

GLOBAL MARKET SQUARE



Global Markets Slip as Inflation and Job Data Stoke Economic Slowdown Fears and Uncertainty Over Fed Policies Taking Wall Street Down.

December 13, 2024

by Francisco Rodríguez-Castro
frc@birlingcapital.com

The US and European stock markets ended the week with losses, except for the Nasdaq Composite, which closed with gains today and for the week. In contrast, all the other indexes closed with losses, with the Dow Jones down -1.82%, S&P 500 -0.64%, the Birling Puerto Rico Stock Index -2.02%, the Birling US Bank Index -0.76%, and the Nasdaq Composite up 0.34%. It appears that the combination of Inflation data and recent economic data, including a rise of 7.56% in initial unemployment claims applications and a higher-than-expected Producer Price Index of 13.30%, has sparked concerns about a potential slowdown in economic growth and raised questions about the overall health of the US economy. Compounding these worries is the uncertainty surrounding Federal Reserve policies. While many investors anticipate a rate cut next week, mixed economic signals have created ambiguity about the timing, size, and scope of such adjustments. This uncertainty has heightened market volatility as investors navigate the delicate balance between inflationary pressures and potential economic deceleration.

Meanwhile, Treasury yields remain elevated, with the 10-year yield closing at 4.40%, a 21.21% increase from its September 17 low of 3.63%. This upward momentum in equities reflects robust US economic data and expectations of a less aggressive Federal Reserve rate-cutting cycle in 2025.

Resilience Defines US Economic Growth in 2024

The US economy has demonstrated remarkable resilience in recent years, and 2024 has continued this trend. Quarterly GDP growth rates have averaged an annualized 2.5%, with fourth-quarter growth projected to exceed this figure. The Federal Reserve's GDP-Now model forecasts fourth-quarter growth of 3.3%, the most muscular projection since the quarter began.

Consumer spending constitutes about 70% of GDP and remains a critical driver of this economic performance. Despite challenges such as persistently high inflation and rising interest rates, consumption—particularly in services like leisure, hospitality, travel, and dining—has shown resilience. Positive real wage growth has been key, with wages outpacing inflation since 2023. This trend has bolstered consumer confidence and spending, a dynamic expected to persist into 2025 as inflation moderates further, potentially stabilizing within the 2%–3% range.

Opportunities Amid Uncertainty in 2025

Looking ahead to 2025, the US economy and markets will likely encounter fresh challenges. Uncertainty around potential policy shifts from a new White House administration, including changes to tariffs and immigration, could impact consumer confidence, inflation, and overall economic growth. Additionally, trade conflicts may introduce market volatility. However, the most extreme policy scenarios are unlikely, and any economic disruptions will likely be contained.

Given this backdrop, market pullbacks can serve as strategic opportunities for investors. Investors should consider short-duration bonds and cash-equivalent instruments in the bond market, avoiding

an over-reliance on cash holdings. With expectations of declining yields in 2025, excess cash can be gradually allocated to equities and bonds to optimize portfolio returns. This balanced approach positions investors to navigate market uncertainty while capitalizing on opportunities in a growing economy.

Key Economic Data:

- **US Export Prices YoY:** rose to 0.81%, compared to 0.07% last month.
- **US Import Prices YoY:** rose to 1.29%, compared to 0.64% last month.
- **Canada Manufacturing Shipments:** rose to 70.78 billion, up from 69.32 billion, increasing 2.10%.
- **Canada Wholesale Sales MoM:** rose to 3.27%, compared to -2.30% last month.
- **Eurozone Industrial Production Index YoY:** fell by -2.80%, compared to -0.10% last month.
- **Germany Trade Balance:** fell to 17.00 billion, down from 22.50 billion, decreasing -24.44%.
- **Germany Exports MoM:** fell by -2.80%, compared to -1.80% last month.
- **UK Industrial Production Index YoY:** is at -0.70%, compared to -1.80% last month.

Eurozone Summary:

- **Stoxx 600:** Closed at 516.45, down 2.75 points or 0.53%.
- **FTSE 100:** Closed at 8,300.33, down 11.43 points or 0.14%.
- **DAX Index:** Closed at 20,405.92, down 20.5 points or 0.10%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 43,828.06, down 86.06 points or 0.20%.
- **S&P 500:** closed at 6,051.09, down 0.16 points or 0.00%.
- **Nasdaq Composite:** closed at 19,926.72, up 23.88 points or 0.12%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,782.45, down 35.52 points or 0.93%.
- **Birling Capital US Bank Stocks Index:** closed at 6,400.88, down 27.59 points or 0.43%.
- **US Treasury 10-year note:** closed 4.40%.
- **US Treasury 2-year note:** closed 4.25%.

