

In a statement of honey-dipped in acid, Fed Chair Powell says the Fed is ready to increase rates at a faster velocity and Wall Street tanks.

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The U.S. and European stock markets became engulfed today in massive stock rotation following Federal Reserve Chairman Jay Powell's Semi-Annual testimony to Congress.

While there were not many surprises in Chairman Powell's statement, the market reacted negatively to his position on interest rates. Mr. Powell said that the current robust shape of the U.S. economy indicated that the high level of interest rates would be higher and longer than anticipated. The Fed Chair added a note of honey-dipped in acid when he stated, "We at the Federal Reserve are prepared to increase rates at a faster velocity should the economic data justify it". The statement pushed the stock rotation and sell-off as the market forecasts now anticipated a rate increase of 50 basis points in March with a 70% probability, well above the 30%-40% probability just a day before. The 2-year Treasury yield closed at 5.0%, a high for the year.

The March FOMC meeting is happening from March 21-22, and the Fed will release a new set of inflation and economic growth forecasts and the FOMC members' projections of the path of interest rates over the next three years.

We anticipate rates increasing in March, April, and June and staying higher until the year's end or depending on how inflation trends in the coming months.

All investors should be on the lookout for the upcoming Jobs report due on Friday, March 10, and the Consumer Price Index reading due a week from today, March 14.

The consensus estimate shows a jobs growth of 208,000, down from 517,00 last month or 59.76% less; meanwhile, the CPI has a current forecast of 6.21% or 3.12%, down from the previous month's reading of 6.415; only time will tell.

GDPNow Update:

The GDPNow for the first quarter of 2023 was updated today, 3/7/23, showing a decrease to 2.00% GDP, down from 2.30% GDP on 3/1/23.

Key Economic Data:

- **U.S. Wholesale Inventories MoM:** fell to -0.42%, compared to 0.06% last month.
- **U.S. Consumer Credit Outstanding MoM:** rose to \$14.80 Billion, up from \$10.69 Billion last month and a sharp 38.41%.

Puerto Rico COVID-19 Update March 7:

- Daily Cases: 62
- Positivity Rate: 11.03%
- Hospitalizations: 99
- Deaths: 6
- Source P.R. Department of Health.

Eurozone Summary for March 7:

- Stoxx 600 closed at 460.60, down 3.58 points or 0.77%.
- FTSE 100 closed at 7,919.48, down 10.31 points or 0.13%.
- Dax Index closed at 15,559.53, down 94.05 points or 0.60%.

Wall Street Summary for March 7:

- Dow Jones Industrial Average closed at 32,586.46, down 574.98 or 1.72%.
- S&P 500 closed at 3,986.37, down 62.05 points or 1.53%.
- Nasdaq Composite closed at 11,530.33, down -145.40 points or 1.25%.
- Birling Capital Puerto Rico Stock index closed at 2,744.47, down 44.99 points or 1.61%.
- U.S. Treasury 10-year note closed at 3.97%.
- U.S. Treasury 2-year note closed at 5.00%.



GDPNow Update 3/7/23

Date	GDPNow 1Q23	Change
1/27/23	0.70%	Initial Forecast
2/1/23	2.10%	200.0%
2/8/23	2.20%	4.5%
2/15/23	2.40%	8.3%
2/16/23	2.50%	4.0%
2/24/23	2.70%	7.4%
2/27/23	2.80%	3.6%
3/1/23	2.30%	-21.7%
3/7/23	2.00%	-15.0%



Wall Street Recap

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