



GLOBAL MARKET SQUARE



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Wall Street Tanks, Powell's Dovish Tilt with PCE in Focus, Fed Cut Odds Rise to 87% as GDPNow Surges to 3.5%.

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The U.S. and European stock markets closed broadly lower, with Wall Street ending Friday lower across major benchmarks. The Nasdaq Composite led declines and underperformed both the S&P 500 and Dow Jones. Despite the pullback, August closed on a strong note: the S&P 500 advanced 3.50% for its fourth consecutive monthly gain, while year-to-date it remains up 9.75%. The Nasdaq remains the leader for 2025, with a 10.99% gain. However, both of our indices, the Birling Capital Puerto Rico Stock Index and the Birling Capital U.S. Bank Index, rose by 8.01% and 6.76%, respectively, in August, with year-to-date gains of 17.32% and 26.36%, outperforming the major indices. Bond markets were quiet, with the 10-year Treasury yield steady at 4.23%.

Birling Capital Perspective

Investors should view market pullbacks as a chance to rebalance and add quality assets at more compelling valuations and improved entry points.

European Markets: Inflation Data Drives Sentiment

European equities ended Friday in negative territory as investors weighed fresh inflation readings across the region and the U.S., while concerns mounted over a potential U.K. "tax raid" targeting banks.

In France, consumer prices eased to 0.8% in August from 0.9% in July, slightly below expectations. The cooling reflected declines in energy and manufactured goods, though food and services inflation remained firmer at 1.6% and 2.1%, respectively.

Germany, however, saw an uptick in inflation, with the annual CPI accelerating to 2.1% from 1.8% in July, just above consensus forecasts. The mixed signals underscore the challenges for the European Central Bank as it seeks to navigate divergent inflation pressures across the euro area.

Economic Data: Inflation in Focus

July's Personal Consumption Expenditures (PCE) report came in largely as expected. Headline PCE inflation held at 2.6% year-over-year, while core PCE ticked up slightly to 2.88% from June's 2.77%. Goods' inflation remains under pressure, driven partly by higher tariff costs, though expectations point toward stabilization near the 2.5% mark. Services inflation—which accounts for roughly two-thirds of the PCE basket—shows signs of easing, raising hopes that overall inflation momentum will moderate into year-end.

Policy Watch: Fed at a Crossroads

At Jackson Hole, Fed Chair Jerome Powell emphasized the delicate balancing act between stubborn inflation and a softening labor market. He signaled that the Fed may lower its policy rate from the current 4.25%–4.50% range, with an initial 25-basis-point cut expected in September. Beyond that, the central bank remains data-dependent, closely monitoring inflation readings and labor-market developments. Birling Capital projects one to two additional cuts this year, with further easing likely extending into 2026.

GDPNow Update:

- The GDPNow for 3Q25 rose to 3.50%, up from 2.20%, representing a 59.09% increase.

Economic Data:

- **U.S. PCE Price Index YoY:** rose to 2.60%, compared to 2.56% last month.
- **U.S. Core PCE Price Index YoY:** rose to 2.88%, compared to 2.77% last month.
- **U.S. Index of Consumer Sentiment:** fell to 58.20, down from 61.70 last month, a decrease of 5.67%.
- **U.S. Personal Income MoM:** rose to 0.44%, compared to 0.29% last month.
- **U.S. Personal Spending MoM:** rose to 0.53%, compared to 0.37% last month.
- **Germany Consumer Price Index YoY:** rose to 2.20%, compared to 2.00% last month.
- **Germany Real Retail Sales YoY:** fell to 2.30%, compared to 2.40% last month.
- **Germany Unemployment Rate:** rose to 6.40%, compared to 6.30% last month.
- **Japan Housing Starts YoY:** is at -9.72%, compared to -15.59% last month.
- **Japan Unemployment Rate:** fell to 2.30%, compared to 2.50% last month.

Eurozone Summary:

- **Stoxx 600:** Closed at 550.14, down 3.53 points or 0.64%.
- **FTSE 100:** Closed at 9,187.34, down 29.48 or 0.32%.
- **DAX Index:** Closed at 23,902.21, down 137.71 points or 0.57%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 45,544.88, down 92.02 points or 0.20%.
- **S&P 500:** closed at 6,460.26, down 41.60 points or 0.64%.
- **Nasdaq Composite:** closed at 21,455.55, down 249.60 points or 1.15%.
- **Birling Capital Puerto Rico Stock Index:** closed at 4,268.59, down 19.53 points or 0.46%.
- **Birling Capital U.S. Bank Index:** closed at 7,954.42, up 11.60 points or 0.15%.
- **U.S. Treasury 10-year note:** closed at 4.23%.
- **U.S. Treasury 2-year note:** closed at 3.59%.

