

Markets React to Persistent Core CPI Growth of 3.27%, while CPI falls to 2.53%, and Traders Place an 85% Chance of a 25 Basis Point Rate Cut.

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The U.S. and European stock markets closed with mixed results; Wall Street closed positively following the release of the Core Consumer Price Index, which rose more than expected. The Inflation Nowcasting had the CPI at 2.56%, which came below expectations at 2.53%; however, the Core CPI, which strips out volatile food and energy prices, was at 3.21% and rose to 3.27%. Sector performance was varied, with technology and consumer discretionary stocks driving gains, signaling a shift towards risk-taking. Globally, Asian markets declined, while European markets showed mixed results. The U.S. dollar strengthened against major currencies. In commodities, WTI oil rose, snapping a recent losing streak, while gold edged lower.

The Core CPI data impacted investors' hopes for a half-point rate cut from the Federal Reserve, which was largely aspirational. However, the Traders are now pricing in an 85% chance that the Fed will approve a 25 basis point rate cut following its Sept. 17-18 meeting, according to the CME Group's FedWatch measure. Overall, the CPI reached its lowest annualized level since February 2021. Shelter inflation persisted, increasing 5.2% annually. However, the lower headline inflation figure strengthens the case for the Fed to initiate its rate-cutting cycle next week.

The treasury yields dipped, with the 10-year yield closed unchanged at 3.65%. As inflation cools, the Fed focuses on its employment mandate amid a softening labor market. We anticipate the Fed will begin cutting interest rates next week, with further reductions expected in upcoming meetings. Current bond market pricing suggests a potential 2.5% reduction in rates over the next year, which could bring the federal funds rate below 3%. Lower rates should reduce borrowing costs for businesses and consumers, boosting economic growth and corporate profitability.

Presidential Debate Results Polls

We reviewed several of the debate results polls, and these are the numbers:

- **Fox News:** Harris led with 63%, while Trump trailed at 35%.
- **CBS News:** Harris was viewed favorably by 57%, while Trump garnered 39%.
- **NBC News:** Similar trends, with Harris at 60% and Trump at 38%.
- **ABC News:** Harris led with 58%, compared to Trump's 40%.
- **CNN:** Harris led 56%, while Donald Trump garnered 38%.

Key Economic Data:

- **U.S. Consumer Price Index YoY:** fell to 2.53%, compared to 2.89%, decreasing -12.45%.
- **U.S. Core Consumer Price Index YoY:** rose to 3.27%, compared to 3.21% last month, increasing 1.86%.
- **U.S. Inflation Rate:** fell to 2.53%, compared to 2.89% last month.
- **U.K. Industrial Production Index YoY:** is at -1.20%, compared to -1.40% last month.

Eurozone Summary:

- **Stoxx 600:** Closed at 508.02, up 0.07 points or 0.014%.
- **FTSE 100:** Closed at 8,193.94, down 12.04 points or 0.15%.
- **DAX Index:** Closed at 18,330.27, up 64.35 points or 0.35%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 40,861.71, up 124.75 points or 0.31%.
- **S&P 500:** closed at 5,554.13, up 58.61 points or 1.07%.
- **Nasdaq Composite:** closed at 17,395.53, up 369.65 points or 2.17%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,695.60, down 23.83 points or 0.64%.
- **Birling Capital U.S. Bank Stock Index:** closed at 5,097.46, down 135.32 points or 2.59%.
- **U.S. Treasury 10-year note:** closed at 3.65%.
- **U.S. Treasury 2-year note:** closed at 3.62%.



Inflation Nowcasting CPI & Core CPI versus Actual

Inflation Nowcast	CPI Forecast	CPI Actual	Change	Core CPI Forecast	Core CPI Actual	Change
August	2.56%	2.53%	-1.17%	3.21%	3.27%	1.87%

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

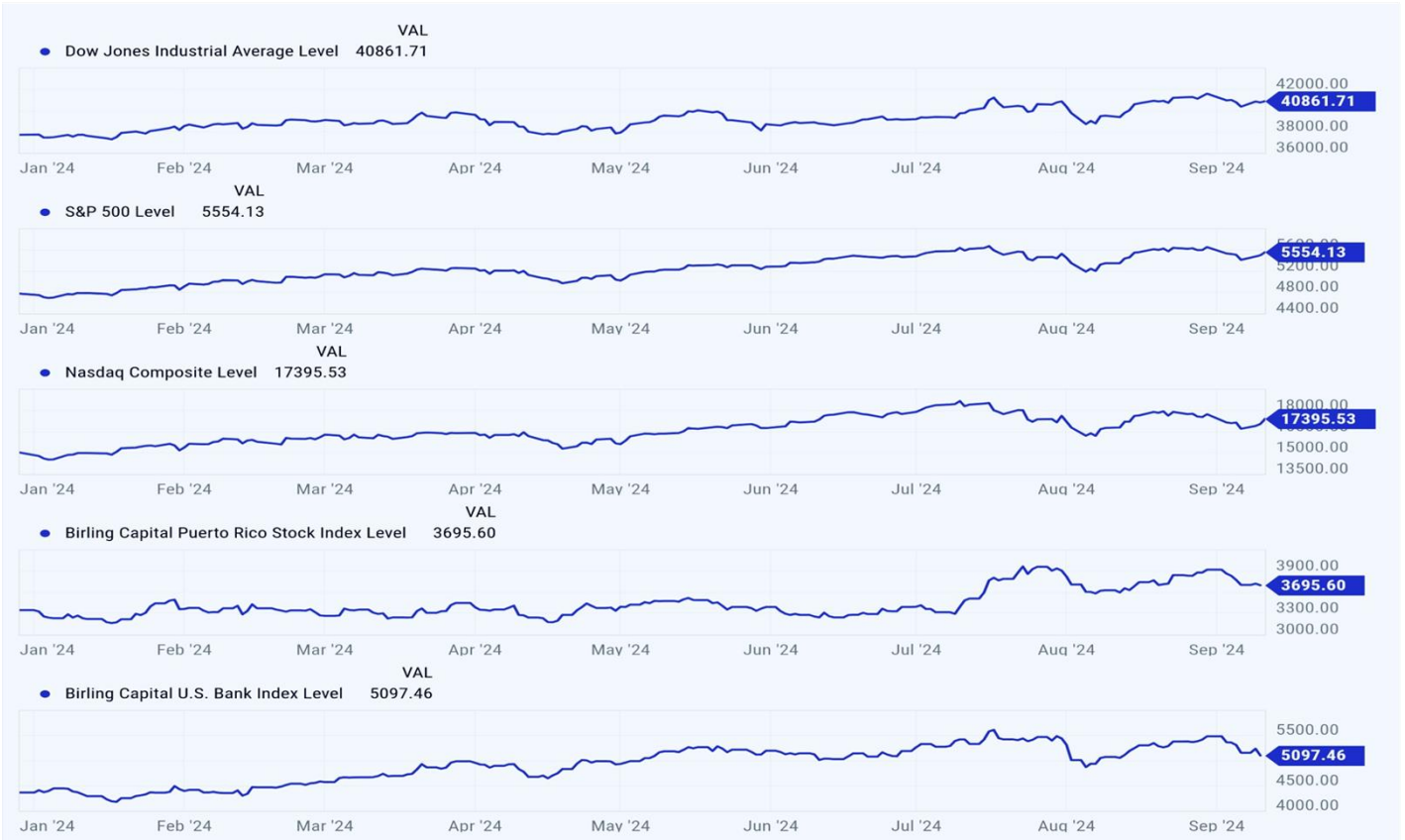




Wall Street Recap

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