

GLOBAL MARKET SQUARE



The recession fears drive markets down further, and the S&P 500 is just 1.85% from entering a bear market territory; Wall Street closed with losses.

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The U.S. & European stock markets closed with losses, albeit the sell-off pace slowed down. As all indices continue to fall, the S&P 500 is at a stone's throw from reaching a bear market territory. Since the year began, the S&P has fallen 865.39 points or 18.15%, placing it just 87.84 points or 1.85% from entering the bear market territory; we shall see what tomorrow brings.

As the environment of a changing Federal Reserve monetary policy is put into action, it is always met with deep skepticism, most notably as the Fed is forcing the increases in rates for the economy to slow down. Moreover, doing so has significant challenges, and it could result in a U.S. recession if the Fed acts too brusquely.

The other consideration is that inflation grew out of control for more than a year, and the Fed did not respond at all, preferring to wait until the U.S. reached full employment to begin acting. The lack of timely action from the Fed is a combination of the exogenous shock the pandemic gave the world and the Fed's assertion that inflation would prove temporary, and it turned out to be wrong. Finally, as we have seen with the CPI and PPI readings, inflation has peaked, and the fast rhythm the U.S. economy has of job growth and unemployment has slowed. In more normal circumstances, the Fed would have acted in September 2021 when inflation was at 5.39%, well above the Fed 2% target; we would have seen rates north of 2.5% to 3%, and the Fed could have begun to lower rates to prevent the slowdown, rather than what we have now.

It's straightforward for us to say the Fed acted late; however, remember the famous quote from *To Kill a Mockingbird*: "You never really understand a person until you consider things from his point of view until you climb into his skin and walk around in it".

Key economic data:

- U.S. Initial Claims for Unemployment Insurance: rose to 218,000, up from 197,000 last week, an increase of 10.66%.
- U.S. Existing Home Sales: fell to 5.77 million, down from 5.93 million last month, a decrease of -2.70%.
- 30 Year Mortgage Rate: rose to 5.27%, compared to 5.10% last week.
- Japan Consumer Price Index YoY: rose to 1.70%, compared to 1.50% last month.

Puerto Rico COVID-19 Update May 19:

- Daily Cases: 1,000, down 5.03%.
- Positivity Rate: 28.40, up 4.57%.
- Hospitalizations: 364, down 5.94%
- Deaths: 8, down 27.27%.

- Vaccination Rate: 87.3%
- Source Puerto Rico Department of Health.

Eurozone Summary for May 19:

- Stoxx 600 closed at 427.99, down 5.96 points or 1.37%.
- FTSE 100 closed at 7,302.74, down 135.35 points or 1.82%.
- Dax Index closed at 13,882.30, down 125.46 points or 0.90%.

Wall Street Summary for May 19:

- Dow Jones Industrial Average closed at 31,252.13, down 236.94 points or 0.75%.
- S&P 500 closed at 3,900.79, down 22.89 points or 0.58%.
- Nasdaq Composite closed at 11,388.50, down 29.66 points or 0.26%.
- Birling Capital Puerto Rico Stock index closed at 2,695.09, down 81.26 points or 2.93%.
- The U.S. Treasury 10-year note closed at 2.84%.
- The U.S. Treasury 2-year note closed at 2.63%.



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US Housing Starts, US Existing Home Sales, 30-Year Mortgage Rate, US Home Ownership Rate, NAHB/Wells Fargo US Housing Index





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Unemployment Data

5.19.22



The federal Labor Department reported on May 19 that jobless claims rose 218,000 last week versus 197,000 a 10.66% increase.

