

## Fed Chair remains resolute in returning inflation to 2%, more rate increases are coming, and Wall Street falls.

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The U.S. and European stock markets fell as investors did not react well to Federal Reserve Bank Chair Jerome Powell's speech at the Economic Club of New York. During his speech and Q&A, the Fed Chair stated some positive points, including that declining inflation is not coming down at the expense of higher unemployment, which Chair Powell said was **"a highly welcome development but a historically unusual one"**.

He also mentioned that the return to normal of most supply chains with the rebalancing of demand and supply in the labor market has allowed disinflation without weaker economic activity; economic growth has been on the upside. Evidence of this is the latest GDPNow for the 3Q23, which is 5.40% GDP.

The Fed's restrictive monetary policy stance pressures economic activity and inflation downward. Even with 11 interest rate increases, more increases are coming. To this end, the Fed Chair stated, **"My colleagues and I remain resolute in our commitment to returning inflation to 2 percent over time"**.

In Economic news relevant to the Fed comments today, the Initial Claims for Unemployment fell to 198,000, down -6.16% and at their lowest since January; meanwhile, Existing Home Sales fell to 4.04 million, down -0.74%.

As for the Puerto Rico economy, the Economic Development Banks Economic Activity Index reported a 3.3% growth for August 2023, down from 3.5% in July. Additionally, the Puerto Rico Unemployment rate remains at 6.20%, unchanged from July, and a 0.4% increase Y-o-Y; the participation rate is at 43.7%, up 1.3% Y-o-Y, and the total workforce is at 1,182,000, a 12,000 increase Y-o-Y.

The corporate earnings parade continued today with American Airlines and AT&T, which surpassed expectations, and we discuss Tesla reported after the market closed yesterday missing estimates.

Tomorrow, two Birling Capital Puerto Rico Stock Index constituents report their 3Q23 earnings, OFG Bancorp (OFG) and First Bancorp. (FBP). During next week, Alphabet, Amazon, Meta, and Microsoft are due to report.

### Corporate Earnings Parade:

- **American Airlines Group Inc (AAL):** reported 3Q23 revenues of \$13.5 billion, up 0.1%, and Net Income of \$263 million, down -50.62%, and reached earnings per share of \$0.38, surpassing estimates. The stock has a price objective of \$15.74, and it closed today at \$11.45, up 0.79.
- **AT&T (T):** reported 3Q23 revenues of \$30.4 billion, up 1.2%, and Net Income of \$5.8 billion, down -3.3%, and reached earnings per share of \$0.64, surpassing estimates. The stock has a price objective of \$18.49, and it closed today at \$15.65, up 6.49%.

## Key Economic Data:

- **U.S. Initial Claims for Unemployment Insurance:** fell to 198,000, down from 211,000, decreasing -6.16%.
- **U.S. Existing Home Sales:** fell to 4.04 million, down from 4.07 million last month, declining -0.74%.
- **Japan Consumer Price Index YoY:** fell to 3.20%, compared to 3.30% last month.
- **China Loan Prime Rate:** is unchanged at 3.45%, compared to 3.45% last month.

## Eurozone Summary:

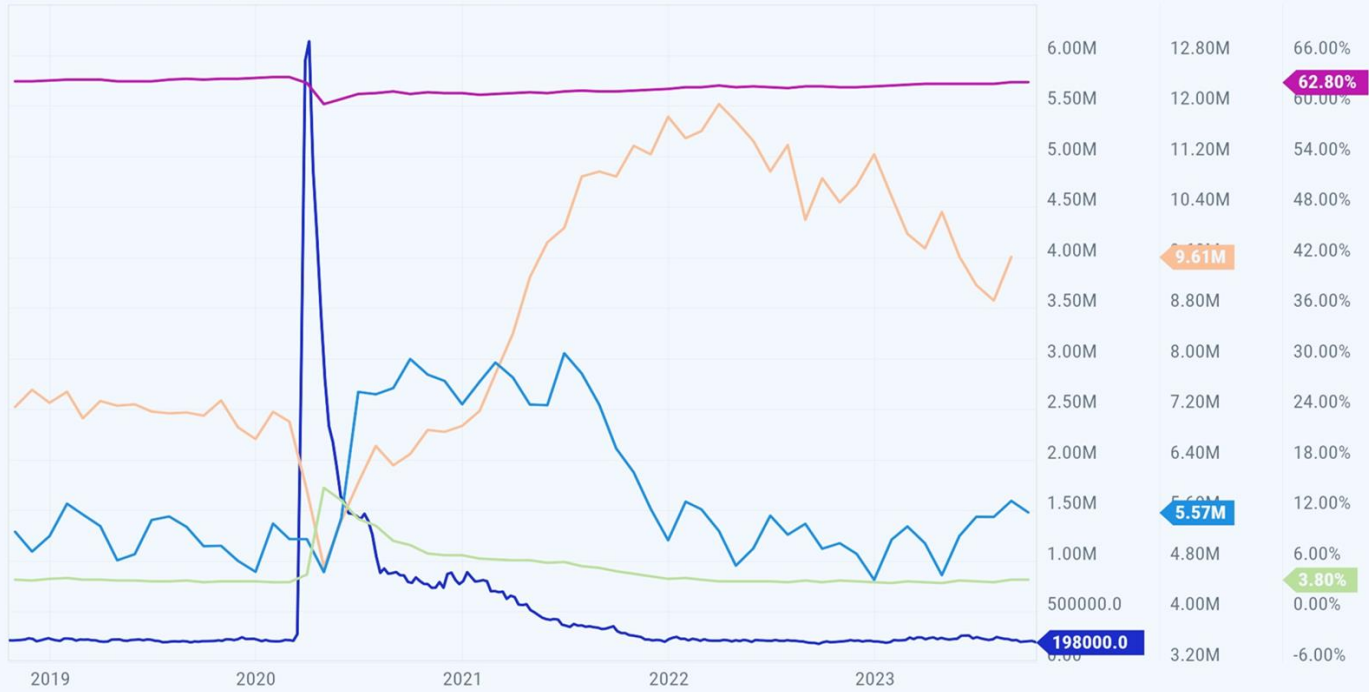
- **Stoxx 600** closed at 439.87, down 5.15 points or 1.16%.
- **FTSE 100** closed at 7,499.53, down 88.47 points or 1.17%.
- **Dax Index** closed at 15,045.23, down 49.68 points or 0.33%.

