

GLOBAL MARKET SQUARE



Global Markets Decline Ahead of Fed Decision as Investors Brace for Interest Rate Guidance, US Retail Sales Rise, and Wall Street Closed Down.

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The US and European stock markets closed with losses as investors continued in a negative mode. They are awaiting tomorrow's Federal Reserve Bank determination on interest rates, which will mark the path investors will take both at the end of 2025 and at the beginning of 2025.

Asian equities showed mixed performance, while European indices mostly declined as investors braced for the Federal Reserve's (Fed) December meeting. Meanwhile, the US dollar strengthened against major currencies. Commodities were under pressure, with WTI crude oil and gold trading lower.

FOMC Meeting and Inflation Data Take Center Stage

All eyes are on the Federal Open Market Committee (FOMC) as it wraps up its meeting on Wednesday. Market participants anticipate a 0.25% interest rate cut, the third reduction in this cycle, potentially bringing the policy rate range to 4.25%-4.50%. If confirmed, this move may signal a slow pace in easing, with a potential pause in January.

Later in the week, attention will shift to November's Personal Consumption Expenditures (PCE) index, the Fed's preferred inflation measure, set for release on Friday. The Inflation Nowcasting has the annualized PCE at 2.59%, up from 2.31% in October, while Core PCE, excluding food and energy, is forecast to tick up to 2.97%, up from 2.80% in October. With the federal funds rate currently at 4.5%-4.75%, monetary policy remains restrictive, as a neutral rate typically runs about 1% above inflation. Bond markets are pricing in expectations of 0.75% in rate cuts over the next year.

Retail Sales Signal Consumer Resilience

November retail sales rose 0.69% from the previous month, exceeding expectations of a 0.5% gain. A notable contributor was auto sales, which surged 2.6% month-over-month. This strength reflects robust consumer activity supported by a resilient labor market. While spending patterns indicate consumers are gradually moderating their outlays, the uneven pullback suggests continued economic expansion, aligning with a "soft landing" narrative.

GDPNow:

- **GDPNow** for the fourth quarter was updated on December 17, 2024. It fell to 3.10%, down from 3.30%, a 6.06% decrease.

Key Economic Data:

- **US Retail and Food Services Sales MoM:** rose to 0.69%, compared to 0.46% last month.
- **NY Fed Business Leaders Survey Current Business Activity:** fell by -5.20 from -0.50 last month.
- **US Industrial Production MoM:** is at -0.15%, compared to -0.41% last month.
- **US Business Inventories MoM:** rose to 0.10%, compared to 0.02% last month.

- **US Wholesalers Inventories MoM:** rose to 0.19%, compared to -0.23% last month.
- **NAHB/Wells Fargo US Housing Market Index:** is unchanged at 46.00.
- **Canada Consumer Price Index YoY:** fell to 1.89%, compared to 2.02% last month.
- **Canada New Housing Price Index YoY:** rose to 0.16%, compared to -0.16% last month.
- **ZEW Indicator of Economic Sentiment for Germany:** rose to 15.70, up from 7.40 last month, increasing 112.2%.
- **Germany Ifo Business Climate Index:** fell to 84.70, down from 85.60 last month.
- **Germany Ifo Business Expectations Index:** fell to 84.40, down from 87.00 last month.
- **Germany Ifo Business Situation Index:** rose to 85.10, up from 84.30 last month.
- **UK ILO Unemployment Rate: Aged 16-64:** is unchanged at 4.40%, compared to 4.40% last month.

Eurozone Summary:

- **Stoxx 600:** Closed at 513.66, down 2.17 points or 0.42%.
- **FTSE 100:** Closed at 8,195.20, down 66.85 points or 0.81%.
- **DAX Index:** Closed at 20,246.37, down 67.44 points or 0.33%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 43,449.90, down 267.58 points or 0.61%.
- **S&P 500:** closed at 6,050.61, down 23.47 points or 0.39%.
- **Nasdaq Composite:** closed at 20,109.06, down 64.83 points or 0.32%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,782.53, up 26.00 points or 0.69%.
- **Birling Capital US Bank Stocks Index:** closed at 6,395.84, up 38.55 points or 0.61%.
- **US Treasury 10-year note:** closed at 4.40%.
- **US Treasury 2-year note:** closed at 4.25%.



GDPNow

Forecasts for the Fourth Quarter

Date	GDPNow 4Q24	Change
10/31/24	2.70%	Initial Forecast
11/1/24	2.30%	-14.81%
11/5/24	2.40%	4.35%
11/7/24	2.50%	4.17%
11/15/24	2.50%	0.00%
11/19/24	2.60%	4.35%
11/27/24	2.70%	3.85%
12/2/24	3.20%	18.52%
12/5/24	3.30%	3.13%
12/9/24	3.30%	0.00%
12/17/24	3.10%	-6.06%



Inflation Nowcasting

PCE & Core PCE

Inflation Nowcasting	PCE Forecast	Core PCE Forecast	Updated
November	2.59%	2.97%	17-Dec

**The PCE and Core PCE will be released on
December 20, 2024**



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US Retail & Food Service Sales, NY Fed Business Leaders Survey, US Business Inventories, US Wholesalers Inventories & NAHB/Wells Fargo US Housing Market





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