

# Inflationary Pressures Mount as U.S. Producer Prices Exceed Expectations, timid U.S. Sales Rebound and Fed's Rate Cut Debate continues.

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The U.S. and European stock markets closed lower in response to mixed economic indicators, fueled by U.S. producer prices exceeding expectations, a somewhat tepid rebound in retail sales, and a GDPNow for the first quarter that fell by 8.70% to 2.30%GDP.

With the Fed meeting looming next week, the uptick in yields suggests a consensus that policymakers will likely maintain a measured approach rather than rushing into rate cuts.

The Producer Price Index surged beyond forecasts for February's headline PPI rose by 0.56% MoM and 1.58% YoY, driven by a rebound in energy prices. The Core PPI, excluding volatile food and energy components, also saw a lift, advancing by 0.29% and 2.04% YoY. When coupled with consumer price data, today's figures suggest that the road to achieving the elusive 2% inflation target may have more bumps than the Karakoram Highway from Pakistan to China.

These inflationary dynamics reinforce the Fed's cautious stance on rate cuts, likely to be reiterated in next week's FOMC meeting and accompanying projections.

However, conditions quickly align for the first rate cut, potentially slated for June. Market expectations have already adjusted from six projected rate cuts at the year's outset to three, aligning more closely with both the Fed's and Biling forecasts of four rate cuts. This recalibration is instrumental in helping markets digest today's data more smoothly.

Retail sales show signs of recovery amidst a gradually decelerating economy - February witnessed a rebound in U.S. retail sales following January's slump, partly attributed to winter storms, which saw downward revisions. However, the rebound fell short of lofty expectations. Retail sales increased by 0.58% from the previous month, buoyed by upticks in car sales and gas prices, suggesting that consumer spending kicked off the year on a somewhat subdued note.

Lastly, Unemployment claims fell to 209,000, and these historically low jobless claims indicate a robust labor market; the economy appears to be trending toward a 1.5%—2% growth trend. A backdrop of gradually moderating inflation and stable growth could sustain the ongoing bull market in stocks. However, given the strong rally witnessed over the past four months, investors should brace for potentially choppy waters ahead.

## **GDPNow:**

- GDPNow for the first quarter of 2024 fell to 2.30%, down from 2.50% and decreasing by 8.70%.

### Key Economic Data:

- **US Producer Price Index YoY:** rose to 1.58%, compared to 1.01% last month.
- **U.S. Core Producer Price Index YoY:** rose to 2.04%, compared to 2.00% last month.
- **U.S. Retail and Food Services Sales MoM:** rose to 0.58%, compared to -1.05% last month.
- **U.S. Initial Claims for Unemployment Insurance:** fell to 209,000, down from 210,000 last week, decreasing -0.48%.
- **U.S. Wholesalers Inventories MoM:** fell to -0.26%, compared to 0.38% last month.
- **U.S. Business Inventories MoM:** fell to 0.01%, compared to 0.31% last month.
- **30-year mortgage Rate:** fell to 6.74%, compared to 6.88% last week.
- **Canada Manufacturing Shipments MoM:** rose to 0.22%, compared to -1.12% last month.

### Eurozone Summary:

- **Stoxx 600** closed at 506.40, down 0.93 points or 0.18%.
- **FTSE 100** closed at 7,743.15, down 29.02 points or 0.37%.
- **Dax Index** closed at 17,942.04, down 19.34 points or 0.11%.

### Wall Street Summary:

- **Dow Jones Industrial Average** closed at 38,905.66, down 137.66 points or 0.35%.
- **S&P 500** closed at 5,150.58, down 14.73 points or 0.29%.
- **Nasdaq Composite** closed at 16,128.53, down 49.24 points or 0.20%.
- **Birling Capital Puerto Rico Stock Index** closed at 3,299.10, up 8.65 points or 0.26%.
- **Birling Capital U.S. Bank Stock Index** closed at 4,734.31, up 44.63 points or 0.95%.
- **U.S. Treasury 10-year note** closed at 4.29%.
- **U.S. Treasury 2-year note** closed at 4.68%.

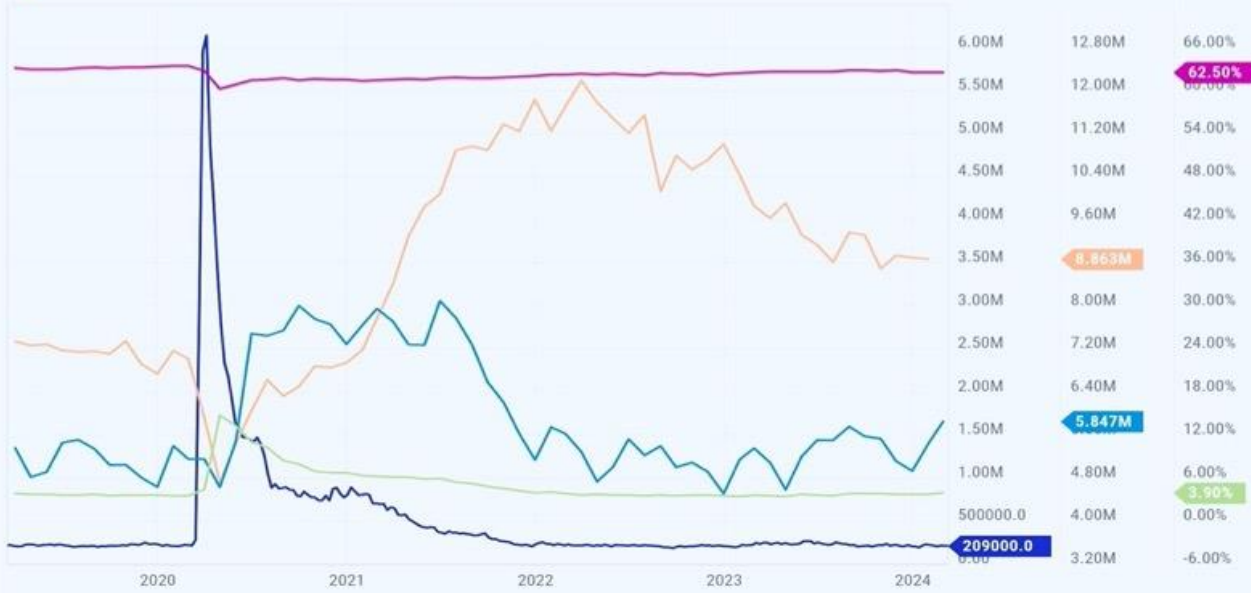


# GDPNow 1Q24

Date	GDPNow 1Q24	Change
1/26/24	3.00%	Initial Forecast
2/8/24	3.40%	13.3%
2/16/24	2.90%	-17.2%
2/29/24	3.00%	3.3%
3/1/24	2.10%	30.0%
3/6/24	2.50%	16.0%
3/7/24	2.50%	0.0%
3/14/24	2.30%	-8.7%

# US Claims for Unemployment, US Job Openings, US Job Seekers, US Unemployment Rate and US Labor Force Participation Rate

	VAL
US Initial Claims for Unemployment Insurance	209000.0
US Job Openings: Total Nonfarm	8.863M
US Unemployed Persons: Job Seeker	5.847M
US Unemployment Rate	3.90%
US Labor Force Participation Rate	62.50%





# US Producer Price Index, US Core PPI versus US CPI & US Core CPI



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