

All Eyes on Thursday's CPI Report Amidst Economic, Inflation forecast an uptick in the CPI, Core CPI, and Wall Street closed up.

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The U.S. and European stock markets began the week with gains, following a week where the S&P 500 rally ended and could not extend the nine-week winning streak. There is little economic news that would move markets, so investors continue to brood over the Fed's minutes and the labor data. Others are on the sidelines awaiting Thursday's Consumer Price Index (CPI). Reviewing the market fundamentals, we note that the economy is still growing, and the latest GDPNow for the fourth quarter rose to 2.50%.

Thursday's inflation data may set the tone for the near-term direction of rates, with an upside surprise in consumer price pressures as the latest Inflation Nowcasting shows an uptick in the CPI to 3.32% and Core CPI at 3.93%. Should the CPI rise, some upward force is probable, particularly on the shorter end of the yield curve. If the CPI rises above estimates, the Fed rate cuts will be pushed back to the second quarter of 2024, impacting those optimistically expecting rate cuts to happen soon.

However, one statistic to consider is the fact the PCE at 2.64% is just 24.24% away from the Fed's 2% inflation target rate; it makes little sense for the Fed to maintain its Fed Funds Rate in the range of 5.25% to 5.50%, as the real rate of interest remains too high, the Fed must cut rates in my view by 1Q24.

Key Economic Data:

- **U.S. Retail Gas Price:** fell to \$3.213, down from \$3.238 last week, decreasing -0.77%.
- **U.S. Consumer Credit Outstanding MoM:** fell to \$5.134 billion, down from \$12.22 billion last month, a -58.00% decrease.
- **Eurozone Retail Trade YoY:** fell -1.10%, compared to -0.80% last month.
- **Eurozone Consumer Confidence Indicator:** is at -15.00, up from -16.90 last month.
- **Eurozone Economic Sentiment Indicator:** rose to 96.40, up from 94.00 last month, a 2.55% increase.
- **Germany Exports MoM:** rose to 3.70%, compared to -0.40% last month.
- **Germany Trade Balance:** rose to 20.40 billion, up from 17.70 billion last month, a 15.25% increase.

Eurozone Summary:

- **Stoxx 600** closed at 476.38, up 1.80 points or 0.38%.
- **FTSE 100** closed at 7,694.19, up 4.58 points or 0.060%.
- **Dax Index** closed at 16,716.47, up 122.26 points or 0.74%.

Wall Street Summary:

- **Dow Jones Industrial Average** closed at 37,683.01, up 216.90 points or 0.58%
- **S&P 500** closed at 4,763.54, up 66.30 points or 1.41%.
- **Nasdaq Composite** closed at 14,843.77, up 319.70 points or 2.20%.
- **Birling Capital Puerto Rico Stock Index** closed at 3,230.27, down 8.23 points or 0.25%.
- **Birling Capital U.S. Bank Stock Index** closed at 4,441.38, up 49.71 points or 1.13%.
- **U.S. Treasury 10-year note** closed at 4.01%.
- **U.S. Treasury 2-year note market** closed at 4.36%.



