

Global Markets Tumble as Mixed Jobs Report Fuels Rate Cut Uncertainty.

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The U.S. and European stock markets closed the week with losses, driven by losses in the Nasdaq and the "Magnificent 7" mega-cap stocks, as a mixed jobs report raised fears that the Federal Reserve may be lagging in cutting interest rates. Although the Nasdaq has dipped back into correction territory, it remains above its August lows, as recent economic data still suggest ongoing expansion. All sectors saw declines, with communication services and consumer discretionary stocks leading the downturn. Global markets followed suit, with both Asia and Europe closing lower. Meanwhile, the U.S. dollar strengthened against major currencies. WTI crude oil hit a new yearly low in the commodities market, while gold also dropped.

Job Growth Slows – August's nonfarm payrolls rose by 142,000, missing expectations of 160,000 and falling below the 12-month average of 202,000. Additionally, job gains from June and July were revised down to 89,000. Despite the slower growth, the unemployment rate peaked at 4.2%, aligning with forecasts after a surprise increase the previous month. Wages grew at an annualized rate of 3.8%, slightly above expectations of 3.7%. Weekly jobless claims remained low, signaling employers are slowing hiring rather than resorting to significant layoffs. While the labor market is cooling, current data do not indicate an imminent recession.

Treasury yields edged lower, with the 10-year yield settling around 3.72%, boosting bond prices and helping to balance out equity market volatility. The 2-year Treasury yield dipped to 3.66%, bringing the yield curve back into positive territory after two years of inversion. The Federal Reserve has signaled plans to begin cutting interest rates this month, and bond markets are now pricing in a total of 2.5% rate cuts over the next 12 months, potentially bringing the Fed Funds rate below 3%. The Fed's attention is shifting towards achieving maximum employment as inflation continues to ease. While a 50-basis-point rate cut is possible, we believe a more modest 25-basis-point cut is likely. Lower rates should support economic growth and corporate profits by reducing borrowing costs for businesses and consumers.

Key Economic Data:

- **U.S. Nonfarm Payrolls MoM:** rose to 142,000, up from 89,000 last month, increasing 59.55%.
- **U.S. Unemployment Rate:** fell to 4.20%, compared to 4.30% last month.
- **U.S. Labor Force Participation Rate:** is unchanged at 62.70%, compared to 62.70% last month.
- **Canada Employment Net Change:** rose to 22,100, up from -2,800 last month.
- **Canada Unemployment Rate:** rose to 6.60%, compared to 6.40% last month.
- **Canada Labour Force Participation Rate:** rose to 65.10%, compared to 65.00% last month.
- **Canada Ivey PMI:** fell to 48.20, down from 57.60 last month, decreasing -16.32%.
- **Germany Industrial Production Index MoM:** fell to -2.40%, compared to 1.70% last month.
- **Germany Trade Balance:** rose to 24.90 billion, up from 20.40 billion last month, rising 22.06%.
- **Japan Business Conditions Composite Coincident Index:** rose to 117.10, up from 114.10 last month, increasing 2.63%.

Eurozone Summary:

