

GLOBAL MARKET SQUARE



The Dow Jones takes 1,123,03 points hit and the Nasdaq a 716.37 points loss as the Fed Makes Third Rate Cut and Raises the Fed Funds Projection.

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The US and European stock markets closed with mixed results following the Federal Reserve Bank's 25 basis point decrease in interest rates. The Fed also offered updated Economic projections showing a target rate of 3.9%, up from the 3.4% September projection, signaling that the pace of rate cuts will be curtailed. Also, the Federal Reserve offered the following economic projections for 2025:

- GDP 2.1%.
- Unemployment Rate 4.3%.
- PCE 2.5%.
- Core PCE 2.5%.

These projections took the markets into a downward spiral that ultimately made the Dow Jones fall 1,123,03 points, followed by the Nasdaq Composite, which fell 716.37 points, and the S&P 500 fell 178.45 points; all indexes lost between 2.58% to 3.56% and registering the dubious record of the first ten-day losing period in 50 years.

Asian markets delivered mixed results as investors digested Japan's smaller-than-expected November trade deficit and awaited policy decisions from the Bank of Japan and the Federal Reserve. While no changes are anticipated from the Bank of Japan, the primary focus was today's Fed decision. U.S. bond yields closed, with the 10-year Treasury yield rising to 4.50%. Meanwhile, the dollar is gaining ground against major global currencies. In commodities, oil prices are climbing, while gold is seeing a decline.

FOMC Cut Rates by 25 Basis Points

The Federal Open Market Committee (FOMC) concluded its December meeting today, cutting the rate by 0.25%; this is the third cut in the current easing cycle, setting the target range between 4.25% and 4.50%. With the federal funds rate sitting well above the Fed's preferred core inflation rate—typically considered neutral when approximately 1% higher—the central bank, within its updated economic projections for 2025, increased the Fed Funds rate to 3.9% from 3.4%, is shifting to a slower pace of rate cuts. We predict that a pause in rate cuts could occur as early as January, as the Fed has no February meeting scheduled.

Inflation Data in the Spotlight

The Fed's preferred inflation metric, the personal consumption expenditures (PCE) index, is due 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. While inflation remains above the Fed's 2% target, the decelerating trend suggests continued progress in cooling prices. This could enable the Fed to adopt a more neutral monetary policy stance. Bond markets are currently pricing in approximately 0.75% in rate cuts over the next nine months.

Key Economic Data:

- **US Housing Starts:** fell to 1.289 million, down from 1.312 million last month, decreasing -1.75%.
- **US Building Permits:** rose to 1.505 million, up from 1.419 million last month, decreasing 6.06%.
- **Target Federal Funds Rate Upper Limit:** is at 4.75%, compared to 5.00% yesterday.
- **Eurozone Inflation Rate:** Excluding Energy, Food, Alcohol, and Tobacco is unchanged at 2.70%, compared to 2.70% last month.
- **UK Consumer Price Index YoY:** rose to 2.60%, compared to 2.30% last month.
- **UK Core Consumer Price Index YoY:** rose to 3.53%, compared to 3.28% last month.
- **UK Producer Price Index: Input YoY:** is at -1.81%, compared to -2.40% last month.
- **UK Producer Price Index: Output YoY:** is at -0.58%, compared to -0.88% last month.
- **UK Average House Price YoY:** rose to 3.42%, compared to 2.75% last month.

Eurozone Summary:

- **Stoxx 600:** Closed at 514.43, up 0.77 points or 0.15%.
- **FTSE 100:** Closed at 8,199.11, up 3.91 points or 0.048%.
- **DAX Index:** Closed at 20,242.57, down 3.80 points or 0.019%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 42,336.87, down 1,123.03 points or 2.58%.
- **S&P 500:** closed at 5,872.16, down 178.45 points or 2.95%.
- **Nasdaq Composite:** closed at 19,392.69, down 716.37 points or 3.56%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,694.94, down 87.59 points or 2.32%.
- **Birling Capital US Bank Stocks Index:** closed at 6,326.22, down 69.62 points or 1.09%.
- **US Treasury 10-year note:** closed at 4.50%.
- **US Treasury 2-year note:** closed at 4.35%.

