

Inflation Holds Steady: PCE and Core PCE Meet Estimates, Fed's Rate Projections Anticipated Cuts in 2024 and 2025, Could the Data Delay Rate Cuts?

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The U.S. and European markets are closed on Good Friday. However, we decided to discuss several vital economic metrics reporting today that are critical for the Federal Reserve Bank's assessment of its inflation and whether to maintain rates. Below, we discuss all the vital issues at play during next week. Let's begin.

PCE and Core PCE Met Estimates:

In February, inflation met expectations, likely delaying any potential interest rate cuts by the Federal Reserve, as indicated by a critical measure monitored by the central bank.

According to the Commerce Department's report on Friday, the personal consumption expenditures price index, excluding food and energy, rose by 2.78% over the past 12 months and increased by 0.3% from the previous month, aligning with Dow Jones estimates.

The headline PCE reading, which includes volatile food and energy costs, indicated a 0.3% monthly increase and a 2.45% rise over the past year, in line with the Inflation Nowcasting estimates that offered the PCE and Core PCE at the same levels.

Although the Fed considers both measures in its policy decisions, it regards core inflation as a better indicator of long-term inflation trends. With the Fed aiming for 2% annual inflation, core PCE inflation has remained above that threshold for three years.

While both the PCE and Core PCE met their estimates, the figures could be better for the Fed's inflation target of 2%, which eludes the PCE and Core PCE. The PCE at 2.45% is 18.36% above the Fed's 2% Inflation Target, and the Core PCE at 2.78% is 28.05% above the 2% target. The result may be delaying the rate cuts to mid-summer.

Rising energy costs contributed to the increase in the headline reading. At the same time, inflationary pressures were more pronounced in the goods sector, which saw a 0.5% rise compared to a 0.3% increase in services. This contrasts with the trend over the past year, where services increased by 3.8% while goods experienced a slight decline.

Factors such as international travel services, air transportation, financial services, and insurance contributed to upward pressure on prices. Motor vehicles and parts were significant contributors to inflation on the goods side.

In addition to the inflation uptick, consumer spending surged by 0.8% during the month, surpassing estimates of 0.5%, potentially signaling further inflationary pressures. However, personal income saw a softer increase of 0.3% compared to the estimated 0.4%.

Attention now shifts to labor market indicators upon the return to work on Monday.


Update on the Feds FOMC Rate Projection:

The Federal Open Market Committee's quarterly projections point to three-quarter-percentage point cuts in 2024 and 2025.

Market expectations suggest that the Fed will likely hold rates steady in its decision on May 1, with potential cuts beginning at the June 11-12 meeting.

Wall Street Weekly Update for the week ended March 28, 2024:

- **The Dow Jones Industrial Average** closed at **39,807.37**, up **1,331.47 points** or **3.46%** and with a YTD Return of 5.62%.
- **S&P 500** closed at 5,254.35, up 20.17 points or 0.39%, and YTD Return of 10.16%.
- **Nasdaq Composite** closed at 16,379.46, down 49.36 points or 0.30% and YTD Return of 9.11%.
- **Birling Capital Puerto Rico Stock Index** closed at 3,446.14, up 140.50 points or 4.25% and YTD Return of 3.08%.
- **Birling Capital U.S. Bank Stock Index** closed at 4,981.39, up 119.97 points or 1.99% and YTD Return of 14.28%.
- **U.S. Treasury 10-year note** closed at 4.20%, down 0.47% and YTD Return of 0.30%.
- **U.S. Treasury 2-year note** closed at 4.59%, down 1.09%, and YTD Return of 0.30%.



