

The Fed leaves rates unchanged but signals two more rate increases, flustering Wall Street.

June 14, 2023

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The U.S. and European stock markets closed the session with mixed results; however, Wall Street is in shock with the Fed; while keeping interest rates unchanged, it projected two more rates flustering investors, who had expected the Fed to make one more increase and then pause.

All thru the day, Wall Street was mixed even as some investors rejoiced that the Producer Price Index (PPI) fell surprisingly more than expected to 1.09%, down 52% from last month (PPI). The PPI reached 1.09% year-over-year, below estimates of 1.5% and well below the 2.3% recorded last month.

The decrease in gasoline prices, with the normalization of the global supply chain, has driven these results.

Today's main event was the Fed's FOMC meeting in which the central bank decided to leave interest rates unchanged, meeting the market expectations that signaled the Fed would pause; this is the first time the Fed's halted its campaign since March 16, 2022, or 15 months. The FOMC members voted unanimously to pause the interest rate campaign keeping the federal funds rate at the current range of 5% to 5.25%.

The Fed also released a Summary of Economic Projections, in which we include detailed graphs in our materials with updated economic data that includes:

- GDP Growth
- Unemployment Rate
- PCE Inflation
- Core PCE Inflation
- Federal Fed Funds Rates, in this area, states that most members are projecting two additional 25 basis points rate increases that would increase rates to between 5.5% and 5.75%.

The Fed may increase rates as early as the July meeting when the committee meets as scheduled.

Below we provide a detail of the Federal Reserve Bank Interest rate campaign.

Date	Rate Increases
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- | | |
|---------------|-----------------|
| • June 14, 23 | No Increase |
| • May 3, 23 | 25 Basis Points |
| • Mar. 22, 23 | 25 Basis Points |
| • Feb. 01, 23 | 25 Basis Points |
| • Dic. 14, 22 | 50 Basis Points |
| • Nov. 02, 22 | 75 Basis Points |

- Sep. 21, 22 75 Basis Points
- Jul. 27, 22 75 Basis Points
- Jun. 15, 22 75 Basis Points
- May 04, 22 50 Basis Points
- Mar. 16, 22 25 Basis Points

Key Economic Data:

- **U.S. Producer Price Index YoY:** fell to 1.09%, compared to 2.27% last month.
- **U.S. Core Producer Price Index YoY:** fell to 2.81%, compared to 3.11% last month.
- **Eurozone Industrial Production Index YoY:** rose to 0.20%, compared to -1.40% last month.
- **U.K. Industrial Production Index YoY:** fell to -1.90%, compared to -2.00% last month.
- **Japan Machinery Orders YoY:** fell to -2.81%, compared to 7.60% last month.

Eurozone Summary:

- **Stoxx 600** closed at 465.37, up 2.10 points or 0.45%.
- **FTSE 100** closed at 7,602.74, up 7.96 points or 0.10%.
- **Dax Index** closed at 16,310.79, up 80.11 points or 0.49%.

Wall Street Summary:

- **Dow Jones Industrial Average** closed at 33,979.33, down 232.79 points or 0.68%.
- **S&P 500** closed at 4,372.59, up 3.58 points or 0.08%.
- **Nasdaq Composite** closed at 13,626.48, up 53.16 points or 0.39%.
- **Birling Capital Puerto Rico Stock Index** closed at 2,579.11, up 45.69 points or 1.80%.
- **Birling Capital U.S. Bank Stock Index** closed at 3,799.52, up 37.22 points or 0.99%.
- **U.S. Treasury 10-year note** closed at 3.83%.
- **U.S. Treasury 2-year note** closed at 4.74%.



US Producer Price Index YoY, US PPI MoM, US Core PPI YoY & US Core PPI MoM

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- US Producer Price Index YoY
- US Core Producer Price Index YoY
- US Producer Price Index MoM
- US Core Producer Price Index MoM



Eurozone Industrial Production Index YoY, Eurozone Industrial Production Index MoM, UK Industrial Production Index YoY, & Japan Machinery Orders YoY

- Eurozone Industrial Production Index YoY (I:ECIPN0K1)
- Eurozone Industrial Production Index MoM (I:ECIPSM)
- UK Industrial Production Index YoY (I:UKCIP1P)
- UK Industrial Production Index MoM (I:UKCIP104)
- Japan Machinery Orders YoY (I:JMOYY)

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Federal Reserve Bank

Economic Projections

Table 1. Economic projections of Federal Reserve Board members and Federal Reserve Bank presidents, under their individual assumptions of projected appropriate monetary policy, June 2023

Percent

Variable	Median ¹				Central Tendency ²				Range ³			
	2023	2024	2025	Longer run	2023	2024	2025	Longer run	2023	2024	2025	Longer run
Change in real GDP	1.0	1.1	1.8	1.8	0.7-1.2	0.9-1.5	1.6-2.0	1.7-2.0	0.5-2.0	0.5-2.2	1.5-2.2	1.6-2.5
March projection	0.4	1.2	1.9	1.8	0.0-0.8	1.0-1.5	1.7-2.1	1.7-2.0	-0.2-1.3	0.3-2.0	1.5-2.2	1.6-2.5
Unemployment rate	4.1	4.5	4.5	4.0	4.0-4.3	4.3-4.6	4.3-4.6	3.8-4.3	3.9-4.5	4.0-5.0	3.8-4.9	3.5-4.4
March projection	4.5	4.6	4.6	4.0	4.0-4.7	4.3-4.9	4.3-4.8	3.8-4.3	3.9-4.8	4.0-5.2	3.8-4.9	3.5-4.7
PCE inflation	3.2	2.5	2.1	2.0	3.0-3.5	2.3-2.8	2.0-2.4	2.0	2.9-4.1	2.1-3.5	2.0-3.0	2.0
March projection	3.3	2.5	2.1	2.0	3.0-3.8	2.2-2.8	2.0-2.2	2.0	2.8-4.1	2.0-3.5	2.0-3.0	2.0
Core PCE inflation ⁴	3.9	2.6	2.2		3.7-4.2	2.5-3.1	2.0-2.4		3.6-4.5	2.2-3.6	2.0-3.0	
March projection	3.6	2.6	2.1		3.5-3.9	2.3-2.8	2.0-2.2		3.5-4.1	2.1-3.1	2.0-3.0	
Memo: Projected appropriate policy path												
Federal funds rate	5.6	4.6	3.4	2.5	5.4-5.6	4.4-5.1	2.9-4.1	2.5-2.8	5.1-6.1	3.6-5.9	2.4-5.6	2.4-3.6
March projection	5.1	4.3	3.1	2.5	5.1-5.6	3.9-5.1	2.9-3.9	2.4-2.6	4.9-5.9	3.4-5.6	2.4-5.6	2.3-3.6

Source: Federal Reserve Bank



Wall Street Recap June 14, 2023



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