Federal Reserve Bank Economic Projections 2024-2027

Table 1. Economic projections of Federal Reserve Board members and Federal Reserve Bank presidents, under their individual assumptions of projected appropriate monetary policy, December 2024

Percent

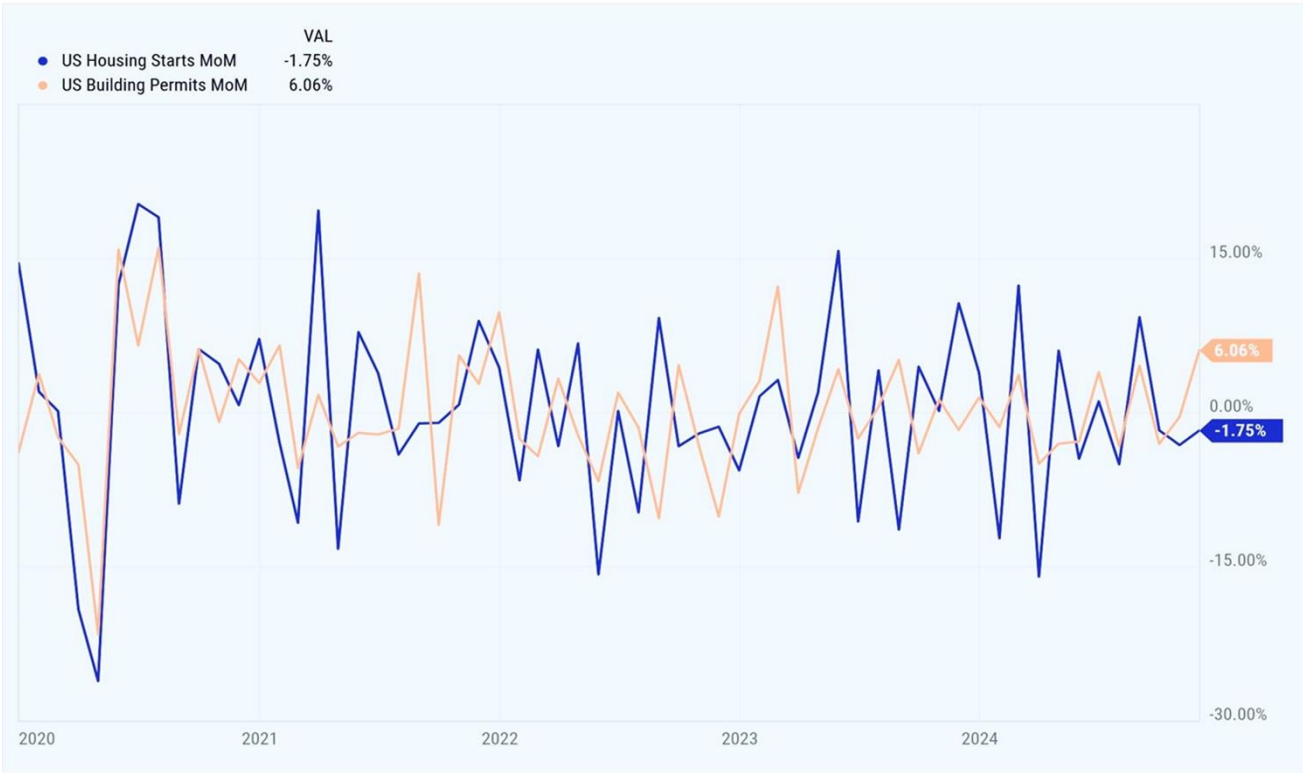
Variable	Median ¹					Central Tendency ²					Range ³				
	2024	2025	2026	2027	Longer run	2024	2025	2026	2027	Longer run	2024	2025	2026	2027	Longer run
Change in real GDP	2.5	2.1	2.0	1.9	1.8	2.4-2.5	1.8-2.2	1.9-2.1	1.8-2.0	1.7-2.0	2.3-2.7	1.6-2.5	1.4-2.5	1.5-2.5	1.7-2.5
September projection	2.0	2.0	2.0	2.0	1.8	1.9-2.1	1.8-2.2	1.9-2.3	1.8-2.1	1.7-2.0	1.8-2.6	1.3-2.5	1.7-2.5	1.7-2.5	1.7-2.5
Unemployment rate	4.2	4.3	4.3	4.3	4.2	4.2	4.2-4.5	4.1-4.4	4.0-4.4	3.9-4.3	4.2	4.2-4.5	3.9-4.6	3.8-4.5	3.5-4.5
