

Markets Await CPI Inflation Report and Fed Decision, European Stocks Dip Amid Election Uncertainty, Wall Street Closes Up.

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The U.S. and European stock markets began the week with asymmetrical results, as investors eagerly await two critical economic indicators: the release of the Consumer Price Index (CPI) inflation report for May and the Federal Reserve's interest rate decision from their June meeting on Wednesday. These indicators hold significant weight in shaping market trends and investor strategies. Treasury bond yields have seen a modest rise, with the 10-year Treasury yield increasing by 0.04% to 4.47%, significantly above its recent low of 4.27%. European stocks declined on Monday, influenced by uncertainties surrounding the European Parliament elections, which impacted market sentiment. Meanwhile, oil prices have stabilized, with WTI crude oil rising by 0.7% after experiencing declines over the past three weeks.

All attention is on the Federal Reserve's upcoming decision. The June FOMC meeting will take place on Tuesday and Wednesday, with the interest rate decision and Fed Chair Jerome Powell's press conference scheduled for Wednesday afternoon. We anticipate the Fed will keep the fed funds rate at 5.25% - 5.50%. However, investors will closely monitor any indications from the Fed or Powell about their confidence in inflation moving steadily towards the Fed's 2.0% target. Recent data have been mixed, with last Friday's stronger-than-expected nonfarm jobs report and a rise in wage growth to 4.1% year-over-year from 3.9% last month. However, inflation has shown signs of moderating after higher readings in the first quarter. The Fed will also release new economic projections and the 'dot plot,' a chart that shows individual FOMC members' expectations for the future path of interest rates, providing insights into the FOMC's outlook on the need for rate cuts this year. Inflation will moderate further in the latter half of the year, setting the stage for potential rate cuts in 2024.

Additionally, the May CPI inflation report is set to be released on Wednesday. The latest Inflation Nowcasting has the CPI at 3.36% and the Core CPI at 3.55%.

We anticipate that inflation will continue to gradually decline in the latter half of the year due to two main factors. First, the shelter and rent components of the CPI, which measure changes in the cost of housing, are expected to moderate as real-time shelter and rent indexes have shown recent declines. This could be due to a slowdown in the housing market or other factors affecting housing costs. Second, wage gains will likely ease as the labor market cools, driven by an increasing labor supply and decreasing demand with fewer job openings. This gradual decrease in inflation should keep the Fed on track for a rate cut as early as September.

Key Economic Data:

- **U.S. Retail Gas Price:** fell to \$3.638, down from \$3.698 last week, decreasing -1.62%.

Eurozone Summary:

- **Stoxx 600:** closed at 522.16, down 1.39 points or 0.27%.
- **FTSE 100:** closed at 8,228.48 down 16.89 points or 0.20%.
- **Dax Index:** closed at 18,494.89, down 62.38 points or 0.34%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 38,868.04, up 69.05 points or 0.18%.
- **S&P 500:** closed at 5,360.79, up 13.80 points or 0.26%.
- **Nasdaq Composite:** closed at 17,192.53, up 59.40 points or 0.35%.
- **Birling Capital Puerto Rico Stock Index** closed at 3,290.48, down 14.57 points or 0.44%.
- **Birling Capital U.S. Bank Stock Index** closed at 5,142.96, down 23.21 points or 0.46%.
- **U.S. Treasury 10-year note** closed at 4.47%.
- **U.S. Treasury 2-year note** closed at 4.87%.



Inflation Nowcasting CPI & Core CPI

Inflation Nowcast	CPI	Core CPI
May	3.36%	3.55%



Wall Street Recap

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