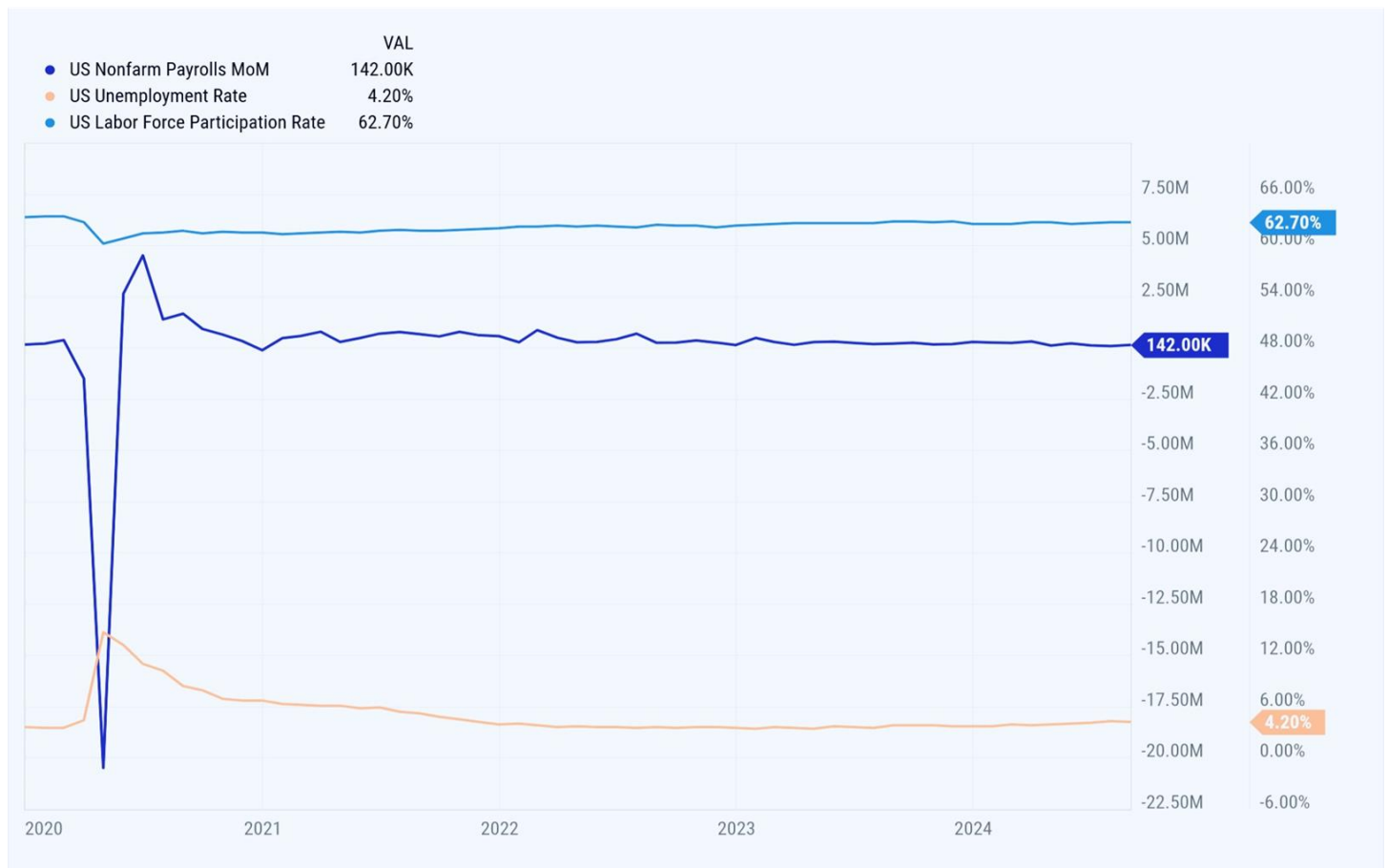
- **Stoxx 600:** Closed at 506.56, down 5.49 points or 1.07%.
- **FTSE 100:** Closed at 8,181.47, down 60.24 points or 0.73%.
- **DAX Index:** Closed at 18,301.90, down 274.60 points or 1.48%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 40,345.41, down 410.34 points or 1.01%.
- **S&P 500:** closed at 5,408.42, down 94.99 points or 1.73%.
- **Nasdaq Composite:** closed at 16,690.83, down 436.83 points or 2.55%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,771.53, down 54.74 points or 1.51%.
- **Birling Capital U.S. Bank Stock Index:** closed at 5,307.48, down 49.61 points or 0.93%.
- **U.S. Treasury 10-year note:** closed at 3.72%.
- **U.S. Treasury 2-year note:** closed at 3.66%.



US Nonfarm Payrolls, US Unemployment Rate & US Labor Participation Rate



Canada Employment Net Change, Canada Unemployment Rate, Canada Labour Participation Rate & Canada Ivey PMI





Wall Street Recap

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