



Oriental Bancorp & Morgan Stanley Report Rising 3Q24 Earnings and the PR Economic Activity Index in contraction for the past six months.

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The U.S. and European stock markets closed with mixed results. Stock markets have shown high volatility this week, starting with a 46th-record high on Monday and then a downturn on Tuesday as investors digest recent inflation and jobs data. With no significant headlines or economic reports driving the market today, the focus remains on corporate earnings, particularly from the banking sector, which started the quarter with encouraging results and pushed Wall Street higher.

The focus shifts towards the US Retail Sales report for September, which is due tomorrow and offers an insightful view of consumer health. The US markets continue to price a "Soft Landing", where economic growth continues while inflation cools, labor markets soften but hold steady, and consumer spending is expected to remain resilient through the holiday season. If inflation continues to ease, especially in housing costs, it could allow the Federal Reserve to implement further rate cuts, providing additional support for stocks. The bond markets are slightly more potent, pushing interest rates lower. The 10-year Treasury yield closed at 4.02%.

Positive inflation data from the U.K. today and Canada yesterday has helped cool rates, following their spike in October as bond markets recalibrated expectations for Fed rate cuts.

Commodities are seeing varied performance, with gold approaching record highs, while oil prices remain flat after Tuesday's sharp decline as tensions in the Middle East eased. Oil prices are down over 8% since last week and 15% since early July. In equity markets, sectors like financial services, energy, materials, and industrials are leading today, reflecting a shift towards cyclical stocks. Market sentiment remains positive, with current valuations and survey results pointing to a reasonable pause as equities consolidate after a strong run.

Puerto Rico Economic Update:

In August, the Economic Development Bank-Economic Activity Index reached 126.9 points, reflecting a -0.8% contraction compared to the same month last year.

Since December 2023, it has been falling, and in March 2024, it entered a contraction phase, remaining in negative territory for six consecutive months:

- November 2023: 4.40%
- December 2023: 1.60%
- January 2024: 1.50%
- February 2024: 0.40%
- March 2024: -0.20%
- April 2024: -1.40%
- May 2024: -1.00%

- June 2024: -0.60%
- July 2024: -0.30%
- August 2024: -0.80%

The EAI measures these four components:

1. **Non-Farm Payrolls:** Seasonally adjusted total non-farm payroll employment averaged 963,900 jobs in August, reflecting a 0.2% month-over-month increase. On an annual basis, this represents a growth of 1.9%.
2. **Electricity Generation:** in August 2024 totaled 1,568.7 million kWh, a 4.8% decline from the previous month and a 4.3% decrease year over year.
3. **Gasoline Consumption:** Preliminary estimates for August 2024 reached 66.5 million gallons, showing a modest 0.1% increase from the prior month but an 11.5% decline compared to last year.
4. **Sales of Bags of Cement:** In August 2024, there were 1.2 million 94-pound bags, reflecting a 1.9% month-over-month contraction and a 0.5% decrease compared to August 2023.

Corporate Earnings Parade:

- **Morgan Stanley (MS):** reported 3Q24 revenues of \$15.383 billion, up 16%, net income of \$3.188 billion, up 32%, and earnings per share of \$1.88, beating estimates. Morgan Stanley's stock price objective was \$107.35, with a Tier 1 Capital Ratio of 15.1%.
- **OFG Bancorp (OFG):** reported 3Q24 revenues of \$174,146 million, up 1.35%, net income of \$47,000 million, up 4.74%, and earnings per share of \$1.00. Oriental has a stock price objective of \$49.00 and a Tier 1 Capital Ratio of 14.37%.

Key Economic Data:

- **U.S. Export Prices YoY:** fell by -2.13%, compared to -0.87% last month.
- **U.S. Import Prices YoY:** fell by -0.14%, compared to 0.78% last month.
- **N.Y. Fed Business Leaders Survey Current Business Activity:** fell by -2.20 from 0.50 last month.
- **Canada Manufacturing Shipments:** fell to 69.45 billion, down from 70.37 billion last month, decreasing -4.44%.
- **Germany Real Retail Sales YoY:** rose by 2.40%, compared to 1.90% last month.
- **U.K. Consumer Price Index YoY:** fell to 1.70%, compared to 2.20% last month.
- **U.K. Core Consumer Price Index YoY:** fell by 3.22%, compared to 3.62% last month.
- **U.K. Producer Price Index: Output YoY:** fell by -0.73%, compared to 0.29% last month.
- **U.K. Producer Price Index: Input YoY:** fell by -2.34%, compared to -1.01% last month.

