

Fed Chair Powell states more rate increases are on the way and rates will remain higher for longer, and Wall Street takes a dive.

June 21, 2023

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The U.S. and European stock markets closed with more losses as investors zeroed in on Fed Chair Jay Powell's testimony in Congress. Most lawmakers have concentrated on three issues: the banking crisis, what lies ahead with inflation, and the aggressive interest rate campaign's impact on the U.S. economy.

In his remarks Wednesday, Powell said the Fed kept its key interest rate unchanged last week to assess the impact of three large bank failures on the banking sector and whether the failures would reduce credit to consumers and businesses and slow the economy.

When asked by some members of Congress about why the Fed paused on the rate increases, Chair Powell said, "It may make sense to move rates higher, but at a more moderate pace; as you get closer to your destination and try to find that destination, you slow down even further".

The Consumer Price Index is at 4.05%, which is still 102.5% above the Fed's target rate, and that is a long way to go. The Translation is simple: more rate increases and will remain higher for longer.

In Europe, the inflation tune is also an issue, particularly after the U.K. reported that its Consumer Price Index reading did not budge and remained at 8.70%, compared to 8.70% last month; the UK CPI reading is higher than the long-term average of 2.78%. We expect the Bank of England to increase the pace and size of the interest rate rises to swiftly lower inflation back to its target of 2% inflation.

Inflation Nowcast:

Month	CPI	CoreCPI	PCE	Core PCE
Jun-23	3.22%	5.11%	3.23%	4.44%

Key Economic Data:

- **U.K. Consumer Price Index YoY:** is unchanged at 8.70%, compared to 8.70% last month.
- **U.K. Core Consumer Price Index YoY:** rose to 7.14%, compared to 6.83% last month.
- **U.K. Average House Price YoY:** fell to 3.46%, compared to 4.12% last month.

Eurozone Summary:

- **Stoxx 600** closed at 456.44, down 2.60 points or 0.56%.
- **FTSE 100** closed at 7,569.32, down 19.17 points or 0.25%.
- **Dax Index** closed at 16,111.32, down 89.88 points or 0.55%.

Wall Street Summary:

- **Dow Jones Industrial Average** closed at 33,951.52, down 102.35 or 0.30%.
- **S&P 500** closed at 4,365.69, down 23.02 points or 0.52%.
- **Nasdaq Composite** closed at 13,502.20, down 165.10 points or 1.21%.
- **Birling Capital Puerto Rico Stock Index** closed at 2,561.77, up 0.38 points or 0.01%.
- **Birling Capital U.S. Bank Stock Index** closed at 3,735.64, down 45.88 points or 1.21%.
- **U.S. Treasury 10-year note** closed at 3.72%.
- **U.S. Treasury 2-year note** closed at 4.68%.



Inflation Nowcast 6/21/23

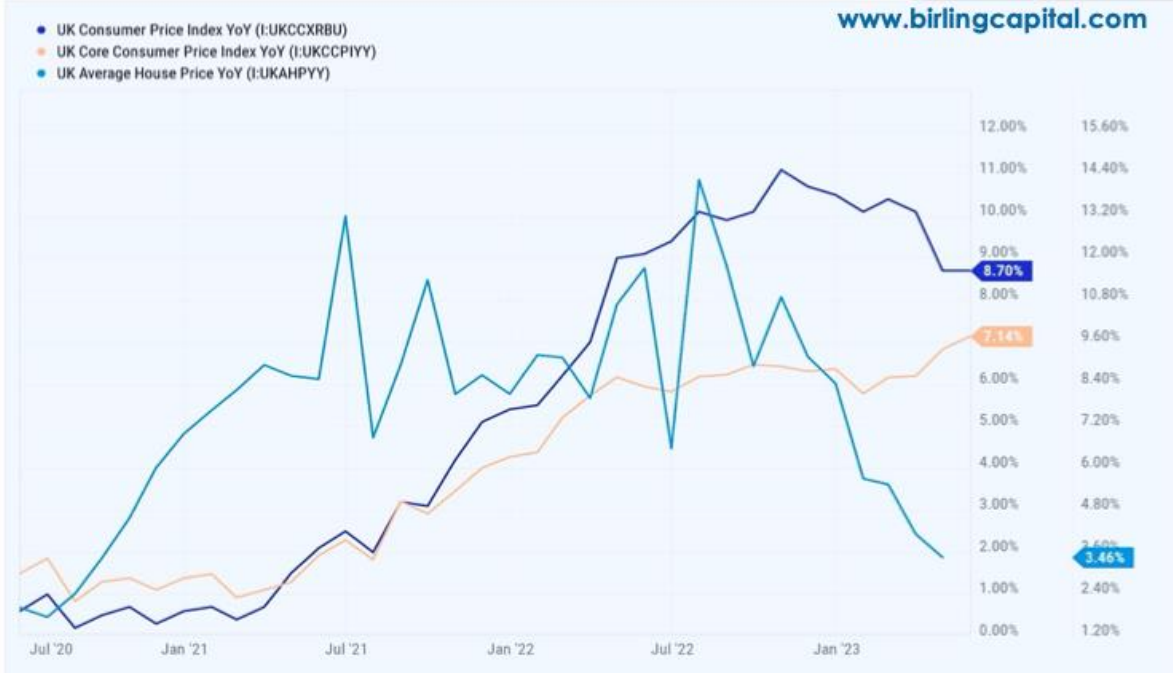
Inflation Forecast

Month	CPI	Core CPI	PCE	Core PCE	Updated
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UK Consumer Price Index, UK Core Consumer Price Index & UK Average House Price



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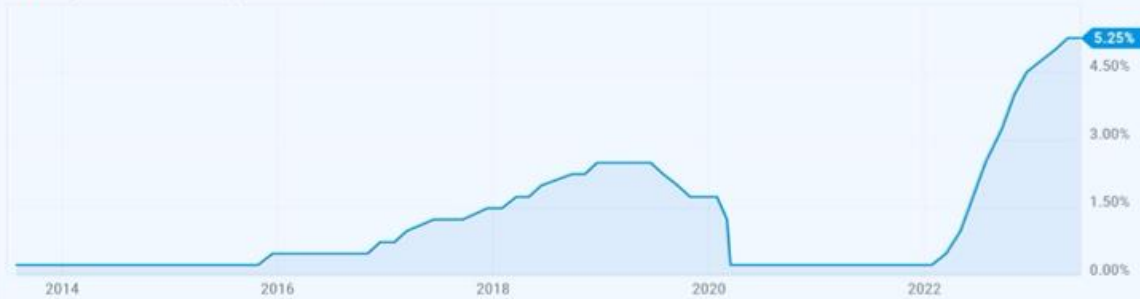
US CPI, US Core CPI & US Producer Price Index versus Target Federal Funds Rate

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- US Consumer Price Index YoY
- US Core Consumer Price Index YoY
- US Producer Price Index YoY



- Target Federal Funds Rate Upper Limit





Wall Street Recap

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