

GLOBAL MARKET SQUARE



Wall Street closed mixed after Fed Chair Powell predicts the 2% inflation target is not reachable until 2025, and labor imbalance is still a complex challenge.

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The U.S. and European stock markets closed with mixed results following some of the comments made by Fed Chair Powell, ECB President Lagarde, and other central bankers at the annual 2023 European Central Bank Forum titled "Macroeconomic stabilization in a volatile inflation environment", from 26 to June 28, 2023, in Sintra, Portugal. Some investors were quite taken aback by the statement from Fed Chair Powell that the 2% inflation target will not be reached until 2025, which in turn translates that high-interest rates and additional rate increases will not only continue but will remain with us for two and a half more years.

The Fed Chairman stated at the forum that he is focused on beating inflation and that aggressive interest rate increases will continue.

Chairman Powell said, "We believe there's more restriction coming; what's really driving it ... is a very strong labor market".

While Chair Powell stated the same comments following the June meeting had signaled at least two more rate increases, what is surprising is the prediction that the 2% inflation target is not reachable until 2025.

The inflation pressures, particularly core inflation, have decreased modestly because monetary policy typically takes time to curb activity and reduce inflation. In the most recent IMF World Economic Outlook forecast, global headline inflation will drop to 6.6% y-o-y in 2Q23.

In the quest to beat inflation and reach the 2% inflation target, the U.S. at 4.05% is 102.5% away from the 2% target, and the EU at 6.1% is 205% away from the target.

Our expectation, and should be yours as well, is for the Fed, the European Central Bank and other Central Banks to increase interest rates at least twice during 2023 with the expectation that it will not materially affect economic growth.

Key Economic Data:

- **U.S. Crude Oil Stocks WoW: fell to** -9.603 million, down from -3.831 million last week.
- **Japan Consumer Confidence Index:** rose to 36.00, up from 35.40 last month, increasing 1.69%.

Eurozone Summary:

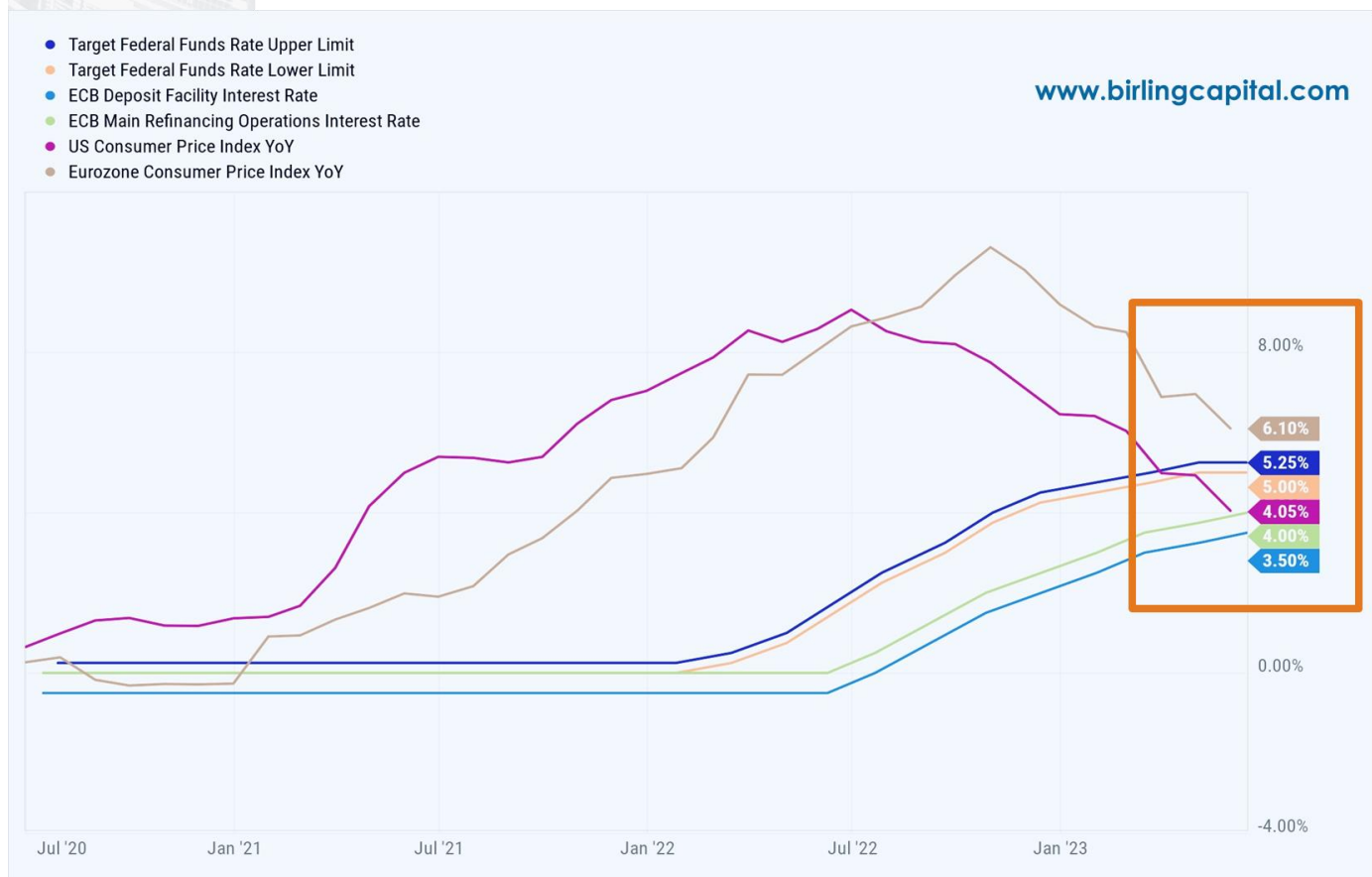
- **Stoxx 600** closed at 456.24, up 3.34 points or 0.74%.
- **FTSE 100** closed at 7,500.49, up 39.03 points or 0.52%.
- **Dax Index** closed at 15,949.00, up 102.14 points or 0.64%.

Wall Street Summary:

- **Dow Jones Industrial Average** closed at 33,852.66, down 74.08 points or 0.22%.
- **S&P 500** closed at 4,376.86, down 1.55 points or 0.04%.
- **Nasdaq Composite** closed at 13,591.75, up 35.08 points or 0.27%.
- **Birling Capital Puerto Rico Stock Index** closed at 2,492.56, up 33.00 points or 1.34%.
- **Birling Capital U.S. Bank Stock Index** closed at 3,629.53, up 18.25 points or 0.51%.
- **U.S. Treasury 10-year note** closed at 3.71%.
- **U.S. Treasury 2-year note** closed at 4.71%.



Federal Reserve & ECB Interest Rates vs US CPI & Eurozone CPI





US Dollar to Euro, US Dollar to Pound Sterling, US Dollar to Chinese Yuan and US Dollar to Japan Yen

Dollar vs Select Major Currencies

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● US Dollar to Euro Exchange Rate



● US Dollar to Pound Sterling Exchange Rate



● US Dollar to Chinese Yuan Exchange Rate



● US Dollar to Japanese Yen Exchange Rate





Wall Street Recap

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