

# GLOBAL MARKET SQUARE



## The PCE falls to 2.10%, the Core PCE to 2.65%, Evidencing Inflation's Stubborn Trajectory, Unemployment Claims Fall to 5.26%, and Wall Street Tanks.

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The U.S. and European markets closed with losses. Investors reacted to several issues, beginning with Microsoft, as the company's revenue outlook left investors underwhelmed, dampening enthusiasm despite a quarterly earnings beat, and shares fell over 6%. On the other hand, Meta Platforms dropped over 4% after the Facebook parent missed user growth projections and cautioned that capital expenditures would increase substantially in 2025. Even so, Meta still exceeded expectations on revenue and earnings in the third quarter.

Lastly, Amazon and Apple delivered their earnings results after the markets closed, and both companies surpassed expectations; we discuss the results below.

Sifting through a steady stream of economic and earnings reports, the narrative has primarily been **"strong but falling short of expectations."**

Wednesday's U.S. GDP release revealed 2.8% growth in the last quarter—a healthy rate but below the 3% target anticipated by analysts—leading to a slightly softer market close. Similar themes are at play today, as Meta and Microsoft's quarterly earnings landed below forecasts. Bond yields are inching higher, with the 10-year Treasury yield nearing 4.30%, a noticeable increase from 3.75% just one month ago. Markets remain tethered to shifting indicators across the labor market, inflation data, and Federal Reserve policy, with today's data releases, including initial jobless claims and the latest consumer price data, setting the tone. The days ahead are loaded with key developments, including Friday's September jobs report, next week's election, and the Fed's interest rate decision.

### **Inflation's Stubborn Trajectory:**

The PCE fell to 2.10%, below last month's 2.27%, but ahead of the Inflation Nowcasting of 2.06%, and the Core PCE fell to 2.65%, below last month's 2.72% but ahead of the Inflation Nowcasting of 2.62%.

The data shows that inflation may become more erratic compared to the relatively smooth cooling seen over the past year and a half. Also, inflation's pace is moderate enough for the Fed to hold course on easing; it's still elevated enough to warrant a cautious approach, likely prompting pauses between rate cuts to better gauge trends. Lastly, the persistence of inflation in services reflects the economy's robustness, especially in consumer spending. While core inflation progress is essential, the economy's resilience amidst disinflation trends bodes well for financial markets—assuming inflation continues to cool.

### **Supportive Employment Signals:**

This week's labor market updates have been positive, with the essential data point arriving Friday morning via the nonfarm payrolls report. Today's initial jobless claims, a precursor to broader employment data, fell to their lowest point since May. While jobless claims vary weekly, the general trend remains stable, consistent with a softening yet resilient labor market. Tomorrow's payroll report

will provide further direction, though some fluctuation in job numbers is expected, given the recent hurricane activity. Healthy employment trends continue to bolster consumer spending, a positive factor heading into the holiday season and the year's final quarter of above-trend GDP growth.

### Corporate Earnings Parade:

- **Amazon.com, Inc. (AMZN):** reported 3Q24 revenues of \$158.88 billion, increasing 11%, net income of \$15.3 billion, and earnings per share of \$1.43, beating estimates. Amazon has a stock price objective of \$221.12; the stock closed at \$186.19, down -\$6.54.
- **Apple, Inc. (AAPL):** reported 4Q24 revenues of \$94.930 billion, increasing 6%, net income of \$14.746 billion, and earnings per share of \$1.64, beating estimates. Apple has a stock price objective of \$240.77; the stock closed at \$225.94, down -\$4.16.
- **Quanta Services, Inc. (PWR):** reported 3Q24 revenues of \$6.49 billion, increasing 15.48%, net income of \$293.2 million, rising 7.43%, and earnings per share of \$1.95, beating estimates. Quanta has a stock price objective of \$309.13; the stock closed at \$301.63, down -\$10.00.