September projection	4.4	4.4	4.3	4.2	4.2	4.3-4.4	4.2-4.5	4.0-4.4	4.0-4.4	3.9-4.3	4.2-4.5	4.2-4.7	3.9-4.5	3.8-4.5	3.5-4.5
PCE inflation	2.4	2.5	2.1	2.0	2.0	2.4-2.5	2.3-2.6	2.0-2.2	2.0	2.0	2.4-2.7	2.1-2.9	2.0-2.6	2.0-2.4	2.0
September projection	2.3	2.1	2.0	2.0	2.0	2.2-2.4	2.1-2.2	2.0	2.0	2.0	2.1-2.7	2.1-2.4	2.0-2.2	2.0-2.1	2.0
Core PCE inflation ⁴	2.8	2.5	2.2	2.0		2.8-2.9	2.5-2.7	2.0-2.3	2.0		2.8-2.9	2.1-3.2	2.0-2.7	2.0-2.6	
September projection	2.6	2.2	2.0	2.0		2.6-2.7	2.1-2.3	2.0	2.0		2.4-2.9	2.1-2.5	2.0-2.2	2.0-2.2	
Memo: Projected appropriate policy path															
Federal funds rate	4.4	3.9	3.4	3.1	3.0	4.4-4.6	3.6-4.1	3.1-3.6	2.9-3.6	2.8-3.6	4.4-4.6	3.1-4.4	2.4-3.9	2.4-3.9	2.4-3.9
September projection	4.4	3.4	2.9	2.9	2.9	4.4-4.6	3.1-3.6	2.6-3.6	2.6-3.6	2.5-3.5	4.1-4.9	2.9-4.1	2.4-3.9	2.4-3.9	2.4-3.8

