

## Fed's Preferred Inflation Metrics, PCE fell 2.56%, Core PCE fell 2.57%, Showing Lower Inflation; Bond Yields Climb as Rate Cut Expectations Rise.

June 28, 2024

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

On Friday, U.S. and European stocks closed the week mostly down, and major equity indexes ended lower, with large-cap stocks lagging behind their small—and mid-cap counterparts. For the month, the five indexes we follow ended the month mostly higher, with the Dow Jones up 1.12%, the S&P 500 up 3.47%, the Nasdaq Composite up 5.96%, the Birling Puerto Rico Stock Index down 1.75%, and the Birling U.S. Bank Index down -2.13%.

In global markets, Asian stocks rose due to Japan's industrial production growth exceeding expectations at 2.8%. Conversely, European markets fell as investors digested new inflation data. The U.S. dollar experienced a slight decline against major currencies. In commodities, both WTI oil and gold prices dropped.

The Federal Reserve's preferred inflation gauge, the Core Personal Consumption Expenditure (PCE) Price Index, which excludes food and energy, increased by 2.57% year-over-year through May, just above the Inflation Nowcasting of 2.56% but down from 2.78% in the previous month. The headline PCE fell to 2.56%, below the Inflation Nowcasting of 2.62% and the 2.68% the prior month.

While Core PCE remains 21.87% above the Fed's 2% target, we anticipate inflation will continue to ease in the latter half of the year, partly due to lower shelter inflation and slower wage growth. Government shelter inflation measures, including CPI and PCE, have been slower to reflect changes compared to market-based indicators like Zillow's Observed Rent Index, which shows a deceleration in housing cost increases. The labor market is also gradually cooling, with fewer job openings and a slight rise in unemployment.

Bond yields climbed, with the 10-year Treasury yield closing at 4.36%. Bond markets are factoring in expectations for two Federal Reserve rate cuts this year following the PCE report, which indicated that inflation is slowing as projected. We expect that ongoing signs of moderating inflation will likely keep the Fed on course for one or two rate cuts later this year, which would be positive for the broader economy and markets.

### Key Economic Data:

- **U.S. PCE Price Index YoY:** fell to 2.56%, compared to 2.68% last month.
- **U.S. Core PCE Price Index YoY:** fell to 2.57%, compared to 2.78% last month.
- **U.S. Personal Income MoM:** rose by 0.48%, compared to 0.27% last month.
- **U.S. Personal Spending MoM:** rose by 0.25%, compared to 0.14% last month.
- **U.S. Index of Consumer Sentiment:** fell to 68.20, down from 69.10 last month, decreasing -1.30%.
- **Canada Real GDP MoM:** rose by 0.33%, compared to -0.05% last month.
- **U.K. Real GDP QoQ:** rose by 0.70%, compared to -0.30% last quarter.
- **U.K. Balance of Trade:** is at -3.31 billion, up from -7.353 billion last quarter.

