

## Inflation Surges, Shaking Markets as the US CPI Rises to 3% Topping Forecasts, Stirring Rate Cut Speculations and Volatile Sector Movements.

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by Francisco Rodríguez-Castro  
[frc@birlingcapital.com](mailto:frc@birlingcapital.com)

The US and European stock markets closed with mixed results influenced by a consumer price index (CPI) report indicating unexpectedly high inflation levels in the US. Most sectors saw declines, with significant losses noted in real estate and energy. European indices closed up as they digested the implications of the US inflation data. Concurrently, the US dollar gained strength against major currencies, while West Texas Intermediate (WTI) crude oil prices dropped following an increase in US crude supplies.

The CPI rose to an annualized rate of 3.0% in January, surpassing the Inflation Nowcasting of 2.85%. A notable rise in energy prices, which climbed 1.1% month-over-month, largely drove this increase. Excluding the volatile food and energy sectors, Core CPI rose to 3.29% YoY, above the forecasted 3.13%. While shelter costs decreased somewhat, they remained high at a 4.4% annual rate, significantly influencing the core inflation figures. These indicators suggest the reduced likelihood of immediate interest rate cuts by the Federal Reserve, though a gradual moderation in inflation is expected, albeit with potential fluctuations. Indices like the S&P CoreLogic Case-Shiller and the Zillow Observed Rent Index have shown more modest housing price increases, potentially aiding overall inflation moderation. Furthermore, with annual average hourly earnings increasing by 4.1%, consumer spending power appears robust, which could bolster economic stability.

In the bond markets, the yield on the 10-year Treasury note increased to 4.65%, reflecting reduced expectations for imminent Fed rate reductions. Market sentiment now anticipates one rate cut later in the year, around September or October. In his recent testimony before the US Senate, Fed Chair Jerome Powell emphasized a cautious approach to rate cuts, reaffirming the Fed's commitment to controlling inflation. The core personal consumption expenditure (PCE), another inflation gauge closely watched by the Fed, shows a slightly lower rate than the CPI at 2.8%, yet still above the Fed's 2% target. With the current fed funds rate near 4.35%, monetary policy remains restrictive, aimed at tempering inflationary pressures, with any shifts towards a neutral policy stance expected to occur gradually.

### Key Economic Data:

- **US Consumer Price Index YoY:** rose to 3.00%, compared to 2.89% last month.
- **US Core Consumer Price Index YoY:** rose to 3.29%, compared to 3.21% last month.
- **US Inflation Rate:** rose to 3.00%, compared to 2.89% last month.

### Eurozone Summary:

- **Stoxx 600:** Closed at 547.78, up 0.60 points or 0.11%.
- **FTSE 100:** Closed at 8,807.44, up 30.05 points or 0.34%.
- **DAX Index:** Closed at 22,148.03, up 110.20 points or 0.50%.

## Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 44,368.56, down 225.09 points or 0.50%.
- **S&P 500:** closed at 6,051.97, down 16.53 points or 0.27%.
- **Nasdaq Composite:** closed at 19,649.95, up 6.09 points or 0.03%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,849.49, up 52.47 points or 1.38%.
- **Birling Capital US Bank Index:** closed at 7,051.15, up 31.73 points or 0.45%.
- **US Treasury 10-year note:** closed at 4.62%.
- **US Treasury 2-year note:** closed at 4.36%.



## CPI & Core CPI Results vs Forecast

Inflation Nowcasting	CPI Forecast	CPI Actual	Core CPI Forecast	Core CPI Actual	Updated
January	2.85%	3.00%	3.13%	3.29%	2.12.25

# US Consumer Price Index, US Core CPI & US Inflation Rate





# Wall Street Recap

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