NOTE: Projections of change in real gross domestic product (GDP) and projections for both measures of inflation are percent changes from the fourth quarter of the previous year to the fourth quarter of the year indicated. PCE inflation and core PCE inflation are the percentage rates of change in, respectively, the price index for personal consumption expenditures (PCE) and the price index for PCE excluding food and energy. Projections for the unemployment rate are for the average civilian unemployment rate in the fourth quarter of the year indicated. Each participant's projections are based on his or her assessment of appropriate monetary policy. Longer-run projections represent each participant's assessment of the rate to which each variable would be expected to converge under appropriate monetary policy and in the absence of further shocks to the economy. The projections for the federal funds rate are the value of the midpoint of the projected appropriate target range for the federal funds rate or the projected appropriate target level for the federal funds rate at the end of the specified calendar year or over the longer run. The September projections were made in conjunction with the meeting of the Federal Open Market Committee on September 17-18, 2024.

1. For each period, the median is the middle projection when the projections are arranged from lowest to highest. When the number of projections is even, the median is the average of the two middle projections.
2. The central tendency excludes the three highest and three lowest projections for each variable in each year.
3. The range for a variable in a given year includes all participants' projections, from lowest to highest, for that variable in that year.
4. Longer-run projections for core PCE inflation are not collected.



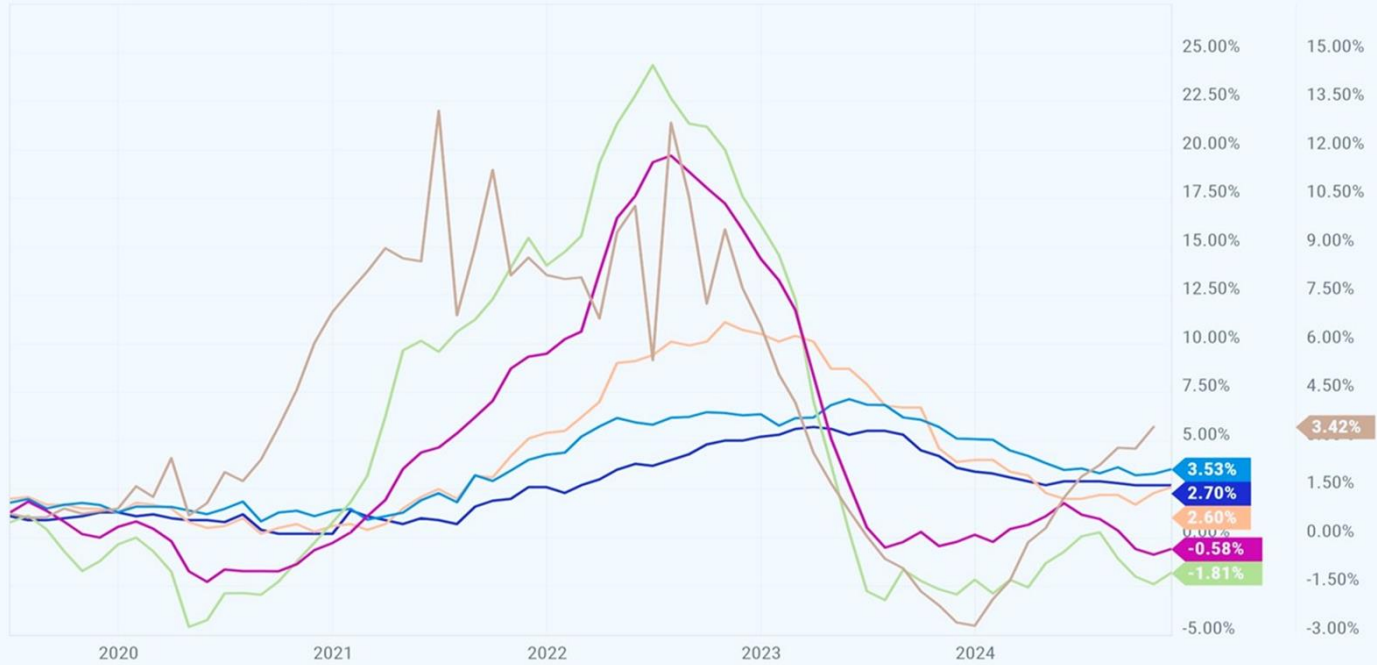
US Housing Starts & US Building Permits



Eurozone Inflation Rate, UK CPI, UK Core CPI, UK PPI Input, UK PPI Output & UK Average House Price

- Eurozone Inflation Rate: Excluding Energy, Food, Alcohol, and Tobacco (I:EIREEFNM) 2.70%
- UK Consumer Price Index YoY (I:UKCCXRBU) 2.60%
- UK Core Consumer Price Index YoY (I:UKCCPIYY) 3.53%
- UK Producer Price Index: Input YoY (I:UKPPIIYY) -1.81%
- UK Producer Price Index: Output YoY (I:UKPPIOYY) -0.58%
- UK Average House Price YoY (I:UKAHPYY) 3.42%

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Inflation Nowcasting PCE & Core PCE

Inflation Nowcasting	PCE Forecast	Core PCE Forecast	Updated
November	2.59%	2.97%	18-Dec

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