

# The U.S. Government Debt lost its second AAA rating as Fitch downgraded it to AA+, and Wall Street closed down.

**August 2, 2023**

by Francisco Rodríguez-Castro  
[frc@birlingcapital.com](mailto:frc@birlingcapital.com)

The U.S. and European stock markets fell on the news that the Fitch Ratings had downgraded the U.S. Government Credit Rating from the superior AAA to AA+, a one-notch downgrade. Before we enter into the merits of the downgrade, Fitch had placed the U.S. rating on credit watch negative on May 24, 2023, at the height of the U.S. debt ceiling standoff.

We find the move, timing, and conditions of the Fitch downgrade of U.S. Sovereign Debt highly unusual.

After one examines the Fitch announcement, many facets of its contents, and the timing chosen, we consider them a mistake, mainly since the U.S. Debt ceiling was raised to the year 2025, the U.S. economy grew at 2.40% GNP and has a current GDPNow Forecast for Q3 of 3.90% GNP.

Fitch cites a so-called "erosion of confidence in policymakers' fiscal governance", they allude to the repeated efforts to negotiate the Debt ceiling and the growing U.S. debt levels.

The downgrade is the second time the U.S. has lost its triple-AAA rating when S&P downgraded from AAA for the first time in history on August 5, 2011. Then like now, the markets were significantly impacted, notably as the U.S. recovered from the great financial crisis.

We firmly believe that the vast majority of respected economists and market analysts analyzing this issue must be both bewildered and disillusioned by the reasons given and the timing.

In broader terms, this determination will likely be dismissed and will have no lasting impact in the U.S.

On the other hand, the rates of U.S. treasuries, the asset class that was downgraded, have changed little, as we highlight in our Wall Street summary below.

While there is some truth to the fact that U.S. debt has risen to 100% of GDP, a bit higher than anyone would prefer, this does not place the U.S. Government in bad shape. Still, it obligates Congress to begin exploring fiscal solutions to return to the days of budget surplus and debt reduction, and tax increases.