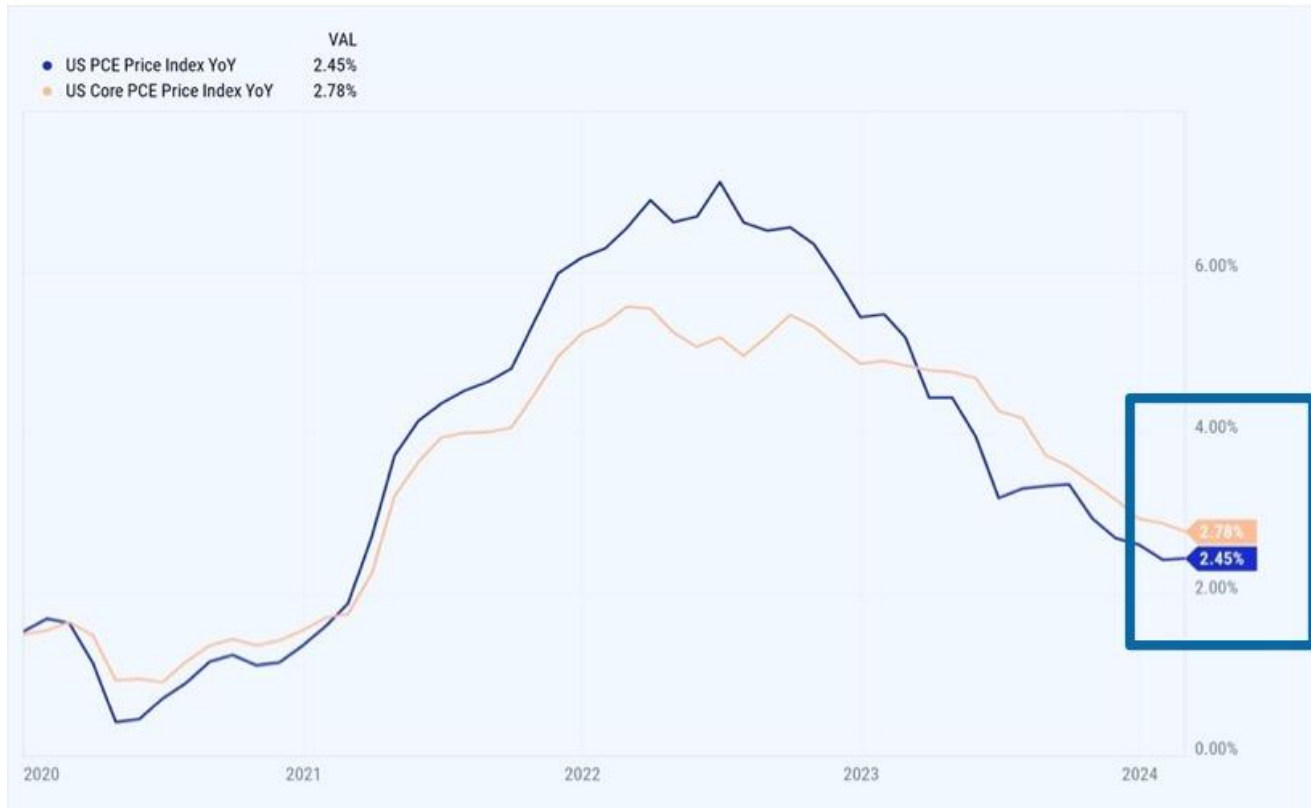
Inflation Nowcasting

Month	PCE	PCE Actual	Core PCE	Core PCE Actual	Updated
February	2.45%	2.45%	2.78%	2.78%	3/29/24



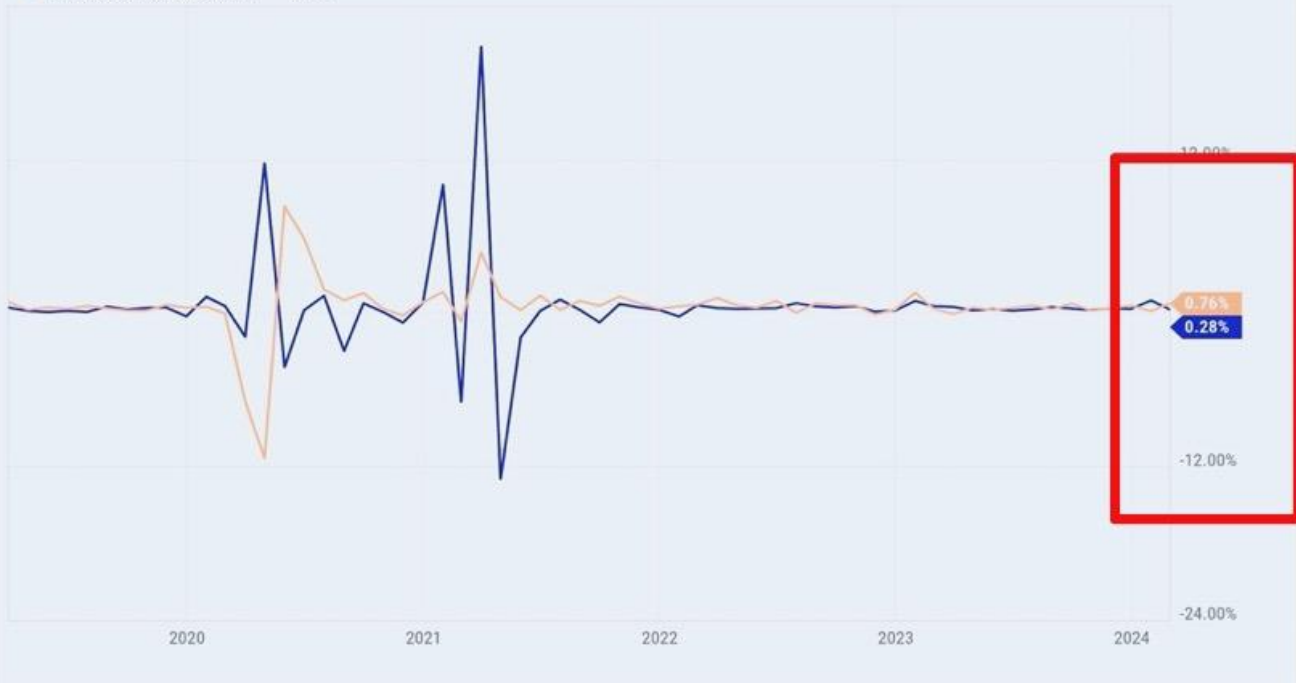
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US PCE Price Index and US Core PCE Price Index



US Personal Income and US Personal Spending

VAL
● US Personal Income MoM 0.28%
● US Personal Spending MoM 0.76%





Wall Street Weekly Market Close Comparison for the week ended 3/28/24

Weekly Market Close Comparison	3/28/24	3/22/24	Return	YTD Return
Dow Jones Industrial Average	39,807.37	38,475.90	3.46%	5.62%
Standard & Poor's 500	5,254.35	5,234.18	0.39%	10.16%
Nasdaq Composite	16,379.46	16,428.82	-0.30%	9.11%
Birling Puerto Rico Stock Index	3,446.14	3,305.64	4.25%	3.08%
Birling U.S. Bank Stock Index	4,981.39	4,861.42	2.47%	14.28%
U.S. Treasury 10-Year Note	4.20%	4.22%	-0.47%	0.30%
U.S. Treasury 2-Year Note	4.54%	4.59%	-1.09%	0.30%

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