

The PCE inflation hit 2.24% at its lowest since 2021 and a stone's throw from the Fed's 2% target, fueling investor confidence and Dow Jones Breaks Record.

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The U.S. and European stock markets closed mostly up, except for the S&P 500 and Nasdaq, which closed down. However, the Dow Jones closed at 42,313, up 137.89 points, breaking another record fueled by the better-than-forecasted U.S. inflation figures. August's headline personal consumption expenditures (PCE) inflation rose by 2.24% YoY, below the Inflation Nowcasting of 2.33% and last month's 2.45%, marking its lowest since 2021. The Core PCE inflation climbed to 2.68%, while below the Inflation Nowcasting of 2.77%, it is slightly ahead of last month's 2.65%, which more or less matches market expectations. These results have sparked gains across the equity markets, with the S&P 500 experiencing broad-based sector gains, particularly in utilities and energy. Internationally, Asian markets saw significant rallies overnight—Japan's Nikkei surged over 2%, and Chinese indices advanced by around 3%. China's CSI 300 Index has surged over 15% in the past five trading days, its most robust performance since November 2008, following several new stimulus measures to revitalize its economy. Meanwhile, bond yields are dipping, with the 10-year yield closed down to 3.75% and the 2-year yield easing to 3.58%.

August's PCE data confirms that inflation is moving in the right direction. Headline PCE increased by 2.24% year-over-year, slightly under expectations, marking the lowest since February 2021. Core PCE, excluding the volatile food and energy components, matched the forecast with a 2.68% increase year-over-year. Notably, the monthly core PCE gain of 0.1% was below the expected 0.2% rise. The three-month annualized change in core PCE now sits at 2.06%, aligning with the Federal Reserve's 2% inflation target for the second consecutive month. Goods prices fell by 0.2%, continuing a four-month deflationary trend, while service prices rose by 0.2%, with housing costs still a sticking point, climbing 0.5%. This data supports the Fed's recent pivot towards its employment mandate, as inflation appears to be under control.

Sector leadership has broadened in Q3: The S&P 500 has posted a 5.6% gain for the third quarter, pushing its year-to-date rise to nearly 22%. Unlike previous quarters dominated by mega-cap tech stocks, this quarter has seen a more comprehensive range of sector leaders. Utilities led with an impressive 18% gain, followed by real estate, up 16%. Cyclical sectors like financials, industrials, and materials have also posted strong returns, gaining at least 9.9%. In contrast, the information technology sector increased by just 2%, while communication services remained flat. Looking ahead, we expect the combination of potential Federal Reserve rate cuts and a resilient economy to further support equities, with cyclical and defensive sectors likely to continue performing well.

Key Economic Data:

- **U.S. PCE Price Index YoY:** fell to 2.24%, compared to 2.45% last month.
- **U.S. Core PCE Price Index YoY:** rose to 2.68%, compared to 2.65% last month.
- **U.S. Index of Consumer Sentiment:** rose to 70.10, up from 67.90 last month.
- **U.S. Personal Income MoM:** fell to 0.20%, compared to 0.26% last month.
- **U.S. Personal Spending MoM:** fell to 0.24%, compared to 0.52% last month.

- **Canada Real GDP MoM:** rose to 0.16%, compared to 0.04% last month.
- **Eurozone Consumer Confidence Indicator:** is at -12.90, up from -13.40 last month.
- **Eurozone Economic Sentiment Indicator:** is at 96.20, down from 96.50 last month.
- **Germany Unemployment Rate:** fell to 6.00%, compared to 6.10% last month.
- **Japan Business Conditions Composite Coincident Index:** rose to 117.20, up from 114.10 last month, increasing 2.72%.

Eurozone Summary:

- **Stoxx 600:** Closed at 528.08, up 2.47 points or 0.47%.
- **FTSE 100:** Closed at 8,320.76, up 35.85 points or 0.43%.
- **DAX Index:** Closed at 19,473.63, up 235.27 points or 1.22%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 42,175.11, up 260.36 points or 0.62%.
- **S&P 500:** closed at 5,745.37, up 23.11 points or 0.40%.
- **Nasdaq Composite:** closed at 18,190.29, up 108.09 points or 0.60%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,764.02, down 39.02 points or 1.03%.
- **Birling Capital U.S. Bank Stock Index:** closed at 5,239.12, down 47.66 points or 0.90%.
- **U.S. Treasury 10-year note:** closed at 3.79%.
- **U.S. Treasury 2-year note:** closed at 3.60%.