- US Initial Claims for Unemployment Insurance
- US Job Openings: Total Nonfarm
- US Unemployed Persons: Job Seeker
- US Unemployment Rate
- US Nonfarm Payrolls MoM



• Dow Jones Industrial Average Level



• S&P 500 Level

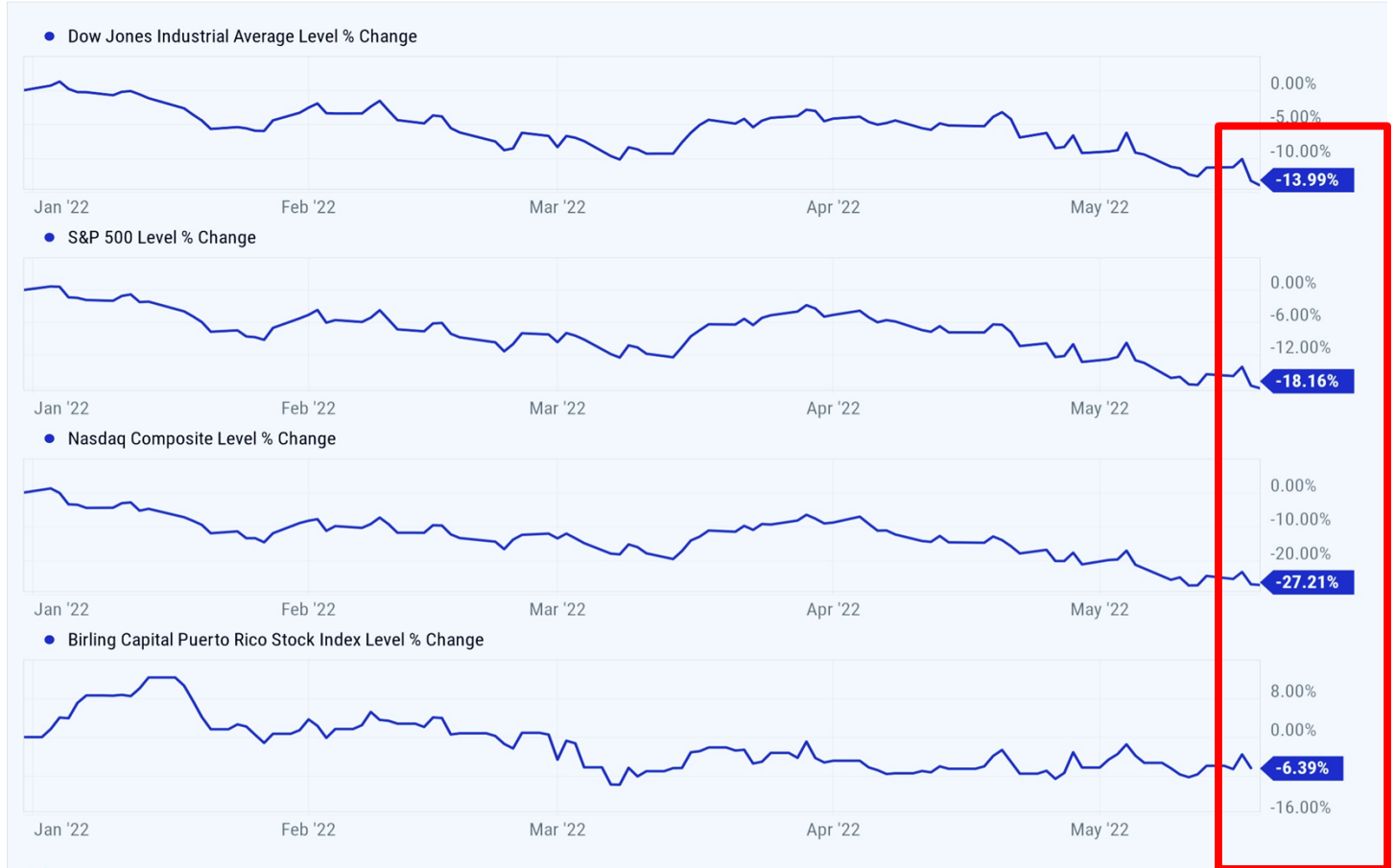


• Nasdaq Composite Level



• Birling Capital Puerto Rico Stock Index Level





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