

# GLOBAL MARKET SQUARE



**The GDPNow for the third quarter is 3.40%, with more than 20% of S&P 500 companies reporting earnings, and the markets are anxious.**

**October 21, 2024**

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The U.S. and European stock markets began the week mostly down, except for the Nasdaq Composite, which closed up. Consumer discretionary, real estate, and financial services sectors led the decline. Looking at a broader view, the technology, utilities, communication services, financial services, and industrial sectors have been top performers in 2024, each gaining over 22% year-to-date. We highlight the broadening market leadership beyond just technology and growth-focused investments. Meanwhile, gold and oil prices are up today, with oil bouncing back after an 8% drop last week. Following the recent highs in U.S. equities, which have posted a 23% year-to-date gain, and no significant employment data other than the initial claims for unemployment or inflation data expected this week, the market could remain relatively flat. However, corporate earnings reports and anticipation surrounding the upcoming election are prone to drive volatility.

## **Interest Rates and Economic Outlook**

Despite the Federal Reserve initiating its rate-cutting cycle in September, longer-term interest rates have continued to rise. This reflects the market's confidence in steady economic growth and adjusted expectations for the pace of further rate cuts. The 10-year Treasury yield closed at 4.19%, marking the highest since late July. Over the past month, 10-year yields have climbed by 50 basis points, restoring some steepness to the yield curve, as long-term rates are now higher than short-term rates. This pricing reflects confidence in future Fed policy easing amid solid GDP growth, as noted in the latest GDPNow for the third quarter, which is at 3.40% GDP.

We don't expect this to signal a significant shift in the Fed's strategy, which likely remains focused on gradually returning interest rates to a more neutral stance. However, this path is not set in stone, and future labor market and inflation data could lead the Fed to pause as it evaluates the economic response periodically. Notably, the equity markets have weathered the rising interest rates well, which we attribute to optimism about economic growth rather than concerns over inflation.

## **Earnings in Focus This Week**

This week brings a relatively light economic calendar, with only a few key data releases. Housing market data on Wednesday and Thursday will offer insights into how the recent rise in interest rates has impacted residential real estate activity. Additionally, Thursday's manufacturing and services PMI reports will be closely watched for clues about the economy's direction. While the services sector is expected to remain resilient, manufacturing may continue to lag, potentially marking a fourth straight month of contraction with PMI readings below 50. However, the key event this week will be the release of quarterly earnings from more than 20% of S&P 500 companies. Mega-cap tech firms are expected to post strong earnings again, bolstering overall S&P 500 profits. However, earnings forecasts for the coming year suggest a more balanced growth outlook across various sectors, with estimates calling for nearly 14% quarterly earnings growth, excluding the "Magnificent 7" tech giants. Sustained economic expansion and favorable monetary policy will support robust profit growth in 2024, providing continued momentum for the market.

## GDPNow Update:

- The **GDPNow** was updated on October 18, 2024, and is unchanged at 3.40% GDP for the Third Quarter of 2024.

## Key Economic Data:

- **U.S. Retail Gas Price:** rose to \$3.294, up from \$3.26 last week, increasing 1.04%.
- **Germany Producer Price Index YoY:** fell -1.40%, compared to -0.80% last month.

## Eurozone Summary:

- **Stoxx 600:** Closed at 521.52, down 3.47 points or 0.66%.
- **FTSE 100:** Closed at 8,318.24, down 40.01 points or 0.48%.
- **DAX Index:** Closed at 19,461.19, up 196.18 points or 1.00%.

## Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 42,931.60 down 344.31 points or 0.80%.
- **S&P 500:** closed at 5,853.98, down 10.69 points or 0.18%.
- **Nasdaq Composite:** closed at 18,540.01, up 50.45 points or 0.27%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,744.90, down 70.76 points or 1.85%.
- **Birling Capital U.S. Bank Stock Index:** closed at 5,811.12, down 5.57 points or 0.10%.
- **U.S. Treasury 10-year note:** closed at 4.19%.
- **U.S. Treasury 2-year note:** closed at 4.02%.



# GDPNow

Date	GDPNow 3Q24	Change
7/25/24	2.80%	Initial Forecast
8/1/24	2.50%	10.71%
8/6/24	2.90%	16.00%
8/8/24	2.90%	0.00%
8/15/24	2.40%	-17.24%
8/15/24	2.00%	-16.67%
9/3/24	2.00%	0.00%
9/4/24	2.10%	5.00%
9/9/24	2.50%	19.05%
9/17/24	3.00%	20.00%
9/18/24	2.90%	-3.33%
9/27/2024	3.10%	6.90%
10/1/24	2.50%	-19.35%
10/8/24	3.20%	28.00%
10/9/24	3.20%	0.00%
10/17/24	3.40%	6.25%
10/18/24	3.40%	0.00%



# US Retail Gas Price & Germany Producer Price Index

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# Wall Street Recap

## October 21, 2024



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