

The PCE came in at 3.48% and the Core PCE at 3.88%, ahead of consensus; the U.S. Government faces a shutdown and Wall Street falls.

September 29, 2023

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The U.S. and European stock markets closed the week with mixed results; in the U.S., the markets reacted negatively to the news that a last-ditch effort by the House to avert a government shutdown was unsuccessful, which fell short of passing a short-term spending bill with a vote of 198-232.

As we see it, this is a huge political loss for Speaker Kevin McCarthy, who proposed the bill as a path for his fellow Republicans to buy some time to pass other spending bills.

So this coming Sunday, October 1, most of us will not perceive the shutdown's effects; we discuss the impact. Some four million federal workers will stop receiving paychecks; companies with contracts with the federal government may experience delays in payments or contract awards. Since 1976, there have been 20 government shutdowns lasting one day or more. The most recent was in December 2018, lasting 35 days, the longest in U.S. history. A prolonged shutdown can erode consumer and business confidence. This may lead to reduced consumer spending and delayed business investments, affecting corporate earnings and stock prices.

On economic news, the Fed's preferred inflation benchmark, the PCE Price Index, came in at 3.48%, ahead of the latest Inflation Nowcast of 3.53%, but higher than last month's 3.40%; additionally, the Core PCE Price Index came in at 3.88%, ahead of the Inflation Nowcast of 3.95% and lower than previous months 4.29%.

Initially, the stock market reacted positively to the inflation data, supporting the market's desired narrative that the Fed could decide to pause its interest-rate-hiking campaign. Since 1976, there have been 20 government shutdowns lasting for a day or more. The most recent one, in December 2018, lasted 35 days, setting a record as the longest in U.S. history.

GDPNow Update:

- The GDPNow for the third quarter was updated today and is unchanged at 4.90% GDP.

Key Economic Data:

- **U.S. PCE Price Index YoY:** rose to 3.48%, compared to 3.40% last month.
- **U.S. Core PCE Price Index YoY:** fell to 3.88%, compared to 4.29% last month.
- **U.S. Index of Consumer Sentiment:** fell to 68.10, down from 69.50 last month.
- **Canada Real GDP MoM:** rose to 0.01%, compared to -0.16% last month.
- **Germany Real Retail Sales YoY:** is at -1.90%, compared to -2.10% last month.
- **U.K. Real GDP YoY:** rose to 0.60%, compared to 0.50% last quarter.
- **U.K. Business Investment YoY:** rose to 9.21%, compared to 6.98% last quarter.

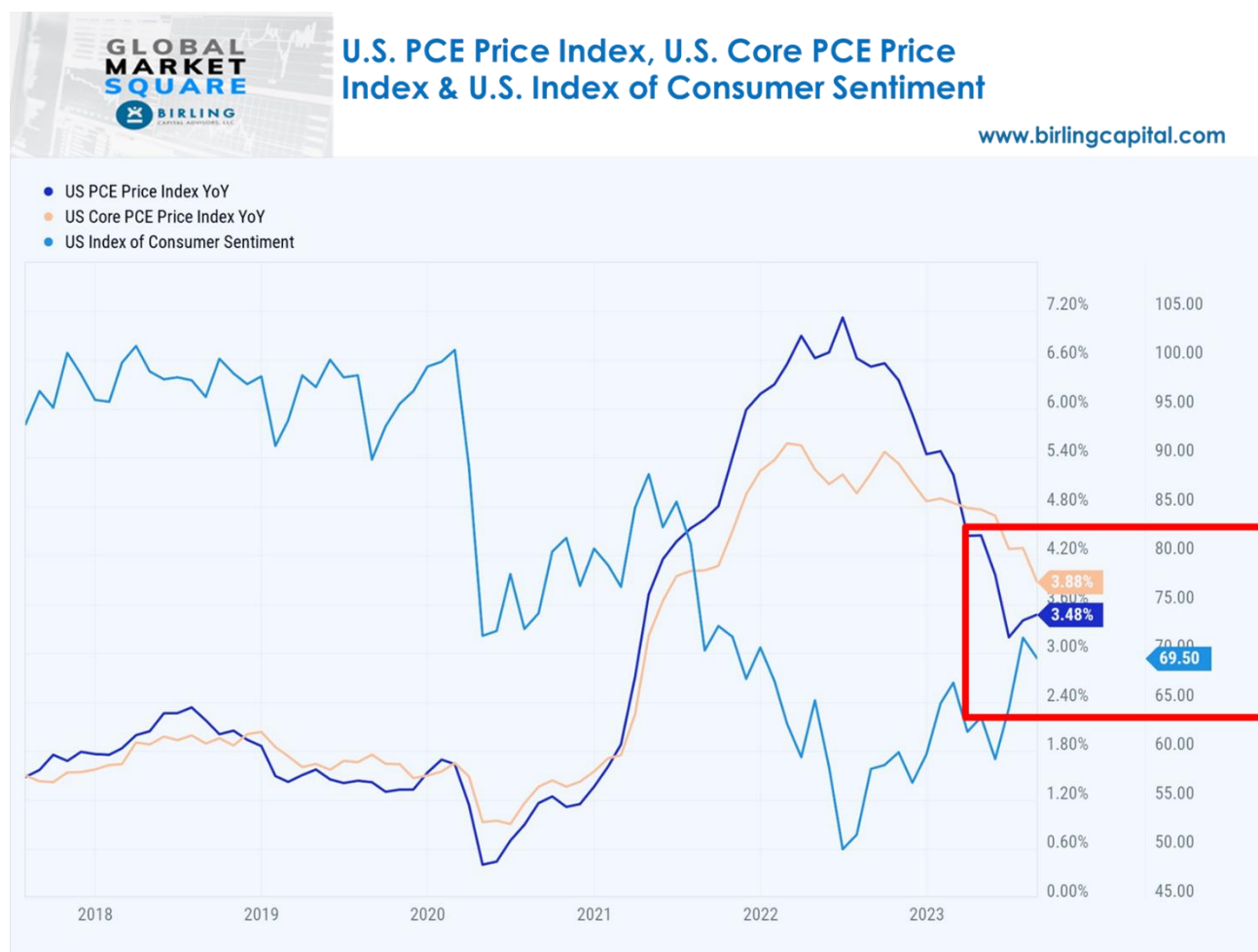
- **Japan Unemployment Rate:** rose to 2.70%, compared to 2.50% last month.
- **Japan Housing Starts YoY:** fell to -9.43%, compared to -6.67% last month.
- **China PMI:** rose to 49.70, up from 49.30 last month.
- **China Non-Manufacturing PMI:** fell to 51.00, down from 51.50 last month.