### Key Economic Data:

- **U.S. PCE Price Index YoY:** fell to 2.10%, compared to 2.27% last month.
- **U.S. Core PCE Price Index YoY:** fell to 2.65%, compared to 2.72% last month.
- **U.S. Initial Claims for Unemployment Insurance:** fell to 216,000, down from 228,000 last week, decreasing -5.26%.
- **U.S. Personal Income MoM:** rose to 0.29%, compared to 0.23% last month.
- **U.S. Personal Spending MoM:** rose to 0.53%, compared to 0.28% last month.
- **30-Year Mortgage Rate:** rose to 6.54%, compared to 6.44% last week.
- **Canada Real GDP MoM:** fell to -0.02%, compared to 0.12% last month.
- **Eurozone Unemployment Rate:** is unchanged at 6.30%, compared to 6.30% last month.
- **Germany Real Retail Sales MoM:** is unchanged at 1.20%, compared to 1.20% last month.
- **Japan Housing Starts YoY:** is at -0.57%, compared to -5.07% last month.

### Eurozone Summary:

- **Stoxx 600:** Closed at 505.39, down 6.12 points or 1.20%.
- **FTSE 100:** Closed at 8,110.10, down 49.53 points or 0.61%.
- **DAX Index:** Closed at 19,077.54, down 179.80 points or 0.93%.

### Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 41,763.46, down 378.08 points or 0.90%.
- **S&P 500:** closed at 5,705.45, down 108.22 points or 1.86%.
- **Nasdaq Composite:** closed at 18,095.15, down 512.78 points or 2.76%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,544.86, up 28.53 points or 0.81%.
- **Birling Capital U.S. Bank Stock Index:** closed at 5,812.65, down 11.08 points or 0.19%.
- **U.S. Treasury 10-year note:** closed at 4.28%.
- **U.S. Treasury 2-year note:** closed at 4.16%.