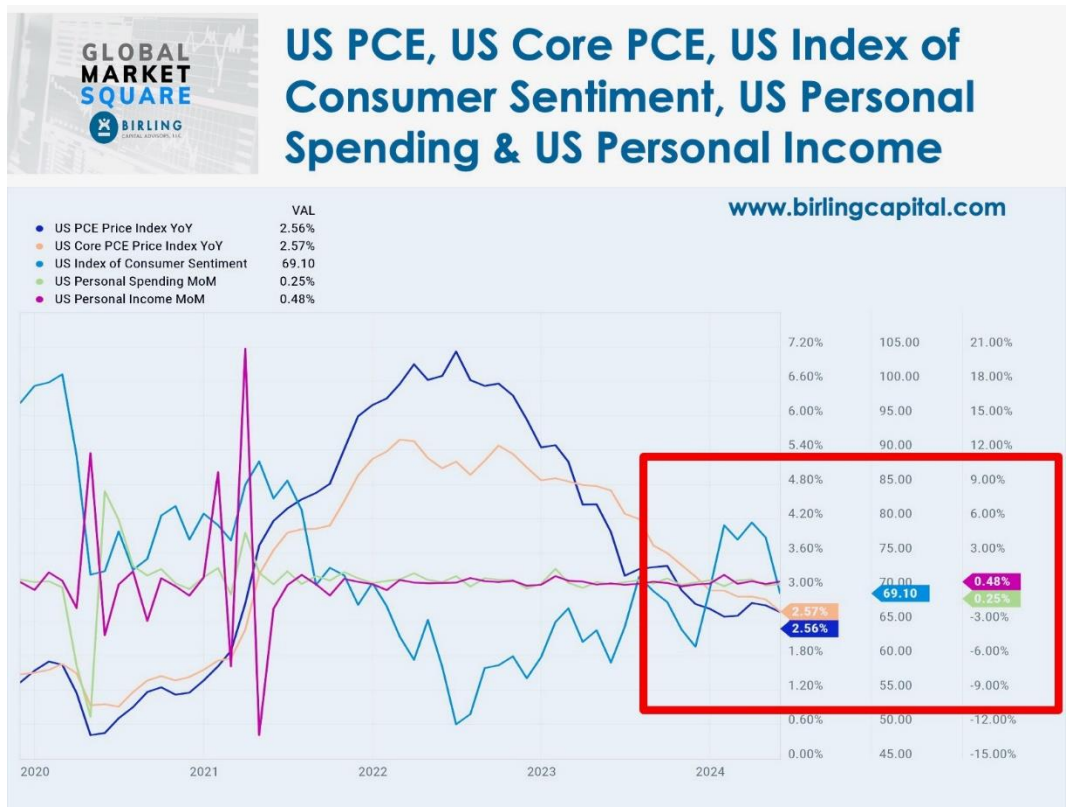
- **U.K. Business Investment QoQ:** fell by 0.53%, compared to 1.39% last quarter.
- **Germany Unemployment Rate:** is unchanged at 5.80%, compared to 5.80% last month.
- **Japan Housing Starts YoY:** fell by -5.29%, compared to 13.88% last month.

**Eurozone Summary:**

- **Stoxx 600:** Closed at 511.42, down 1.17 points or 0.23%.
- **FTSE 100:** Closed at 8,164.12, down 15.56 points or 0.19%.
- **DAX Index:** Closed at 18,235.45, up 24.90 points or 0.14%.

**Wall Street Summary:**

- **Dow Jones Industrial Average:** closed at 39,118.86, down 48.20 points or 0.12%. With a YTD Return of 3.79%.
- **S&P 500:** closed at 5,460.48, down -22.39 points or 0.41%. With a YTD Return of 14.48%.
- **Nasdaq Composite:** closed at 17,732.60, down 128.08 points or 0.71%. With a YTD Return of 18.03%.
- **Birling Capital Puerto Rico Stock Index** closed at 3,328.48, up 0.59 points or 0.02%. With a YTD Return of -0.44%.
- **Birling Capital U.S. Bank Stock Index** closed at 5,082.23, down 5.71 points or 0.11%. With a YTD Return of 16.50%.
- **U.S. Treasury 10-year note** closed at 4.36%.
- **U.S. Treasury 2-year note** closed at 4.71%.





# Dow Jones, S&P 500, Nasdaq Composite, Birling PR Stock Index, Birling US Bank Index Returns YTD 6.28.24

[www.birlingcapital.com](http://www.birlingcapital.com)

|  | VAL    |
|--|--------|
| ● Dow Jones Industrial Average Level % Change            | 3.79%  |
| ● S&P 500 Level % Change                                 | 14.48% |
| ● Nasdaq Composite Level % Change                        | 18.13% |
| ● Birling Capital Puerto Rico Stock Index Level % Change | -0.44% |
| ● Birling Capital U.S. Bank Index Level % Change         | 16.60% |





# Wall Street Update

## June 28, 2024

[www.birlingcapital.com](http://www.birlingcapital.com)



Global Market Square © es una publicación preparada por Birling Capital LLC y resume los recientes desarrollos geopolíticos, económicos, de mercado y otros que pueden ser de interés para los clientes de Birling Capital LLC. Este informe está destinado únicamente a fines de información general, no es un resumen completo de los asuntos a los que se hace referencia y no representa asesoramiento de inversión, legal, regulatorio o fiscal. Se advierte a los destinatarios de este informe que busquen un abogado profesional adecuado con respecto a cualquiera de los asuntos discutidos en este informe teniendo en cuenta la situación de los destinatarios. Birling Capital no se compromete a mantener a los destinatarios de este informe informados sobre la evolución futura o los cambios en cualquiera de los asuntos discutidos en este informe. Birling Capital. El símbolo de registro y Birling Capital se encuentran entre las marcas registradas de Birling Capital. Todos los derechos reservados.