## Key Economic Data:

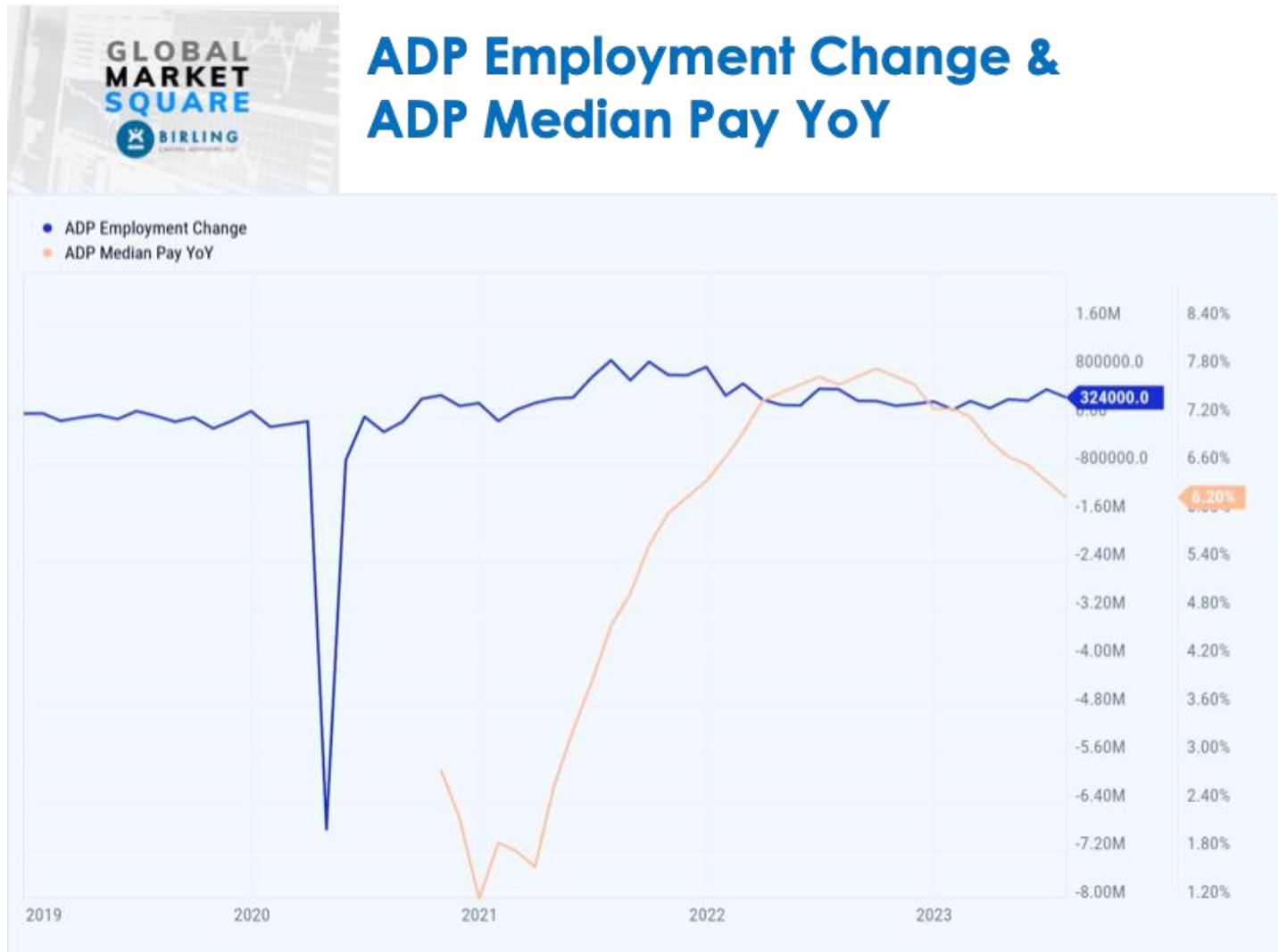
- **ADP Employment Change:** fell to 324,000., down from 455,000 last month, decreasing -28.79%.
- **ADP Median Pay YoY:** fell to 6.20%, compared to 6.40% last month.

## Eurozone Summary:

- **Stoxx 600** closed at 460.84, down 6.32 points or 1.35%.
- **FTSE 100** closed at 7,561.63, down 104.64 points or 1.36%.
- **Dax Index** closed at 16,020.22, down 220.38 points or 1.38%.

## Wall Street Summary:

- **Dow Jones Industrial Average** closed at 35,282.52, down 348.19 points or 0.98%.
- **S&P 500** closed at 4,513.39, down 63.34 points or 1.38%.
- **Nasdaq Composite** closed at 13,973.45, down 310.47 points or 2.17%.
- **Birling Capital Puerto Rico Stock Index** closed at 3,017.09, up 13.96 points or 0.46%.
- **Birling Capital U.S. Bank Stock Index** closed at 4,006.27, down 27.24 points or 0.68%.
- **U.S. Treasury 10-year note** closed at 4.08%.
- **U.S. Treasury 2-year note** closed at 4.88%.





# Wall Street Recap

## August 2, 2023

Subscribe at  
[www.birlingcapital.com](http://www.birlingcapital.com)



Global Market Square © es una publicación preparada por Birling Capital LLC y resume los recientes desarrollos geopolíticos, económicos, de mercado y otros que pueden ser de interés para los clientes de Birling Capital LLC. Este informe está destinado únicamente a fines de información general, no es un resumen completo de los asuntos a los que se hace referencia y no representa asesoramiento de inversión, legal, regulatorio o fiscal. Se advierte a los destinatarios de este informe que busquen un abogado profesional adecuado con respecto a cualquiera de los asuntos discutidos en este informe teniendo en cuenta la situación de los destinatarios. Birling Capital no se compromete a mantener a los destinatarios de este informe informados sobre la evolución futura o los cambios en cualquiera de los asuntos discutidos en este informe. Birling Capital. El símbolo de registro y Birling Capital se encuentran entre las marcas registradas de Birling Capital. Todos los derechos reservados.