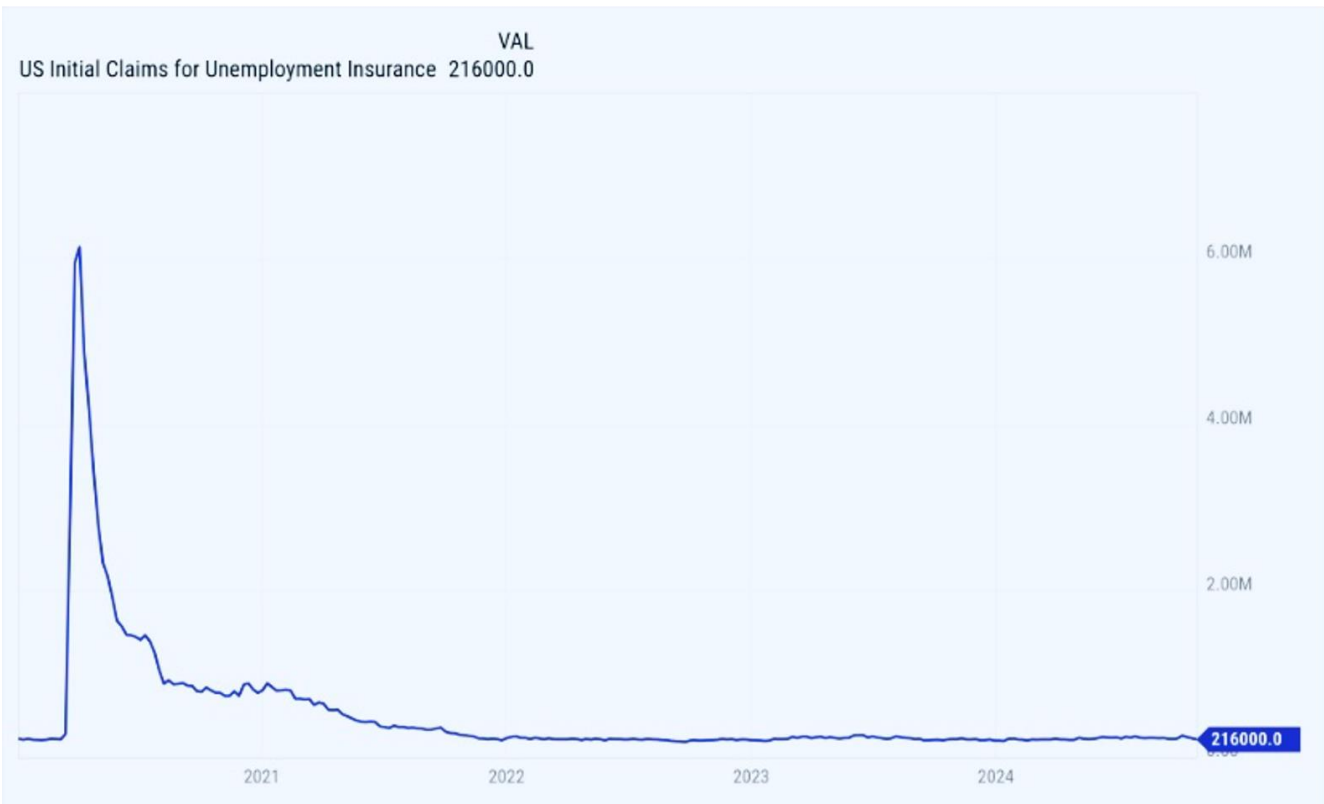


# US PCE, US Core PCE, 30-Year Mortgage Rate, US Personal Income & US Personal Spending



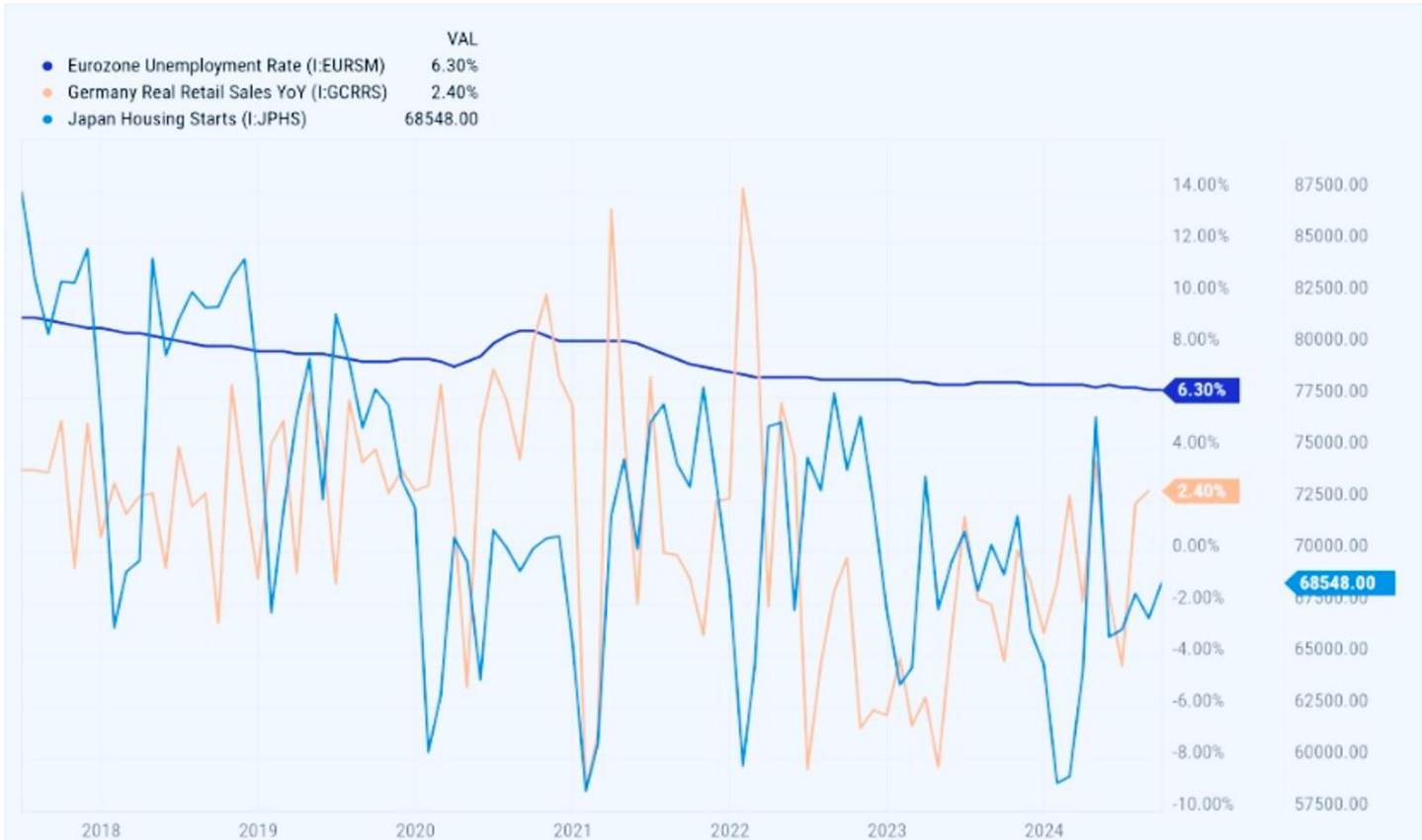


