

The Fed's Preferred Inflation metric, the PCE, rose to 4.36%, worse than the GDPNow for 2Q23 is at 1.90% GDP, and Wall Street closed up.

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The U.S. and European stock markets closed the week rising as there are signs that a U.S. Debt Ceiling deal may be in the works; additionally, the GDPNow for the second quarter was updated, showing a 1.90% GDP, highlighting the resiliency of the U.S. economy. Meanwhile, the Fed's preferred measure of Inflation, the Personal Consumption Expenditures Price Index or PCE, increased faster than estimates to 4.36%, the Index of Consumer Sentiment fell to 59.20, Durable Goods New Orders fell to 1.12%, Personal Income rose to 0.36%, and Personal Spending rose to 0.84%.

On the Debt Ceiling issue, the Republican and White House negotiators have circumscribed their differences; according to reports, the debt ceiling will be increased for two years. The deal would decrease baseline federal spending in 2024 on most discretionary programs and revoke part of the IRS funding of \$80 billion as part of 2022's Inflation Reduction Act; if this deal holds water, the nation will avoid a default on its debt. As soon as the final agreement is reached, the House could vote as early as Tuesday, sending it to President Biden for enactment before the June 1 date, by which Treasury Secretary Janet Yellen has said her department could run out of cash.

We now turn our attention to Inflation since the PCE, which is the Fed's preferred inflation benchmark, rose ahead of consensus estimates; this may force the Fed to rethink its Interest rate campaign. However, from the FOMC minutes, the members are divided on whether pause to measure the ten interest rate increases broader impact or press on with more increases; we think there is a 70% chance that the Fed will raise rates one or more times during 2023.

GDPNow Update:

- The GDPNow for the second quarter of 2023 was updated on 5/26/23, decreasing to 1.90% GDP from 2.90%, a -52.63% decrease.

Key Economic Data:

- **U.S. PCE Price Index YoY:** increased to 4.36%, compared to 4.19% last month.
- **U.S. Core PCE Price Index YoY:** increased to 4.70%, compared to 4.63% last month.
- **U.S. Index of Consumer Sentiment:** fell to 59.20, down from 63.50 last month, dropping -6.77%.
- **U.S. Durable Goods New Orders MoM:** fell to 1.12%, compared to 4.53% last month.
- **U.S. Personal Income MoM:** rose to 0.36%, compared to 0.28% last month.
- **U.S. Personal Spending MoM:** rose to 0.84%, compared to 0.08% last month.
- **U.K. Retail Sales YoY:** improved to -3.00%, compared to -3.90% last month.
- **Japan Business Conditions Composite Coincident Index:** rose to 98.80, up from 98.70 last month.

Eurozone Summary:

- **Stoxx 600** closed at 461.72, up 5.54 points or 1.21%.
- **FTSE 100** closed at 7,627.20, up 56.33 points or 0.74%.
- **Dax Index** closed at 15,993.80, up 190.17 points or 1.20%.

Wall Street Summary:

- **Dow Jones Industrial Average** closed at 33,093.34, up 328.69 or 1.00%.
- **S&P 500** closed at 4,205.24, up 54.17 points or 1.30%.
- **Nasdaq Composite** closed at 12,975.69, up 277.59 points or 2.19%.
- **Birling Capital Puerto Rico Stock Index** closed at 2,396.66, down 6.41 points or 0.27%.
- **Birling Capital U.S. Bank Stock Index** closed at 3,583.29, up 19.60 points or 0.55%.
- **U.S. Treasury 10-year note** closed at 3.80%.
- **U.S. Treasury 2-year note** closed at 4.54%.



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GDPNow 5.26.23 Second Quarter GDP Forecast

Date	GDPNow 2Q23	Change
4/28/2023	1.70%	Initial Forecast
5/1/2023	1.80%	5.56%
5/4/2023	2.70%	33.33%
5/8/2023	2.70%	0.00%
5/16/2023	2.60%	-3.85%
5/17/2023	2.90%	10.34%
5/26/2023	1.90%	-52.63%



US PCE Price Index, US Core PCE Price Index YoY, US Index of Consumer Sentiment, US Personal Income, US Personal Spending & US Durable Goods

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- US PCE Price Index YoY
- US Core PCE Price Index YoY
- US Index of Consumer Sentiment
- US Personal Income MoM
- US Personal Spending MoM
- US Durable Goods New Orders MoM





US Retail Sales YoY & Japan Business Conditions Composite Coincident Index

- UK Retail Sales YoY (I:UKCRS)
- Japan Business Conditions Composite Coincident Index (I:JPBCCCI)

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Wall Street Recap May 26, 2023



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