

GLOBAL MARKET SQUARE



The Chinese Real Estate Bubble bursts with Evergrande with \$340 billion in debt files for Chapter 15 Bankruptcy, and Wall Street closed mixed.

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The U.S. & Europe stock markets closed the week with more losses, with the five indices we follow recording pullbacks for the last three weeks as concerns over China are now critical following the Evergrande Group filing for Chapter 15 bankruptcy protection. Chapter 15 is bankruptcy for non-U.S. companies. Evergrande, which defaulted on its debt fueling a real estate crisis in China, has \$28.1 billion of outstanding bonds, the bulk of which mature in 2025. Evergrande had reported debts of \$340 billion and had losses totaling about \$81 billion in 2021-2022, with total revenues dropping 50% or more.

The same issues took down European and International markets as there is concern that China's real estate turmoil could become a global contagion, as the challenges resemble the Japanese real estate crisis.

As the Chinese real estate bubble bursts, more developers will also fall into problems increasing the odds that China will miss its GDP Growth target of 5% for 2023.

Moving on to the U.S., we must comment that since most of the economic data has surpassed expectations, doing away with the economist's consensus that the U.S economy would fall into contraction for the last two quarters of the year and with the GDPNow for the third quarter of 2023 at 5.80% GDP, the soft landing narrative becomes more vital each day.

Also, on the flip side, a more robust economy fuels expectations that the Fed will keep interest rates higher for longer.

Key Economic Data:

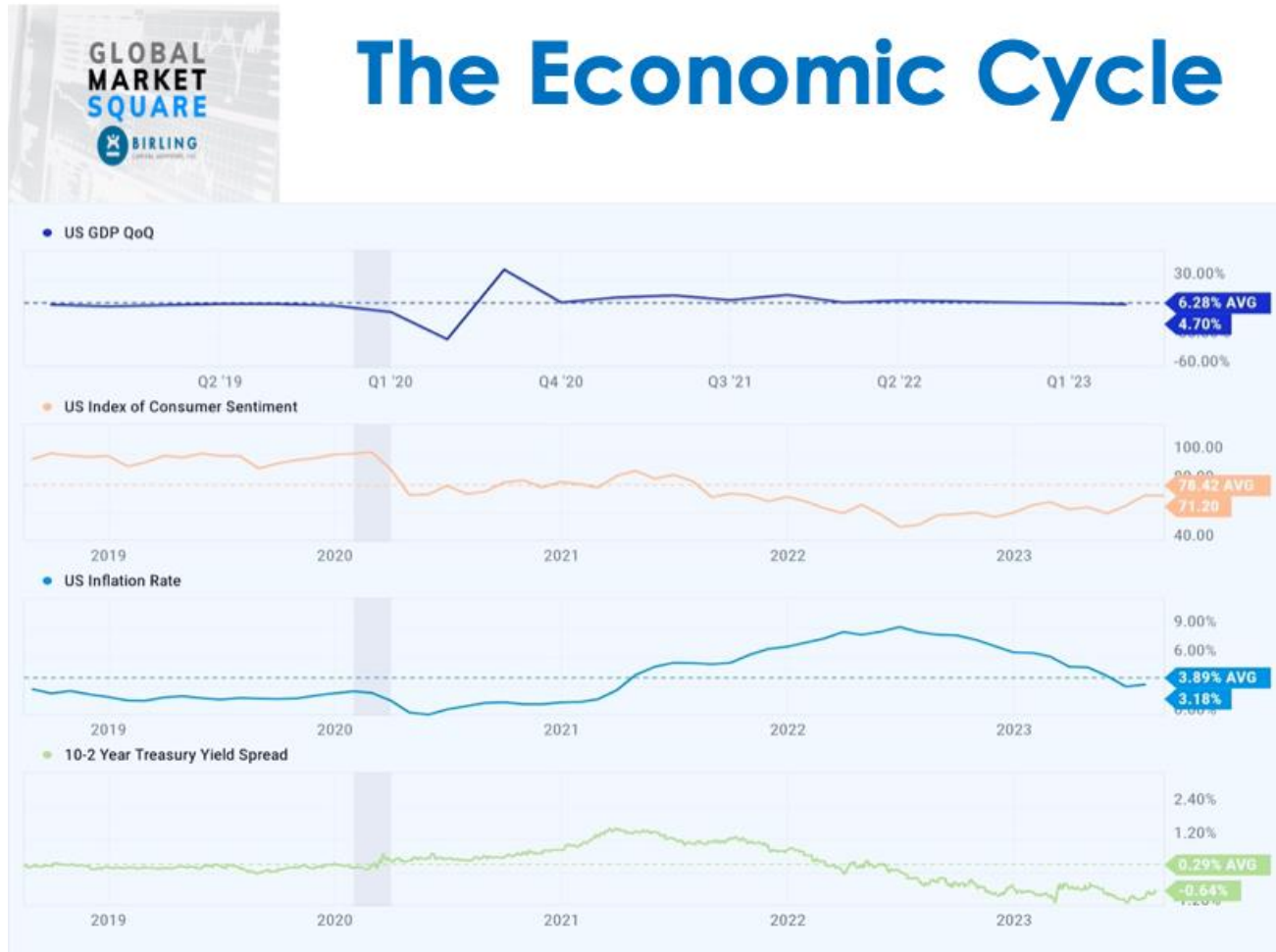
- **Eurozone Consumer Price Index YoY:** fell to 5.52%, compared to 6.10% last month.
- **Eurozone Inflation Rate: Excluding Energy, Food, Alcohol, and Tobacco:** rose to 5.50%, compared to 5.30% last month.
- **U.K. Retail Sales YoY:** fell to -3.20%, compared to -1.60% last month.
- **U.K. Retail Sales excluding Fuel YoY:** fell to -3.40%, compared to -1.60% last month.