## Wall Street Summary:

- **Dow Jones Industrial Average** closed at 33,414.17, down 250.91 points or 0.75%.
- **S&P 500** closed at 4,278.00, down 36.60 points or 0.85%.
- **Nasdaq Composite** closed at 13,196.18, down 128.13 points or 0.96%.
- **Birling Capital Puerto Rico Stock Index** closed at 2,738.51, down 65.39 points or 2.33%.
- **Birling Capital U.S. Bank Stock Index** closed at 3,516.94, down 84.57 points or 2.35%.
- **U.S. Treasury 10-year note** closed at 4.98%.
- **U.S. Treasury 2-year note market** closed at 5.14%.

# US Initial Claims for Unemployment fell to 198,000, down -6.16%

- US Initial Claims for Unemployment Insurance 198000.0
- US Job Openings: Total Nonfarm 9.61M
- US Unemployed Persons: Job Seeker 5.57M
- US Unemployment Rate 3.80%
- US Labor Force Participation Rate 62.80%





# GDPNow for 3Q23

<b>Date</b>	<b>GDPNow 3Q23</b>	<b>Change</b>
<b>7/28/2023</b>	<b>3.50%</b>	<b>Initial Forecast</b>
<b>8/31/2023</b>	<b>5.60%</b>	<b>37.50%</b>
<b>9/29/2023</b>	<b>4.90%</b>	<b>-14.29%</b>
<b>10/2/2023</b>	<b>4.90%</b>	<b>0.00%</b>
<b>10/5/2023</b>	<b>4.90%</b>	<b>0.00%</b>
<b>10/10/2023</b>	<b>5.10%</b>	<b>3.92%</b>
<b>10/17/2023</b>	<b>5.40%</b>	<b>5.56%</b>

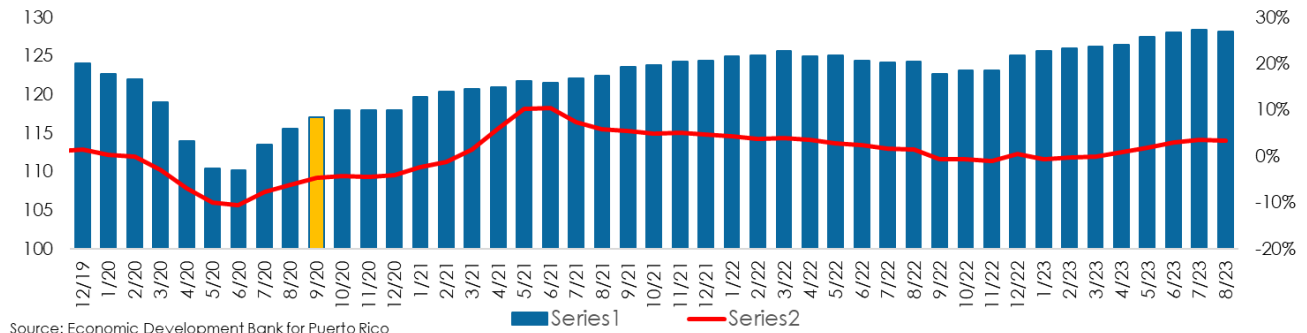


# Puerto Rico Economic Activity Index

Puerto Rico is expected to close at 1.6% GDP in 2023

Economic Development Bank of Puerto Rico - Index of Economic Activity  
December 2019 – August 2023

