

8/18/24[✦]

Sunday Dump

WEEKLY NEWSLETTER



Welcome to the Sunday Dump, your weekly 5 minute digest of the most exciting developments in finance, economics and current events.

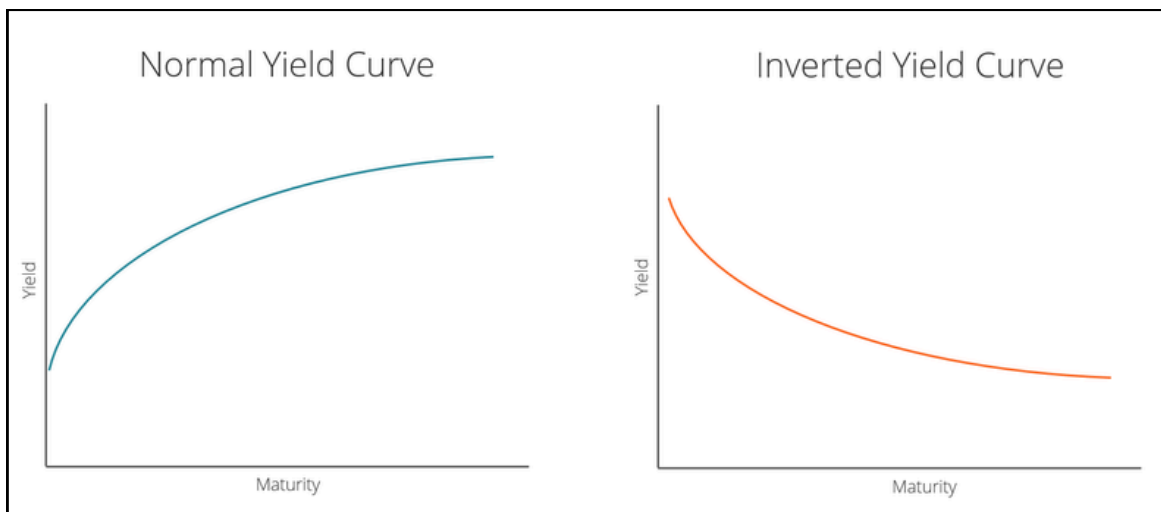
Markets



Growth Gains

This week, the US stock market saw positive momentum, with all three major indices posting gains. The NASDAQ rose by 5%, the S&P 500 increased by 3.8%, and the Dow Jones Industrial Average added 2.8%. This uptick in market performance was largely driven by the latest Consumer Price Index (CPI) [report](#), which fueled optimism among investors and increased the likelihood of a Federal Reserve rate cut in September. As a result, with the prospect of lower rates, the market saw a shift back into growth-oriented sectors, particularly technology. Investors are increasingly focused on economic indicators like the CPI, which continue to shape expectations for Fed policy and influence market direction.

Economic Data



Inflation Insight

The Bureau of Labor Statistics released their monthly CPI report on Wednesday. Its inflation rate (adjusted for the last 12 months) fell to 2.9 percent, the lowest since March of 2021. This makes the much anticipated September rate cuts all the more inevitable as the Fed eases up on its strict contractionary policy.

The weekly jobless claims report also showed 227,000 jobless claims, down from 233,000 last week, suggesting a stronger labor force than anticipated. Still, the indicators of a potential recession remain strong. For example, the yield curve, which plots interest rates on US treasury bonds based on their maturity dates, has been inverted for some time now (shown above). While investors normally view bonds with longer maturity dates as being more risky and therefore pay higher interest rates, in an inverted yield curve, investors view short-term bonds as riskier than long-term bonds, reflecting a lack of confidence in the economy for the near future. Five out of the last six times an inverted yield curve occurred it preceded a recession (there was a false positive in the 1960s).

Economic Data Continued



The economy in general also remains a hot topic for the election. This week Kamala Harris detailed her economic policy, which includes attacks on price gouging by grocery retailers. While price gouging is roughly defined as the act of setting prices above the market equilibrium, there is no concrete definition or threshold that determines when a grocery store is price gouging. Further, many economists disagree that higher profits are the driver of inflation, instead pointing to higher costs for retailers themselves. Indeed, [grocery](#) profits have only increased 4 percent while prices have increased by 25 percent (since 2019).

Economists also disagree with price controls generally, though it's unclear if Harris would support direct price controls. Unnecessary price controls can lead to surpluses and shortages in competitive markets. For example, if the price of a good is capped below the equilibrium price, then consumers will want to buy more of the good but suppliers won't be able to produce as much of the good because of lower profits.

Stock of the Week



Starbucks Corporation ([SBUX](#)) saw its shares surge 22.43% this week, rising from \$77.59 to \$94.99 after the company announced the departure of CEO Laxman Narasimhan and the appointment of [Brian Niccol](#), the current CEO of Chipotle Mexican Grill.

Niccol, known for leading Chipotle's turnaround after its [E. coli crisis](#), has raised investor hopes that he can work similar magic at Starbucks, which has faced two consecutive quarters of declining sales and profits. Wall Street reacted positively to the news, with several major banks upgrading Starbucks' stock to a "buy" reflecting confidence in Niccol's ability to address ongoing challenges like slow service and rising competition in China. With a market cap of \$107.44 billion and a P/E ratio of 26.57, Starbucks is now positioned for a potential turnaround under Niccol's leadership, which begins officially on September 9.

Sunday Dump

Upcoming Week...

WEEK OF 8/18/24

Monday

- Fed Waller Speech
- Palo Alto Networks Earnings ~\$PANW

Tuesday

- Lowe's Earnings ~\$LOW

Wednesday

- 17-Week Bill Auction
- Target Earnings ~\$TGT

Thursday

- Initial Jobless Claims
- Cava Earnings ~\$CAVA

Friday

- Fed Chair Powell Speech

Sat-Sun

- Sunday Dump Seminar

● Key Economic Data

● Key Stock Events

Disclaimer:



The articles and newsletters produced by the Sunday Dump, a group of high schoolers trying to help others better understand finance and economics, are meant to be used for informational purposes only and **not** as financial advice. Nothing on our site is a recommendation to buy or sell any securities. All of the content on this site is meant to be general and not directly made for a specific individual or entity. By reading the Sunday Dump, readers assume the complete responsibility of evaluating the risks associated with the use of any information on our site. We assume no responsibility or liability for individual profits or losses and will not be held liable for any decision made to buy or sell securities. Investing in securities is risky, and financial loss is possible. We are confident that our work is not a waste of time, and we seek to provide truthful information for readers to enjoy. We highly encourage readers to use the Sunday Dump as a starting point for further research and learning.

8/18/24[★]

Thanks for reading



SUNDAY DUMP'S WEEKLY
NEWSLETTER

Written by: Rishabh Shekdar, Saksham Gupta, Advait Praveen,
Mark Dutta, Seiji Yoshihira, Arjun Arya, and Abhinav Maramraju
