compared to 6.60% last month.
- **Canada Labour Force Participation Rate:** fell to 64.90%, compared to 65.10% last month.

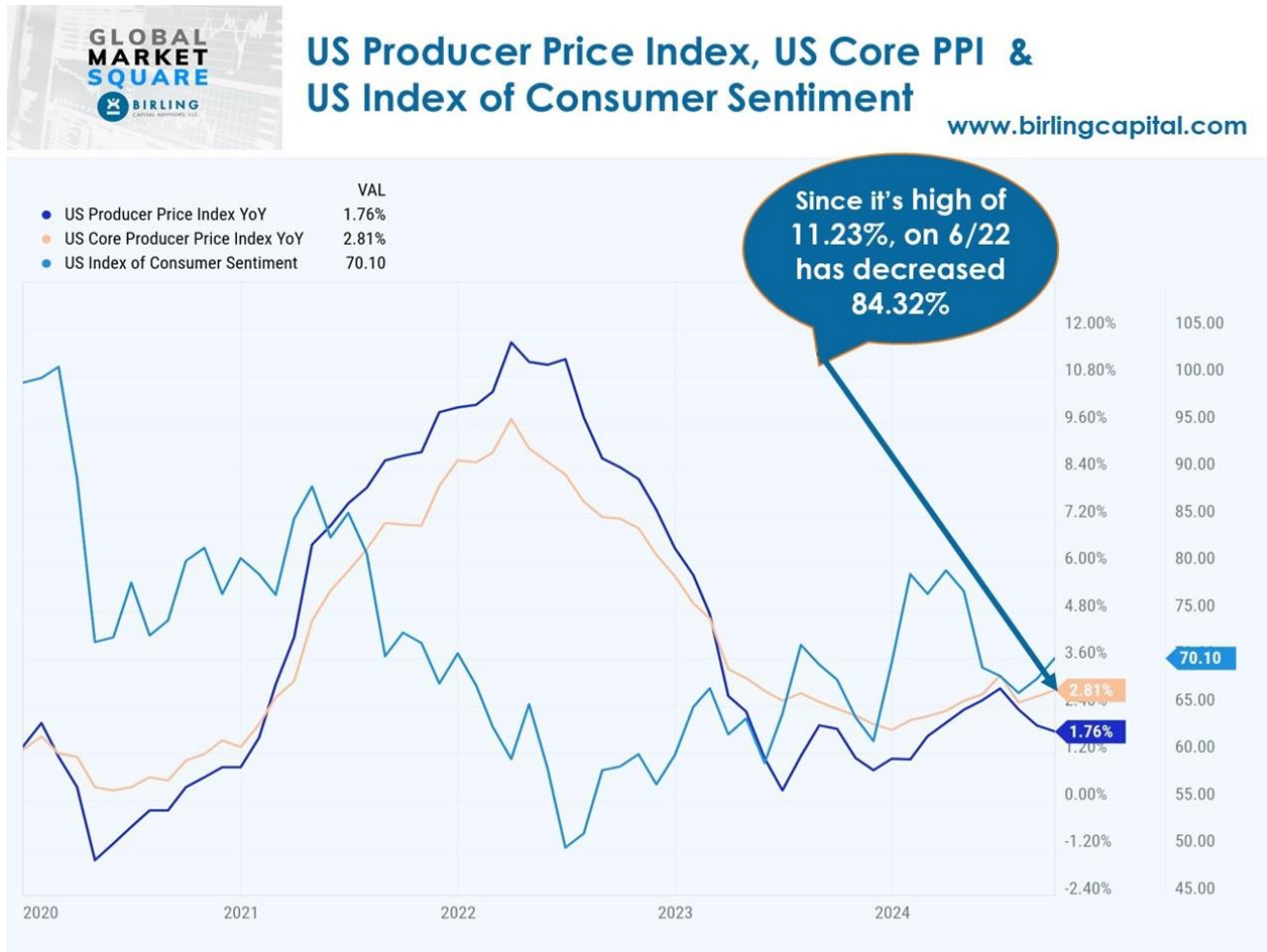
- **Germany Consumer Price Index YoY:** fell to 1.60%, compared to 1.90% last month.
- **U.K. Industrial Production Index YoY:** is at -1.60%, compared to -2.20% last month.

Eurozone Summary:

- **Stoxx 600:** Closed at 521.98, up 2.87 points or 0.55%.
- **FTSE 100:** Closed at 8,253.65, up 15.92 points or 0.19%.
- **DAX Index:** Closed at 19,373.83, up 192.93 points or 0.85%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 42,863.86, up 409.74 points or 0.97%.
- **S&P 500:** closed at 5,815.03, up 34.98 points or 0.61%.
- **Nasdaq Composite:** closed at 18,342.94, up 60.89 points or 0.33%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,721.63, up 15.37 points or 0.41%.
- **Birling Capital U.S. Bank Stock Index:** closed at 5,453.81, down 24.07 points or 0.44%.
- **U.S. Treasury 10-year note:** closed at 4.08%.
- **U.S. Treasury 2-year note:** closed at 3.95%.



Canada Employment Change, Canada Unemployment Change, Canada Labour Participation Rate, Germany CPI & UK Industrial Production Index

www.birlingcapital.com

| | VAL |
|--|--------|
| ● Canada Employment Net Change | 46.70K |
| ● Canada Unemployment Rate | 6.50% |
| ● Canada Labour Force Participation Rate | 64.90% |
| ● Germany Consumer Price Index YoY | 1.60% |
| ● UK Industrial Production Index YoY | -1.60% |





Global Market Square © es una publicación preparada por Birling Capital LLC y resume los recientes desarrollos geopolíticos, económicos, de mercado y otros que pueden ser de interés para los clientes de Birling Capital LLC. Este informe está destinado únicamente a fines de información general, no es un resumen completo de los asuntos a los que se hace referencia y no representa asesoramiento de inversión, legal, regulatorio o fiscal. Se advierte a los destinatarios de este informe que busquen un abogado profesional adecuado con respecto a cualquiera de los asuntos discutidos en este informe teniendo en cuenta la situación de los destinatarios. Birling Capital no se compromete a mantener a los destinatarios de este informe informados sobre la evolución futura o los cambios en cualquiera de los asuntos discutidos en este informe. Birling Capital. El símbolo de registro y Birling Capital se encuentran entre las marcas registradas de Birling Capital. Todos los derechos reservados.