



Markets Tumble Ahead of Key CPI Report as Fed Rate Cut Speculation Intensifies and Wall Street Closed Down.

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The U.S. and European stock markets closed with mixed results ahead of the Consumer Price Index, due tomorrow. Wall Street saw the Nasdaq Composite rise 141.66, the S&P 500 rose 24.47, while the Dow Jones fell 92.63. The latest Inflation Nowcasting has the CPI at 2.56% and the Core CPI at 3.21%. Equity markets lost ground as they anticipated releasing the consumer price index (CPI) inflation data.

As inflation has cooled and labor market data is softening, attention is shifting from the question now, which is whether the Fed will reduce interest rates at its September 18 meeting, to the question now of how large the rate cut might be. The futures markets reflect a 73% probability of a 25-basis-point cut, while the odds of a 50-basis-point reduction are at 27%. Given the resilience of economic growth despite easing labor conditions, a 25-basis-point cut appears more likely.

Bond yields continue to slide, with the 10-year Treasury yield closing at 3.65% and the 2-year yield at 3.59%.

On the economic front, the NFIB small business optimism index dropped 2.5 points to 91.2 in August, marking the 32nd straight month below its long-term average of 97.6, highlighting the pressure the high borrowing costs continue to affect small businesses.

In addition to inflation data, political attention has turned to the first U.S. presidential debate between Vice President Kamala Harris and former President Donald Trump.

Latest Presidential Polls

We reviewed several of the latest polls showing that the Presidential race is close.

NPR/PBS/Marist Poll

- Harris: 49%
- Trump: 48%

N.Y. Times/Siena Poll

- Trump: 48%
- Harris: 47%

Fox News Poll

- Trump: 50%
- Harris: 49%

Ipsos/ABC News Poll

- Harris: 50%
- Trump: 46%

Sector Leadership Expands Beyond Mega-Cap Tech

In contrast to 2023, when technology, communication services, and consumer discretionary sectors drove the S&P 500's 26% rally, 2024 has seen a broadening of sector leadership. While technology and communication services have performed well year-to-date, utilities and financials now lead the S&P 500, each climbing over 20% this year. Since July, the rotation away from mega-cap tech has intensified, with technology and communication services down more than 6% in that period.

Key Economic Data:

- **Germany Consumer Price Index YoY:** fell to 1.90%, compared to 2.30% last month.
- **UK ILO Unemployment Rate:** Aged 16-64: is unchanged at 4.20%, compared to 4.20% last month.
- **China Exports YoY:** rose to 8.73%, compared to 7.03% last month.
- **China Imports YoY:** fell to 0.47%, compared to 7.17% last month.
- **China Trade Balance:** rose to 91.02 billion, up from 84.65 billion last month, increasing 7.53%.

Eurozone Summary:

- **Stoxx 600:** Closed at 510.70, up 4.14 points or 0.82%.
- **FTSE 100:** Closed at 8,270.84, up 89.37 points or 1.09%.
- **DAX Index:** Closed at 18,443.56, up 141.66 points or 0.77%.

Wall Street Summary:

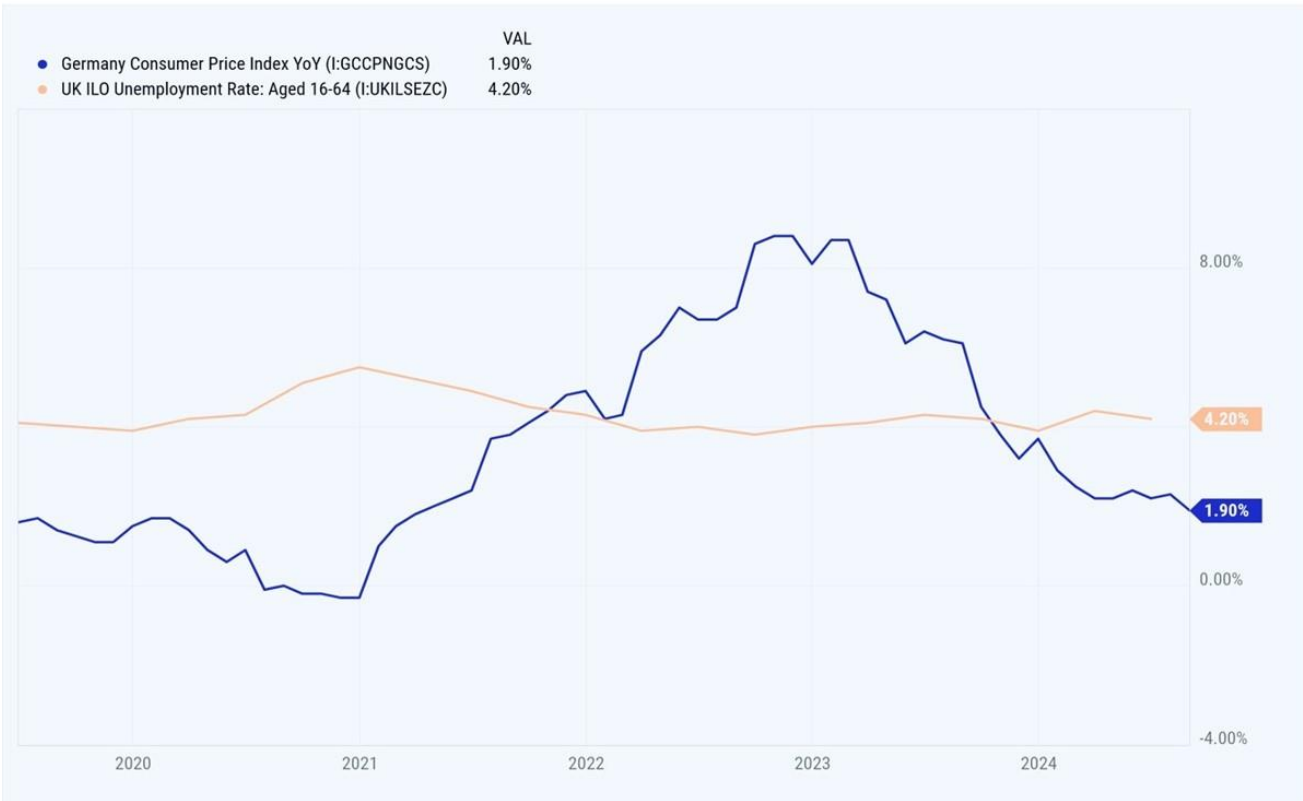
- **Dow Jones Industrial Average:** closed at 40,736.96, down 92.63 points or 0.23%.
- **S&P 500:** closed at 5,495.52, up 24.47 points or 0.45%.
- **Nasdaq Composite:** closed at 17,025.88, up 141.28 points or 0.84%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,719.44, up 18.34 points or 0.50%.
- **Birling Capital U.S. Bank Stock Index:** closed at 5,232.77, up 79.53 points or 1.54%.
- **U.S. Treasury 10-year note:** closed at 3.65%.
- **U.S. Treasury 2-year note:** closed at 3.59%.

Inflation Nowcasting CPI & Core CPI versus Actual

Inflation Nowcast	CPI	Core CPI
August	2.56%	3.21%



Germany Consumer Price Index and UK ILO Unemployment Rate



China Exports YoY, China Imports YoY & China Trade Balance



China Exports YoY, China Imports YoY & China Trade Balance





Wall Street Recap

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