

GLOBAL MARKET SQUARE



Markets Brace for Fed Decision On Rate Cuts, Germany Faces Stagflation and Political Upheaval Global Economic Strains Shape the Week Ahead.

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The US and European stock markets began the week with mixed results. Wall Street attempted to start the week with gains, and it was able to do so with the S&P 500 and the Nasdaq Composite, which closed in the black. However, the Dow Jones fell another 110.58 points.

Investors are looking ahead to Wednesday's Federal Reserve FOMC meeting, at which the Fed is expected to cut rates another 25 basis points.

The 10-year Treasury yield fell slightly, closing at 4.39%, and the 2-year note closed unchanged at 4.25%. Meanwhile, international markets are underperforming, with the European markets broadly lower. China's unexpected slowdown in retail sales stokes concerns over its economic recovery, underscoring the need for additional stimulus measures.

In Europe, the recent news that Germany has entered stagflation with a current GNP forecast of 0.0% prompted Germany into early elections following the collapse of Chancellor Olaf Scholz's coalition government. Scholz lost a critical vote of confidence in parliament on Monday, with 394 lawmakers voting against him and 207 in favor. The outcome triggers the dissolution of parliament, setting the stage for elections now tentatively scheduled for February 23.

The political upheaval is mainly due to the faltering of the German economic engine, a significant development for the Eurozone's largest economy.

Fed in the Spotlight:

After recent rate cuts by major central banks like the Bank of Canada and the European Central Bank, the Federal Reserve is now center stage. The Fed is expected to reduce its benchmark rate by 25 basis points, setting the target range at 4.25%-4.5%. Alongside this decision, the Fed will release updated economic forecasts, which may hint at a more cautious pace of easing in 2025. Unlike Europe and Canada, the US economy has shown stronger growth despite slowing inflation. The Fed could pause in January and adopt a more measured approach in 2025, lowering rates only two to three times instead of the previously expected four. By year-end, the federal funds rate will likely stabilize between 3.5% and 4%, with the 10-year Treasury yield projected to remain in the 4%-4.5% range.

As the year concludes, equity markets appear set to deliver above-average returns, and a strong dose of Cautious Optimism for 2025 is setting in.

Puerto Rico Stocks Update:

As the year is fast approaching a close, we thought it prudent to check where our local stocks stand.

- **First BanCorp.:** closed today at \$20.05 with a YTD Return of 21.01%.

- **Popular, Inc.:** closed today at \$95.79 with a YTD return of 16.72%.
- **OFG Bancorp:** closed today at \$44.17 with a YTD return of 17.86%.
- **Evertec, Inc.:** closed today at \$35.20 with a YTD return of -14.03%.

With three of the four Puerto Rican public companies with double-digit returns, it has been an excellent year for our local public companies.

Key Economic Data:

- **US Retail Gas Price:** fell to \$3.131, down from \$3.156 last week, decreasing -0.79%.

Eurozone Summary:

- **Stoxx 600:** Closed at 515.83, down 0.62 points or 0.12%.
- **FTSE 100:** Closed at 8,262.05, down 38.28 points or 0.46%.
- **DAX Index:** Closed at 20,313.81, down 92.11 points or 0.45%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 43,717.48, down 110.58 points or 0.25%.
- **S&P 500:** closed at 6,074.08, up 22.99 points or 0.38%.
- **Nasdaq Composite:** closed at 20,173.89, up 247.17 points or 1.24%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,756.54, down 25.91 points or 0.68%.
- **Birling Capital US Bank Stocks Index:** closed at 6,357.29, down 43.59 points or 0.68%.
- **US Treasury 10-year note:** closed at 4.39%.
- **US Treasury 2-year note:** closed at 4.25%.



First Bancorp., Popular, Inc., OFG Bancorp & Evertec, Inc. YTD Returns as of 12.16.24

	VAL
● First BanCorp Price % Change	21.91%
● Popular Inc Price % Change	16.72%
● OFG Bancorp Price % Change	17.86%
● Evertec Inc Price % Change	-14.03%





Dow Jones, S&P 500, Nasdaq Composite, Birling Puerto Rico Stock Index & Birling US Bank Index YTD Returns YTD 12.16.24

- Dow Jones Industrial Average Level % Change 15.99%
- S&P 500 Level % Change 27.34%
- Nasdaq Composite Level % Change 34.39%
- Birling Capital Puerto Rico Stock Index Level % Change 12.36%
- Birling Capital U.S. Bank Index Level % Change 45.83%







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