Inflation Nowcasting

PCE & Core PCE

Inflation Forecasts Vs Actual

Month	PCE	PCE Actual	Change	Core CPI	Core CPI Actual	Change
August	2.33%	2.24%	-3.86%	2.77%	2.68%	-3.25%

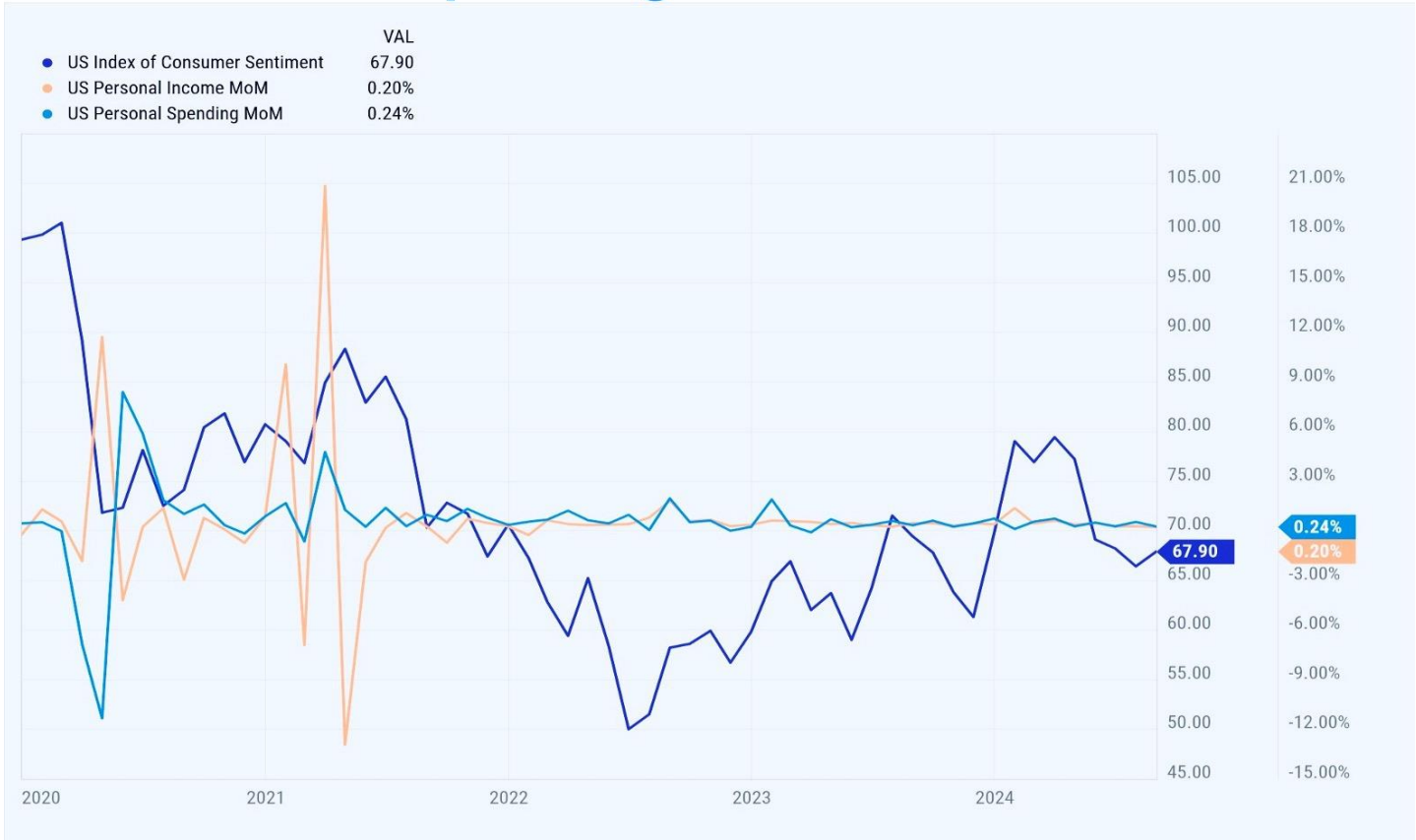


US PCE & US Core PCE





US Index of Consumer Sentiment, US Personal Income & US Personal Spending



Canada Real GDP, EU Consumer Confidence, EU Economic Sentiment, Germany Unemployment Rate & Japan Business Conditions





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