Inflation Nowcasting PCE & Core PCE

| Inflation Nowcasting VS Actual | PCE | PCE Actual | Change | Core PCE | Core PCE Actual | Change |
|--------------------------------------|-------|---------------|--------|-------------|--------------------|--------|
| July | 2.60% | 2.60% | 0.00% | 2.89% | 2.88% | 0.35% |

GDPNow

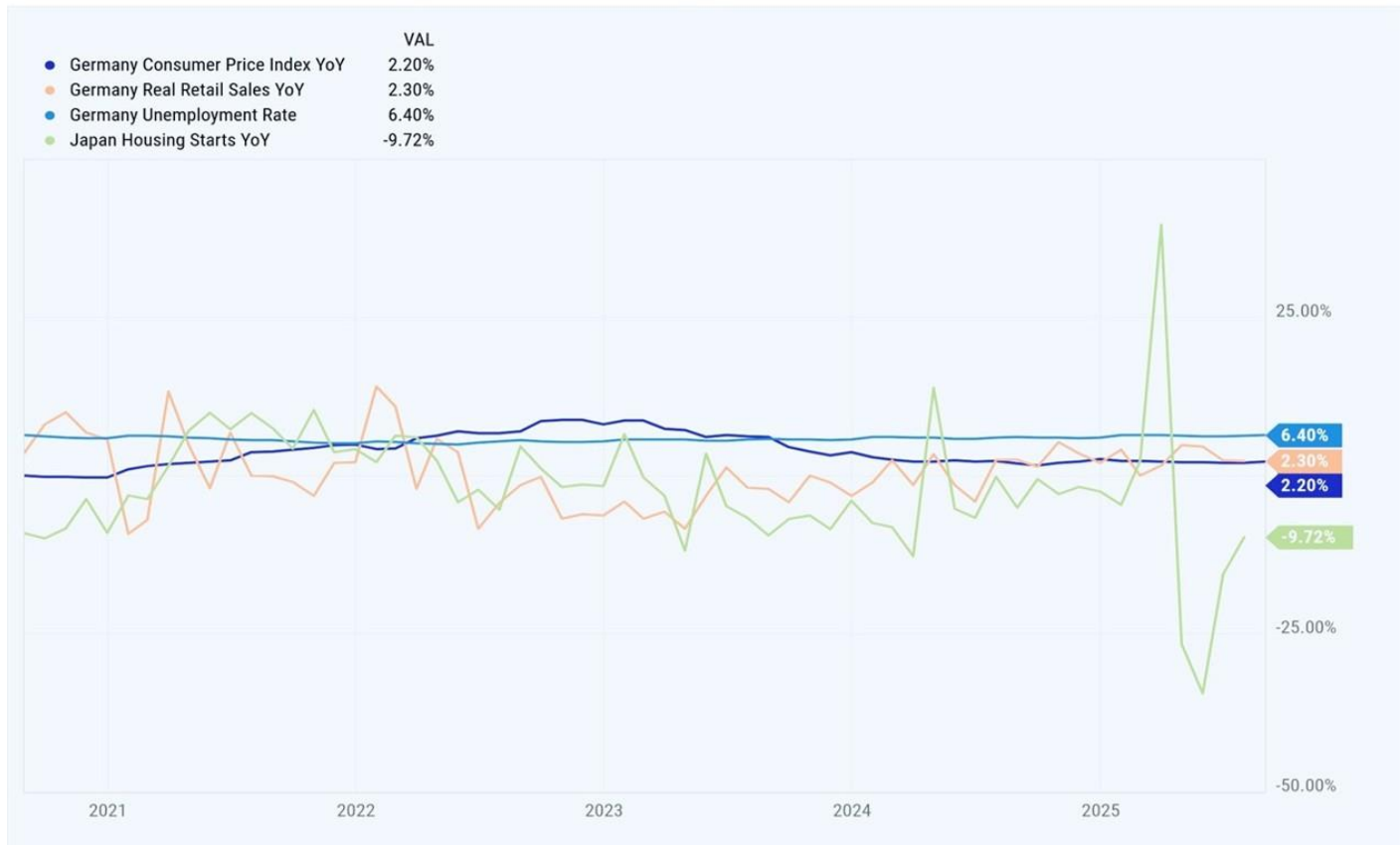
Third Quarter 2025

| Date | GDPNow 3Q25 | Change |
|-----------|----------------|------------------|
| 7/31/2025 | 2.30% | Initial Forecast |
| 8/1/2025 | 2.10% | -8.70% |
| 8/5/2025 | 2.50% | 19.05% |
| 8/7/2025 | 2.50% | 19.05% |
| 8/15/2025 | 2.50% | 0.00% |
| 8/19/2025 | 2.30% | -8.00% |
| 8/26/2025 | 2.20% | -4.35% |
| 8/29/2025 | 3.50% | 59.09% |

