



Stocks Close Mostly Lower Ahead of Retail Earnings; Zelenskyy and European Leaders Push Back on Trump's Territorial Concessions.

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The U.S. and European stock markets opened the week modestly lower, with investors awaiting a key round of retail earnings that should provide an important gauge of consumer health. Also, Bond markets saw yields edge higher, with the 10-year U.S. Treasury yield closing at 4.33%, still below its July peak of 4.50%.

Europe closed mixed as German Chancellor Friedrich Merz, French President Emmanuel Macron, and U.K. Prime Minister Keir Starmer, among others, accompanied Ukrainian President Volodymyr Zelenskyy today for high-stakes talks with former President Donald Trump at the White House, marking a rare gathering of European leaders in Washington. The meeting comes on the heels of Trump's unproductive summit with Vladimir Putin in Alaska, which ended without any breakthrough on Ukraine. European leaders sought to prevent a repeat of one-sided diplomacy that could pressure Ukraine into territorial concessions.

Chancellor Merz, along with Macron and Starmer, emphasized the necessity of a ceasefire—contrary to Trump's more transactional approach. Merz was explicit:

"To be honest, we all would like to see a ceasefire. I can't imagine that the next meeting would take place without a truce".

Zelenskyy reaffirmed that Ukraine will not yield territory in exchange for peace, insisting on robust security guarantees. European leaders echoed that stance, advocating for "NATO-style" protections as a cornerstone of any agreement.

Trump, for his part, indicated that while he did not view a ceasefire as essential before a peace deal, he envisioned continued U.S. involvement in Ukraine's defense architecture. However, he also raised the possibility of "territorial exchanges" as part of a peace agreement—a notion met with sharp resistance from Ukraine and its allies.

Russia's ongoing hostilities—including fresh attacks on Ukrainian cities—served as a stark backdrop.

Asia mainly ended higher overnight, highlighted by Japan's Nikkei setting a fresh record high. Meanwhile, the U.S. dollar advanced against major global currencies. At the same time, WTI crude prices slipped as traders focused on the potential implications of Russia-Ukraine discussions for India's purchases of Russian oil.

Retail Earnings in Focus

Retailers take the spotlight this week, and results are expected to offer a close read on consumer resilience. Home Depot will report on Tuesday, followed by Lowe's and Target on Wednesday and Walmart on Thursday. With 92% of S&P 500 companies already reporting second-quarter results, 82% have beaten expectations, delivering an average earnings surprise of 8.4%.

Forecasts for first-quarter 2025 earnings growth in the S&P 500 have been revised sharply upward to 10.4%, from just 3.8% at the end of the reporting season. Broad sector strength has been evident, with 10 of 11 sectors posting year-over-year gains. While analysts expect earnings growth to moderate in the quarters ahead, the full-year outlook remains strong at 10.3%, supported by a robust 12.8% jump in the first quarter. With equity markets trading near record highs, sustained earnings momentum will be critical to fueling further gains through year-end.

Services and Manufacturing Outlook

The week's economic calendar also features key preliminary PMI data. The S&P Global Flash U.S. Services PMI is expected to cool slightly to 54.0 in August, down from 55.7 in July, while the Flash Manufacturing PMI is projected to edge higher to 50.6, from 49.8.

If confirmed, these readings would underscore the current pattern of service activity comfortably above the 50.0 expansion threshold and manufacturing slowly emerging from contraction earlier this year. Such results would be consistent with steady—though moderating—economic growth, supporting labor market stability and consumer spending.

Economic Data:

- **NY Fed Business Leaders Survey Current Business Activity:** fell by -11.70, down from -9.30 last month.
- **NAHB/Wells Fargo US Housing Market Index:** fell to 32.00, down from 33.00 last month, down - 3.03%

Eurozone Summary:

- **Stoxx 600:** Closed at 554.01, up 0.45 points or 0.08%.
- **FTSE 100:** Closed at 9,157.74, up 18.84 points or 0.21%.
- **DAX Index:** Closed at 24,314.77, down 44.53 points or 0.18%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 44,911.82, down 34.30 points or 0.08%.
- **S&P 500:** closed at 6,449.15, down 0.65 points or 0.01%.
- **Nasdaq Composite:** closed at 21,629.774, up 6.797 points or 0.03%.
- **Birling Capital Puerto Rico Stock Index:** closed at 4,113.18, down 55.27 points or 1.33%.
- **Birling Capital U.S. Bank Index:** closed at 7,606.89, down 161.29 points or 2.08%.
- **U.S. Treasury 10-year note:** closed at 4.34%.
- **U.S. Treasury 2-year note:** closed at 3.77%.



Wall Street Recap

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