



GLOBAL MARKET SQUARE



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Shifting Investor Sentiment Drives U.S., European, and Asian Markets Mostly Lower Amid Central Bank Actions and Economic Data.

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The U.S. and European stock markets closed the week mostly down, except for the Dow Jones, which closed at record levels. The markets continue to embrace the Fed's decision to lower interest rates, with investors showing optimism. With the Fed's rate-cutting path now set in motion, few significant headlines or economic reports are driving the market today. However, utilities and communication services are leading Friday's performance, while cyclicals and small-cap stocks have outshined this week, boosted by the Fed's decisive rate cut and the potential economic stimulus it suggests. The European and Asian markets experienced a mixed performance recently, influenced by various economic factors and central bank decisions.

Across Asia, markets mirrored the cautious sentiment seen in Europe. Investors in the region reacted to a mix of local and global factors, including concerns over central bank policies, economic data, and geopolitical tensions. Japan's Nikkei 225 closed lower, weighed down by uncertainty over future rate decisions and weaker-than-expected export data. The Shanghai Composite ended the day in the red in China, with continued concerns over the country's slowing economic recovery and ongoing property sector woes. Meanwhile, Hong Kong's Hang Seng Index faced additional pressure from tech stock declines amid regulatory concerns.

Elsewhere in Asia, South Korea's KOSPI slipped as investors braced for potential rate hikes from the Bank of Korea.

Treasury yields and the return of the yield curve

While the 10-year Treasury Note closed at 3.xx%, they've risen throughout the week as investors welcome the Fed's monetary easing as a positive signal for future growth. Short-term rates, especially the 2-year Treasury, have dropped by a percentage point since July, responding to anticipation and confirmation of the Fed's rate cut. This movement has helped re-establish an upward-sloping yield curve, where 10-year yields are now above 2-year yields for the first time in over two years. This return to a positive slope in the yield curve is encouraging, reflecting a mix of easing Fed policy and improved growth prospects. Although challenges remain, historical patterns suggest that stock markets typically see strong gains after the first rate reduction when the Fed cuts rates without triggering a recession.

Now, the focus shifts to economic data as we put the Fed's meeting behind us; with crucial employment and inflation reports still, a few weeks away, markets will now turn to fresh economic data to assess the likelihood of a **"soft landing"** – where inflation moderates while economic growth continues. Next week, several key reports will provide more insight, including manufacturing, services, housing, consumer confidence, and household income and spending. While not every report perfectly aligns with the soft landing narrative, we anticipate the data will generally point toward a moderating economy positioned for sustained growth.

Key Economic Data:

- **Eurozone Economic Sentiment Indicator:** rose to 96.60, up from 96.00 last month, increasing 0.62%.
- **Eurozone Consumer Confidence Indicator:** fell to -13.50, down from -13.00 last month.
- **Germany Producer Price Index YoY:** is unchanged at -0.80%, compared to -0.80% last month.
- **U.K. Retail Sales YoY:** rose to 2.50%, compared to 1.50% last month.
- **U.K. Retail Sales excluding Fuel YoY:** rose to 2.30%, compared to 1.40% last month.
- **Japan Short-Term Policy Rate:** is unchanged at 0.25%, compared to 0.25% yesterday.

Eurozone Summary:

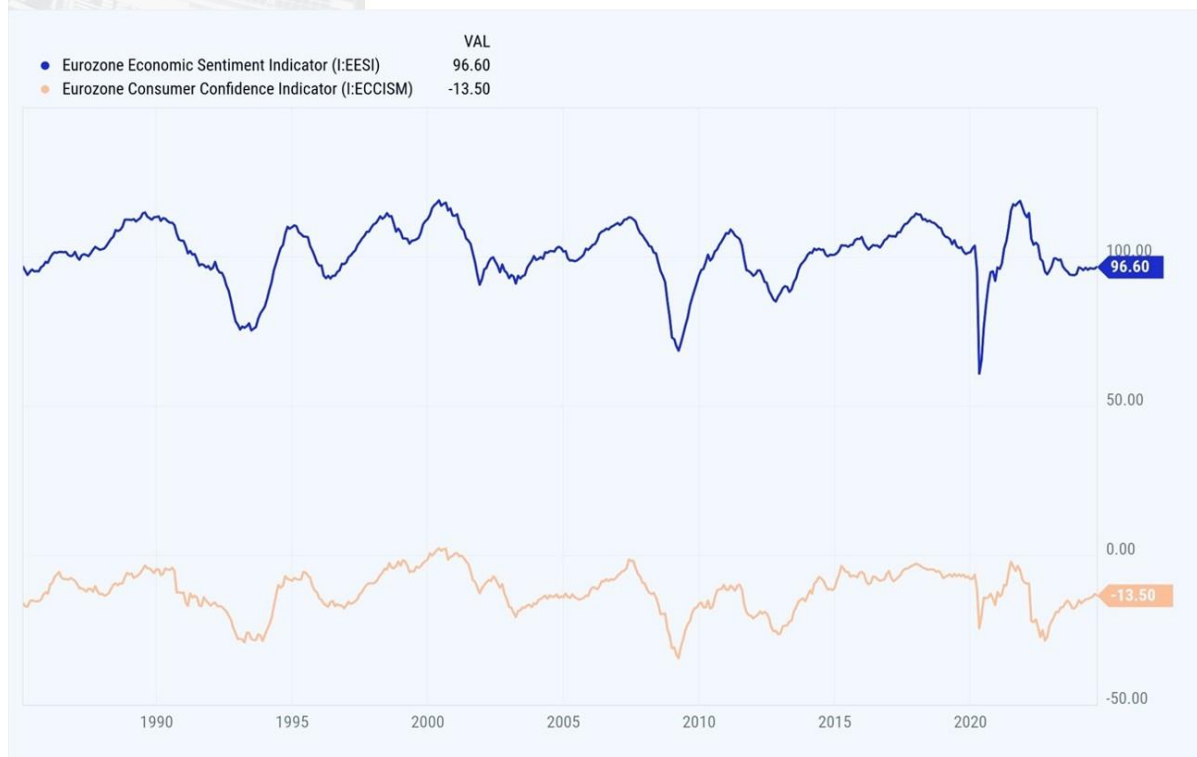
- **Stoxx 600:** Closed at 514.26, down 7.41 points or 1.42%.
- **FTSE 100:** Closed at 8,229.99, down 98.73 points or 1.19%.
- **DAX Index:** Closed at 18,720.01, down 282.37 points or 1.49%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 42,063.36, up 38.17 points or 0.09%.
- **S&P 500:** closed at 5,702.55, down 11.09 points or 0.19%.
- **Nasdaq Composite:** closed at 17,948.32, down 65.66 points or 0.36%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,879.23, up 60.37 points or 1.58%.
- **Birling Capital U.S. Bank Stock Index:** closed at 5,358.09, up 156.81 points or 3.01%.
- **U.S. Treasury 10-year note:** closed at 3.73%.
- **U.S. Treasury 2-year note:** closed at 3.55%.



Eurozone Economic Sentiment Indicator & Eurozone Consumer Confidence Indicator



Germany Producer Price Index, UK Retail Sales, UK Retail Sales Excluding Fuel & Japan Short-Term Policy Rate

	VAL
Germany Producer Price Index YoY (I:GCPPIUM)	-0.80%
UK Retail Sales YoY (I:UKCRS)	2.50%
UK Retail Sales excluding Fuel YoY (I:UKCRSF)	2.30%
Japan Short Term Policy Rate (I:JSTPR)	0.25%





Wall Street Recap

September 20, 2024



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