## The August Economic Activity Index shows a growth of 3.3%



Source: Economic Development Bank for Puerto Rico



The employment level stood at 1,182,000 in August, the highest since 2009

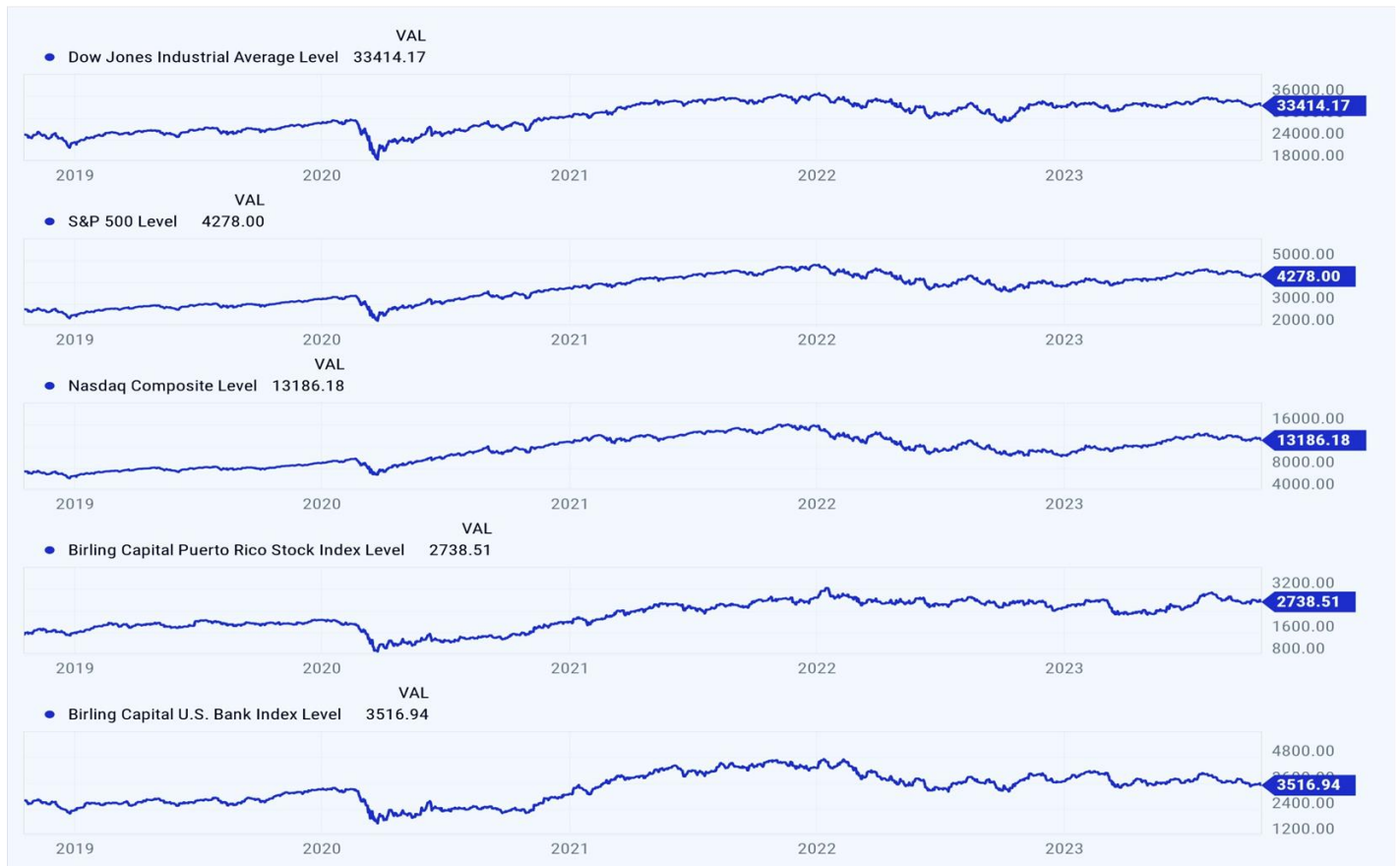
Labor Data	8/30/2023	7/31/2023	Change	FY-23	FY-22
Labor Force	1,182,000	1,105,000	6.96%	1,184,000	1,197,000
Participation Rate	43.70%	43.40%	0.69%	43.30%	43.60%
Out of the Labor Force	1,538,000	1,548,000	0.64%	1,113,000	1,114,000
Unemployment Rate	6.20%	6.20%	N/C	6.00%	6.90%
Unemployment Persons	73,000	74,000	1.35%	40.70%	40.50%



# Wall Street Recap

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