



Wall Street Climbs as CPI Inflation Undershoots Tariff Fears and Fed Cut Odds Surge Past 90%.

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The U.S. and European stock markets higher today as investors welcomed an inflation report that showed fewer signs of tariff-driven price pressures than feared.

The Consumer Price Index rose to 2.70%, 0.74% below the Inflation Nowcasting for the CPI of 3.44%. On the other hand, the Core CPI rose to 3.05%, 0.33 percentage points ahead of the 3.04% forecast.

The major Wall Street indexes closed up more than 1.10%, while European benchmarks also mainly closed higher. Japan's Nikkei surged 2%, leading the overnight rally in Asia.

In fixed income, shorter-dated U.S. Treasuries climbed following the inflation release, pulling the 2-year yield down to 3.72% as traders increased bets on near-term Fed rate cuts. The U.S. dollar softened slightly against a trade-weighted basket of currencies.

Inflation Steady, Tariff Impact Muted

July's Consumer Price Index (CPI) rose 0.2% month-over-month, keeping the headline year-over-year rate steady at 2.70%. Core CPI, which excludes food and energy, climbed 0.3% m/m, nudging the annual rate to 3.05%.

While tariff-sensitive goods prices rose 0.2% m/m, many of the most exposed categories posted smaller gains than in recent months. The more notable driver of July's price increase came from the services sector, where airfares jumped 4% m/m. Overall, the data suggest tariffs have so far triggered only a modest reacceleration in inflation this year. However, the risk remains that these effects will grow unless businesses absorb more of the costs in their margins.

Fed Path Clearer for September Cut

The report contained no unwelcome surprises for the Federal Reserve, even with core inflation still edging higher. The restrained tariff pass-through to consumer prices may give policymakers more confidence to resume easing monetary policy. Signs of slowing economic momentum and a softer labor market are adding to the case for a rate cut.

Market pricing now implies an over 90% probability of a 25-basis-point cut in September, with a total of 60 basis points of easing expected through year-end—effectively two full cuts and a coin-flip chance of a third. Lower rates could help offset the drag from shifting trade policies and set the stage for a stronger rebound in 2026, when fiscal tailwinds, including planned tax cuts, are expected to take effect.

Economic Data:

- **U.S. Consumer Price Index YoY:** rose to 2.70%, compared to 2.67% last month.
- **U.S. Core Consumer Price Index YoY:** rose to 3.05%, compared to 2.91% last month.
- **U.S. Inflation Rate:** rose to 2.70%, compared to 2.67% last month.
- **U.S. Retail Gas Price:** rose to \$3.265, up from \$3.247 last week, a decrease of 0.55%.
- **ZEW Indicator of Economic Sentiment for Germany:** fell to 34.70, down from 52.70 last month, decreasing by 34.16%.
- **U.K. ILO Unemployment Rate: Aged 16-64:** rose to 4.80%, compared to 4.70% last month.

Eurozone Summary:

- **Stoxx 600:** Closed at 547.89, up 1.13 points or 0.21%.
- **FTSE 100:** Closed at 9,147.81, up 18.10 points or 0.20%.
- **DAX Index:** Closed at 24,024.78, down 56.56 points or 0.23%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 44,458.61, up 483.52 points or 1.10%.
- **S&P 500:** closed at 6,445.76, up 72.31 points or 1.13%.
- **Nasdaq Composite:** closed at 21,681.90, up 296.50 points or 1.39%.
- **Birling Capital Puerto Rico Stock Index:** closed at 4,008.14, down 2.30 points or 0.06%.
- **Birling Capital U.S. Bank Index:** closed at 7,543.81, up 0.29 points or 0.00%.
- **U.S. Treasury 10-year note:** closed at 4.29%.
- **U.S. Treasury 2-year note:** closed at 3.72%.



Inflation Nowcasting CPI & Core CPI vs Actual

Inflation Nowcasting	CPI Forecast	CPI Actual	Change	Core CPI Forecast	Core CPI Actual	Change
July	2.72%	2.70%	-0.74%	3.04%	3.05%	0.33%



Wall Street Recap

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