Eurozone Summary:

- **Stoxx 600:** Closed at 519.60, down 0.97 points or 0.18%.
- **FTSE 100:** Closed at 8,329.07, down 79.79 points or 0.97%.
- **DAX Index:** Closed at 19,432.81, down 53.38 points or 0.27%.

Wall Street Summary:

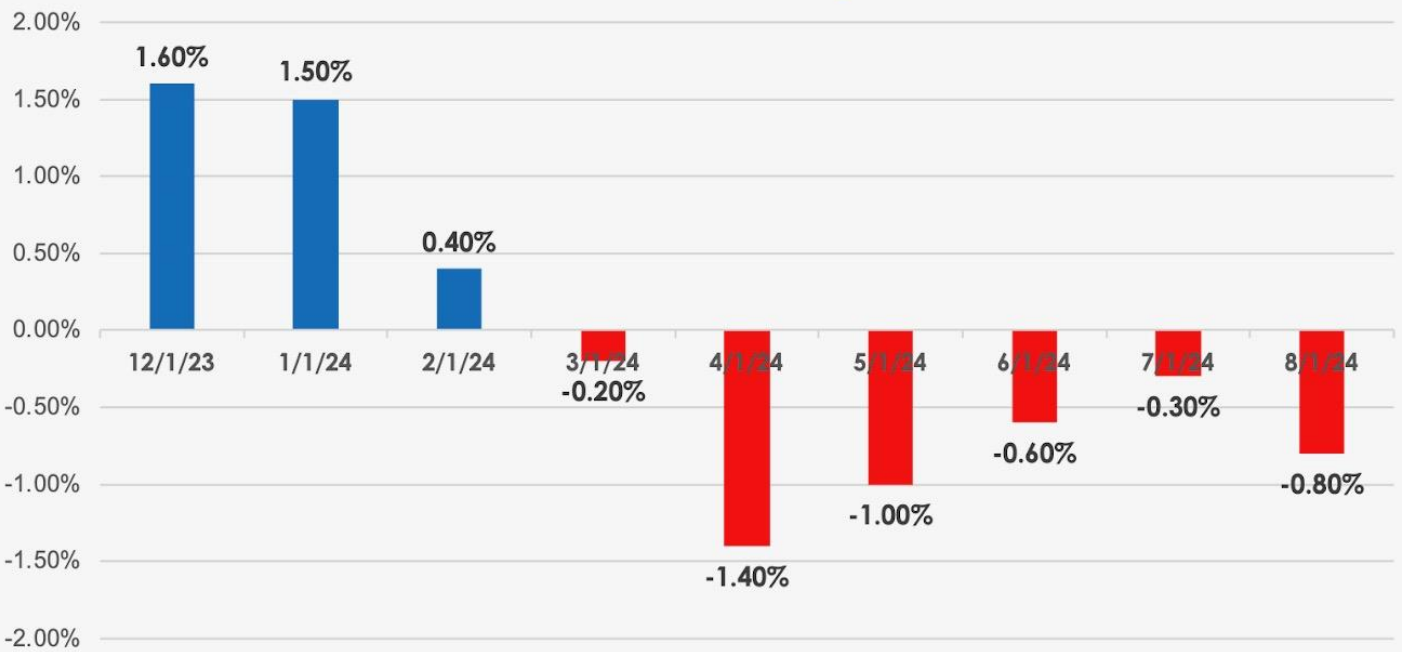
- **Dow Jones Industrial Average:** closed at 43,077.70 up 337.28 points or 0.79%.
- **S&P 500:** closed at 5,842.47, up 27.21 points or 0.47%.
- **Nasdaq Composite:** closed at 18,367.08, up 51.49 points or 0.28%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,879.23, up 37.71 points or 0.98%.
- **Birling Capital U.S. Bank Stock Index:** closed at 5,683.71, down 26.42 points or 0.46%.

- **U.S. Treasury 10-year note:** closed at 4.02%.
- **U.S. Treasury 2-year note:** closed at 3.932%.



The PR Economic Activity Index has been falling for 9 months and in contraction for 6 Months

**Economic Activity Index
November 2023 to August 2024**





NY Fed Business Leaders Survey, US Exports, US Imports & Canada Manufacturing Shipments



Germany Retail Sales, UK CPI, UK Core CPI, UK PPI Output & UK PPI Input

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Germany Real Retail Sales YoY (I:GCRRS)	2.40%
UK Consumer Price Index YoY (I:UKCCXRBU)	1.70%
UK Core Consumer Price Index YoY (I:UKCCPIYY)	3.22%
UK Producer Price Index: Output YoY (I:UKPPIOYY)	-0.73%
UK Producer Price Index: Input YoY (I:UKPPIIYY)	-2.34%





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