Eurozone Summary:

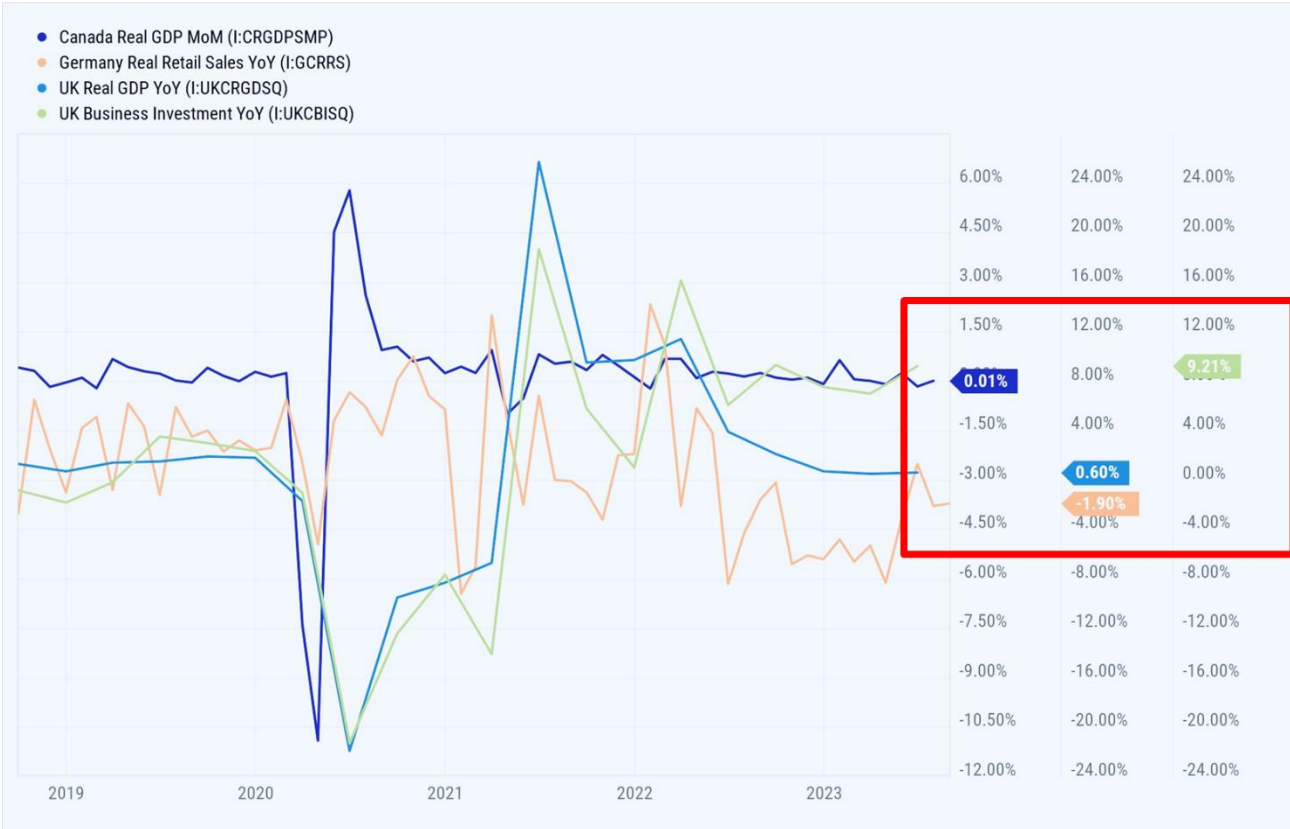
- **Stoxx 600** closed at 450.82, up 2.32 points or 0.52%.
- **FTSE 100** closed at 7,608.08, up 6.23 points or 0.08%.
- **Dax Index** closed at 15,386.58, up 63.08 points or 0.41%.

Wall Street Summary:

- **Dow Jones Industrial Average** closed at 33,507.50, down 158.84 points or 0.47%.
- **S&P 500** closed at 4,288.05, down 11.65 points or 0.27%.
- **Nasdaq Composite** closed at 13,219.32, up 18.05 points or 0.14%.
- **Birling Capital Puerto Rico Stock Index** closed at 2,738.65, up 41.98 points or 1.56%.
- **Birling Capital U.S. Bank Stock Index** closed at 3,623.27, up 35.45 points or 0.99%.
- **U.S. Treasury 10-year note** closed at 4.59%.
- **U.S. Treasury 2-year note** closed at 5.03%.



Canada Real GDP, Germany Retail Sales, UK Real GDP & UK Business Investment



Japan Unemployment Rate, Japan Housing Starts, China PMI & China Nonmanufacturing PMI





Wall Street Recap

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