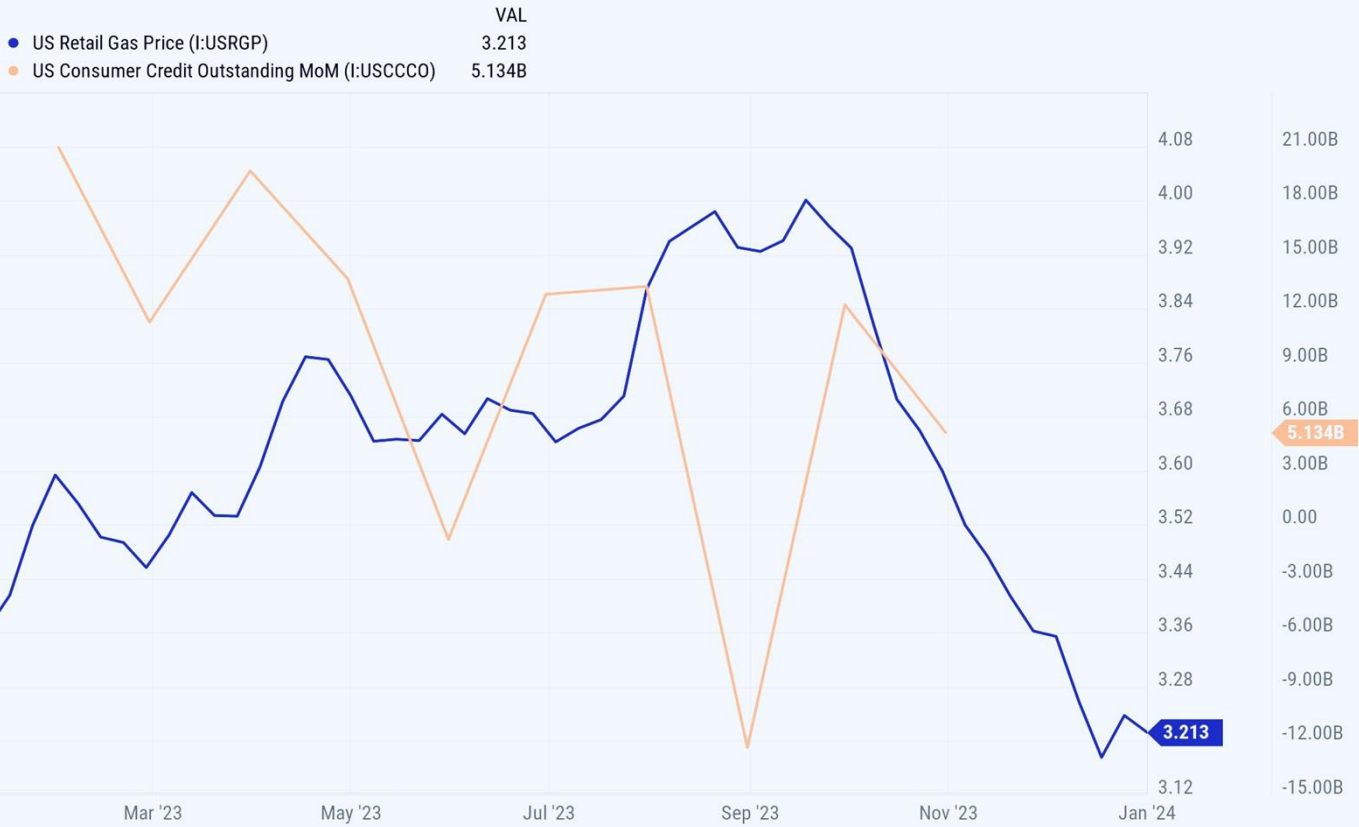
Inflation Nowcasting

CPI Forecast Versus PCE Actual

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Inflation Nowcasting	CPI Forecast	Core CPI Forecast	PCE	Core PCE
	3.32%	3.93%	2.64%	3.15%

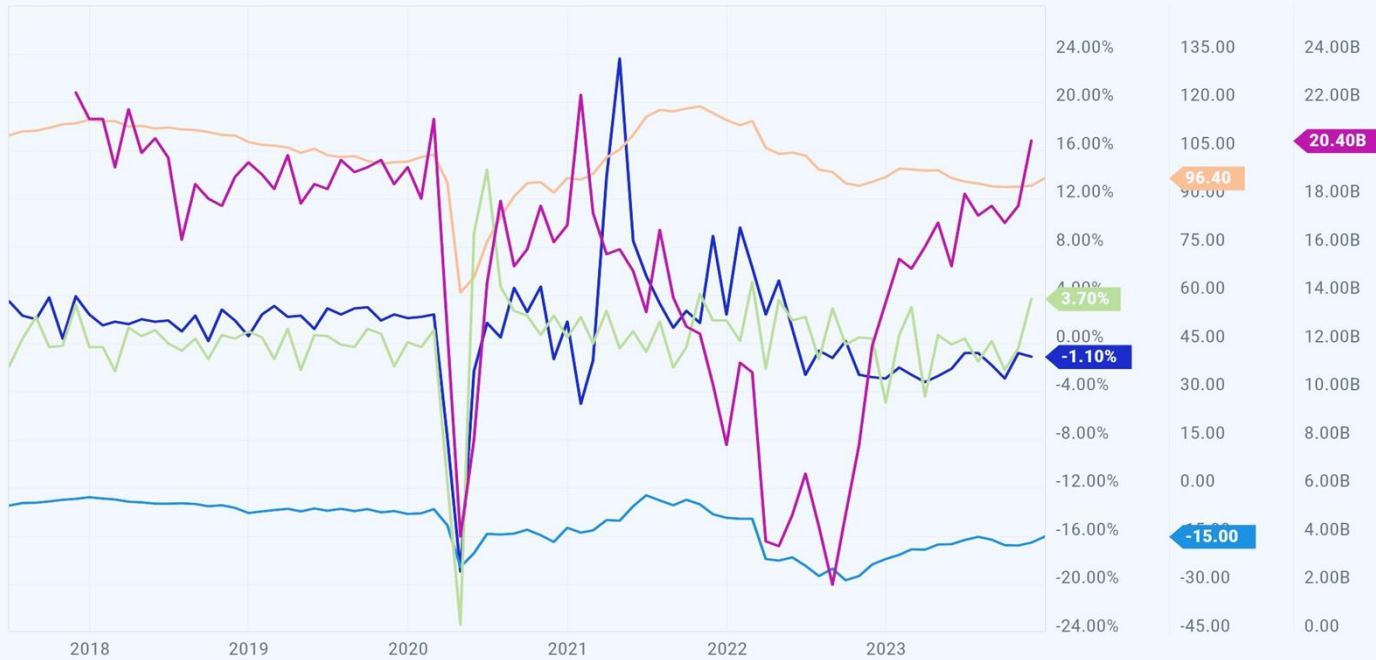
US Retail Gas Price and US Consumer Credit Outstanding





Eurozone Retail Trade, EU Economic Sentiment, EU Consumer Confidence, Germany Exports and Germany Trade Balance

- Eurozone Retail Trade YoY (I:ECRTMHGN) -1.10%
- Eurozone Economic Sentiment Indicator (I:EESI) 96.40
- Eurozone Consumer Confidence Indicator (I:ECCISM) -15.00
- Germany Exports MoM (I:GCESM) 3.70%
- Germany Trade Balance (I:GTBSM) 20.40B





Wall Street Recap

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