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



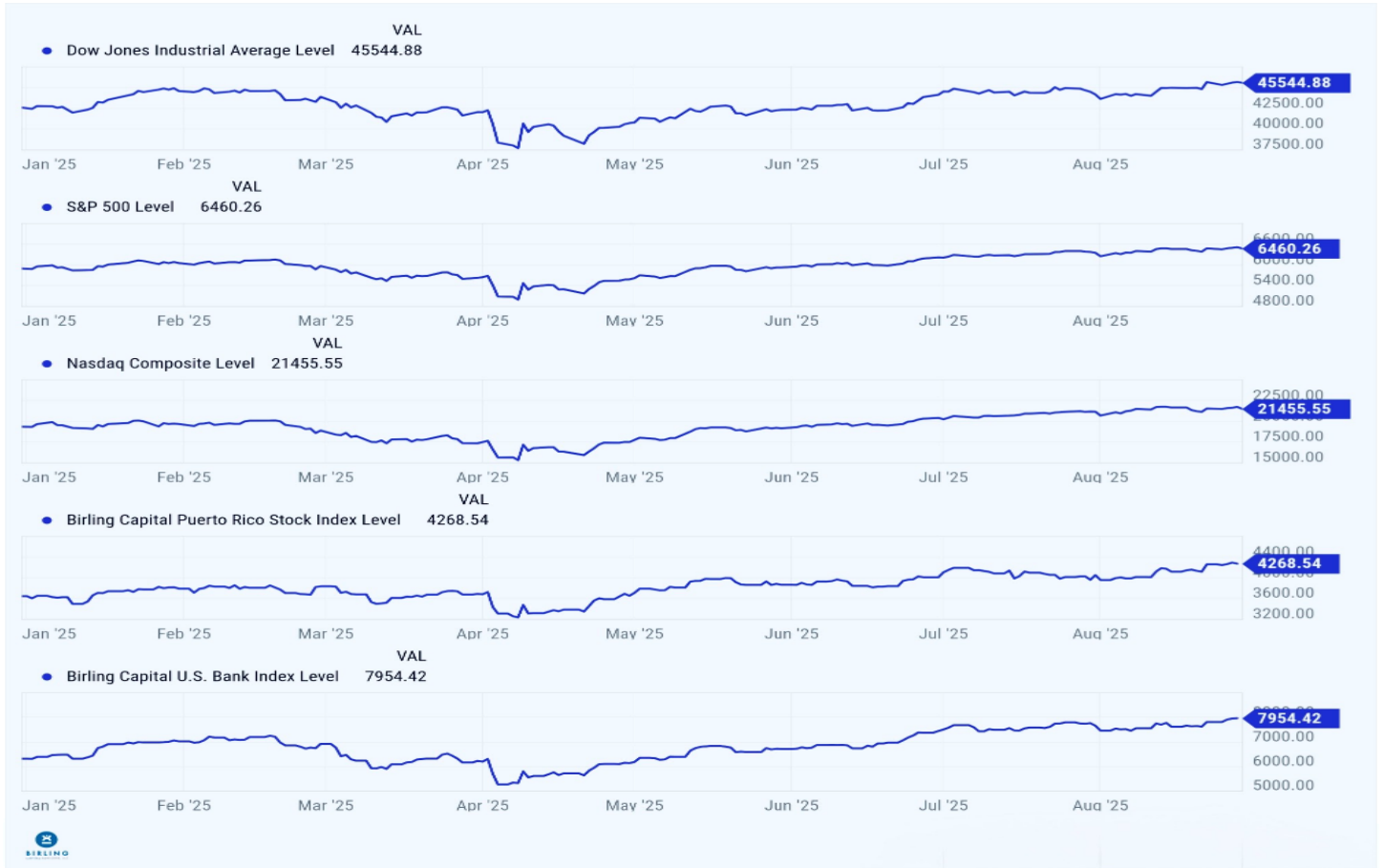
Germany CPI, Germany Retail Sales, Germany Unemployment Rate & Japan Housing Starts





Wall Street Recap

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