Eurozone Summary:

- **Stoxx 600** closed at 448.49, down 2.70 points or 0.60%.
- **FTSE 100** closed at 7,262.43, down 47.78 points or 0.65%.
- **Dax Index** closed at 15,574.26, down 102.64 points or 0.65%.

Wall Street Summary:

- **Dow Jones Industrial Average** closed at 34,500.66, up 25.83 points or 0.07%.
- **S&P 500** closed at 4,369.71, down 0.65 points or 0.01%.
- **Nasdaq Composite** closed at 13,290.78, down 26.16 points or 0.20%.
- **Birling Capital Puerto Rico Stock Index** closed at 2,860.88, down 13.40 points or 0.47%.
- **Birling Capital U.S. Bank Stock Index** closed at 3,725.40, down 10.22 points or 0.27%.
- **U.S. Treasury 10-year note** closed at 4.26%.
- **U.S. Treasury 2-year note** closed at 4.92%.





EU CPI, EU Inflation Rate, UK Retail Sales YoY & UK Retail Sales Excluding Fuel YoY

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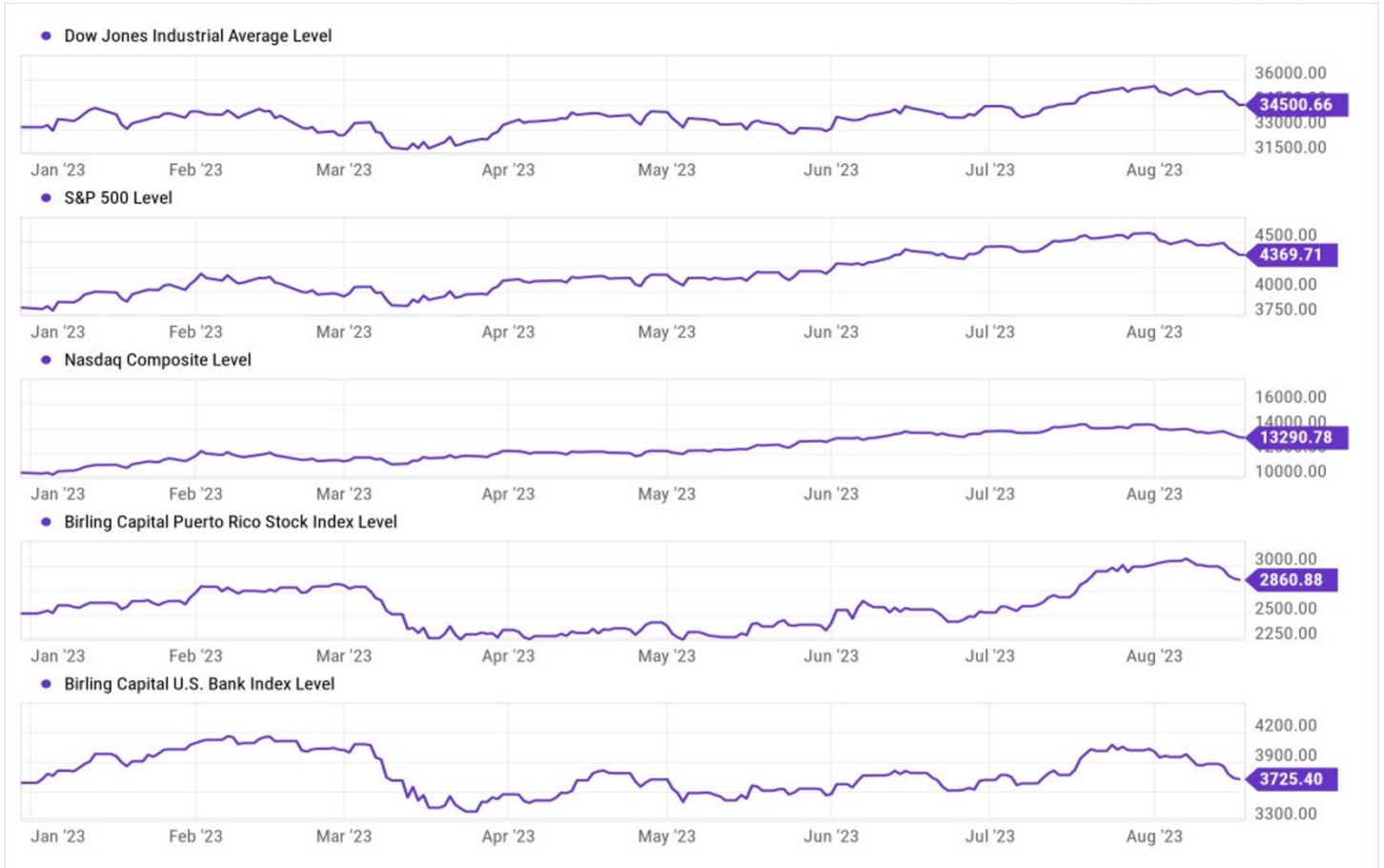
- Eurozone Consumer Price Index YoY (I:ECPIYY)
- Eurozone Inflation Rate: Excluding Energy, Food, Alcohol, and Tobacco (I:EIREEFNM)
- UK Retail Sales YoY (I:UKCRS)
- UK Retail Sales excluding Fuel YoY (I:UKCRSF)





Wall Street Recap

August 18, 2023



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