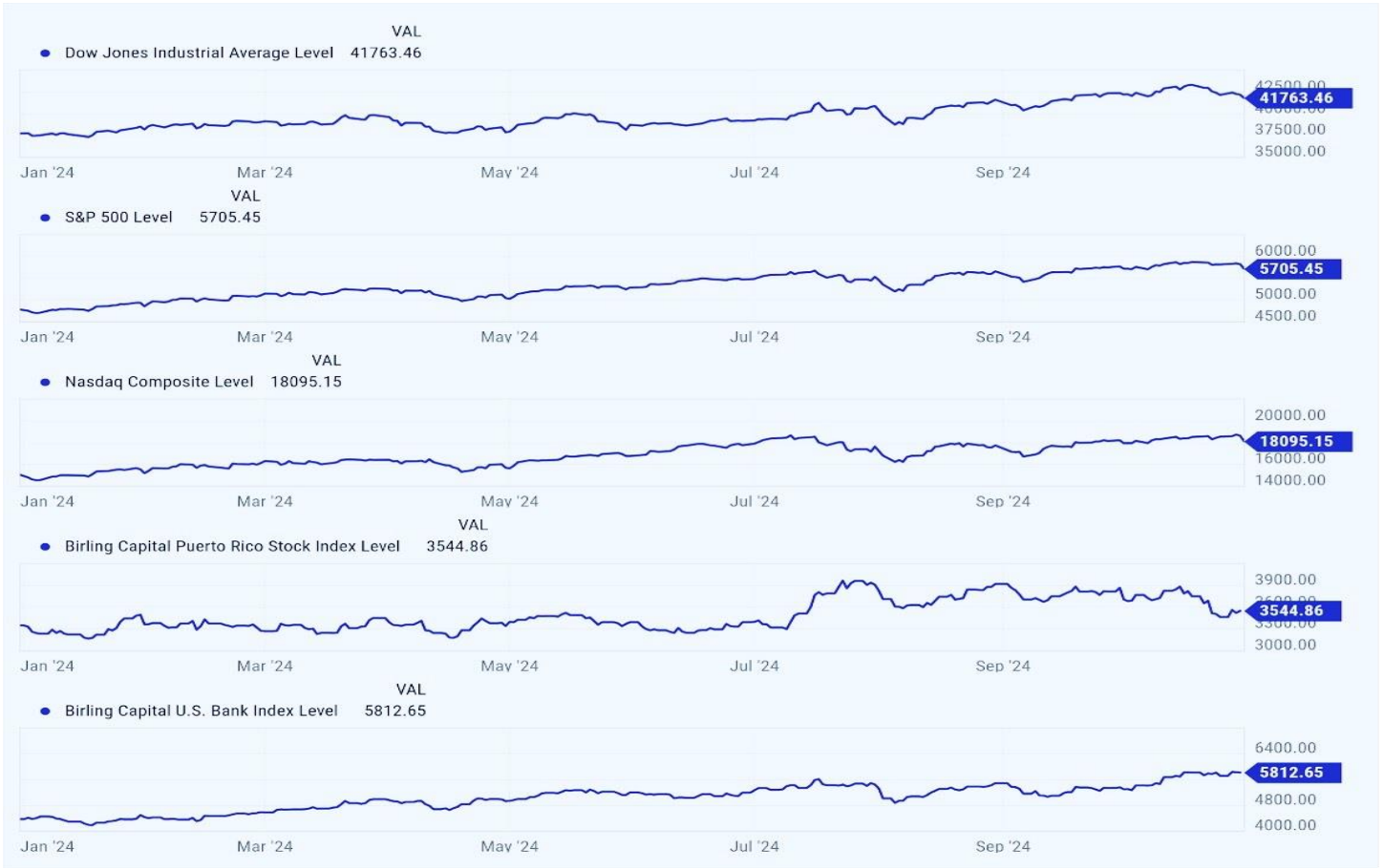
# US Initial Claims for Unemployment,





# Eurozone Unemployment Rate, Germany Retail Sales & Japan Housing Starts





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