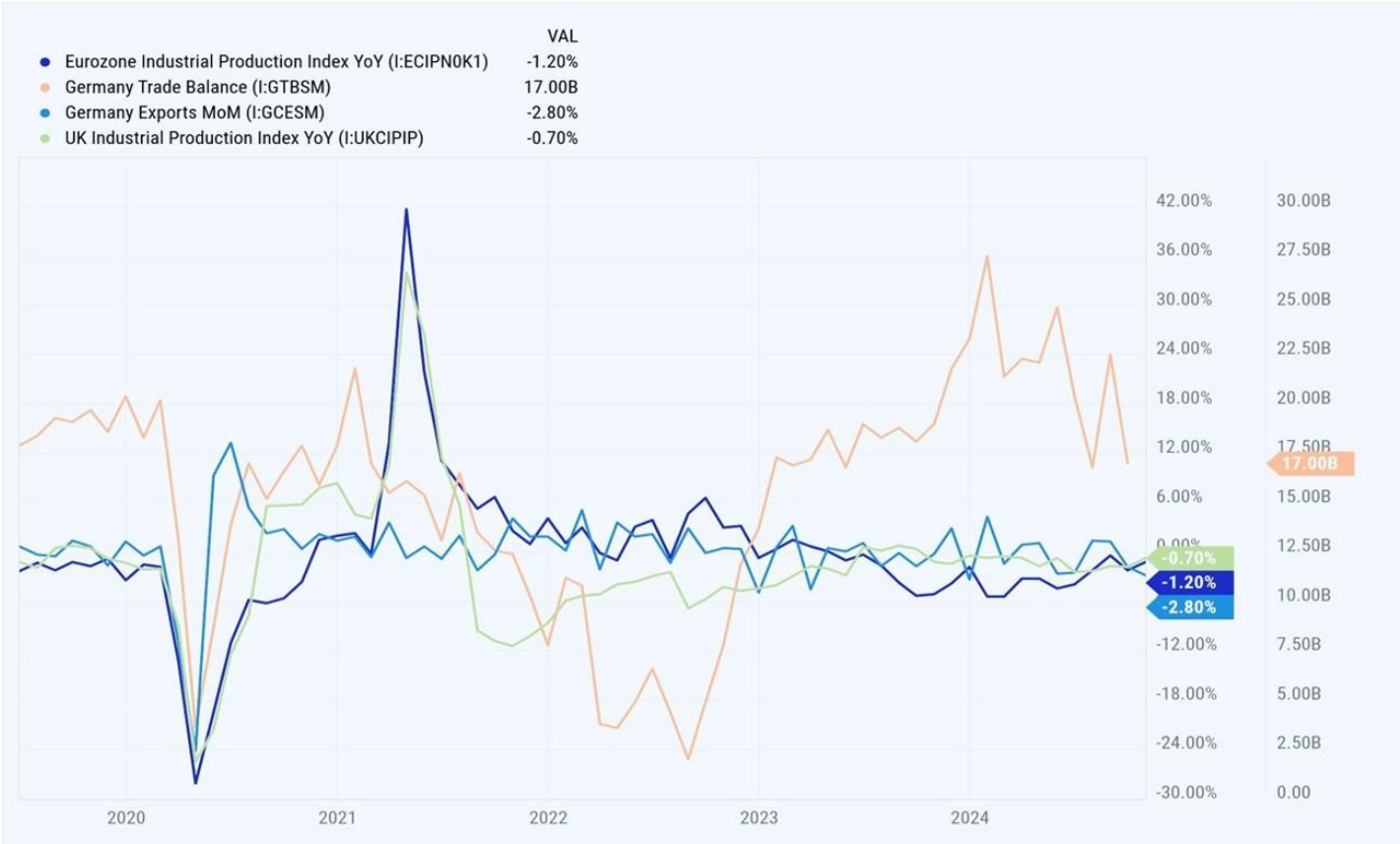
US Exports Prices, US Import Prices, Canada Manufacturing Shipments & Canada Wholesale Sales

	VAL
● US Export Prices YoY	0.81%
● US Import Prices YoY	1.29%
● Canada Manufacturing Shipments	70.78B
● Canada Wholesale Sales MoM	3.27%





Eurozone Industrial Production Index , Germany Trade Balance, Germany Exports, & UK Industrial Production Index







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.