

GLOBAL MARKET SQUARE



The PCE and Core PCE rose below expectations, offering some relief; the US Index of Consumer Sentiment increased to 74.0, its highest level since April, and Wall Street Closed Higher.

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The US and European stock markets closed the week with mixed results, as investors processed the Federal Reserve's recent economic projections and are now bracing for the possibility of a US government shutdown.

Asian markets closed in the red, and European stocks traded lower following disappointing UK retail sales data and higher-than-expected German producer price inflation.

Inflation Data Offers Mixed Signals:

The Federal Reserve's preferred inflation metric, Core Personal Consumption Expenditures (PCE), rose to 2.82% in November, up slightly from 2.79% last month but ahead of the Inflation Nowcasting of 2.97%. Likewise, the PCE rose to 2.44%, up from 2.31% last month but ahead of the Inflation Nowcasting of 2.59%. Since both figures fell below market expectations, it offers some respite to investors concerned about persistent inflation. Lower-than-expected inflation triggered a drop in bond yields, with the 10-year Treasury yield declining to close at 4.52% and the 2-year yield sliding to 4.30%.

Government Shutdown Risk Intensifies:

Political uncertainty returned to the forefront as the US faced a potential government shutdown if Congress fails to approve new spending by 12:01 a.m. Saturday. President-elect Donald Trump's opposition to a bipartisan funding deal proposed earlier in the week heightened tensions. The House rejected a revised three-month funding extension and two-year debt ceiling suspension proposal overnight, leaving the federal government on the brink of partial closure.

While essential functions like public safety and air traffic control will remain operational, many government employees could face furloughs. Treasury operations will continue, ensuring the US meets its debt obligations.

Historically, market impact from shutdowns has been limited. For example, during the 35-day shutdown starting in December 2018, the S&P 500 gained over 10%. Though short-term volatility may arise, long-term market performance is unlikely to be significantly affected.

Encouraging Inflation Trends:

November's PCE inflation data showed encouraging signs of disinflation. These results suggest a slower pace of price increases, particularly in services, which rose by just under 0.2%, their lowest monthly gain in months. Goods prices were flat for the period.

Defensive positioning remains a key strategy as markets navigate the dual challenges of economic uncertainty and political gridlock. While inflation data fosters optimism, the specter of a government shutdown underscores the need for caution in the near term.

Key Economic Data:

- **US PCE Price Index YoY:** rose to 2.44%, compared to 2.31% last month.
- **US Core PCE Price Index YoY:** rose to 2.82%, compared to 2.79% last month.
- **US Index of Consumer Sentiment:** rose to 74.00, up from 71.80 last month.
- **US Personal Income MoM:** fell to 0.28%, compared to 0.67% last month.
- **US Personal Spending MoM:** rose to 0.40%, compared to 0.35% last month.
- **Eurozone Consumer Confidence Indicator:** fell by -13.70, down from -12.50 last month.
- **Eurozone Economic Sentiment Indicator:** rose to 95.80, up from 95.70 last month.
- **Germany Producer Price Index YoY:** rose to 0.10%, compared to -1.10% last month.
- **UK Retail Sales YoY:** fell to 0.50%, compared to 2.00% last month.

Eurozone Summary:

- **Stoxx 600:** Closed at 502.19, down 4.47 points or 0.88%.
- **FTSE 100:** Closed at 8,064.61, down 20.71 points or 0.26%.
- **DAX Index:** Closed at 19,884.75, down 85.11 points or 0.43%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 42,840.26, up 498.22 points or 1.18%.
- **S&P 500:** closed at 5,903.85, up 63.77 points or 1.09%.
- **Nasdaq Composite:** closed at 19,572.60, up 199.83 points or 1.03%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,532.53, down 13.26 points or 0.37%.
- **Birling Capital US Bank Stocks Index:** closed at 6,095.63, up 16.82 points or 0.28%.
- **US Treasury 10-year note:** closed at 4.52%.
- **US Treasury 2-year note:** closed at 4.30%.

Inflation Nowcasting PCE & Core PCE

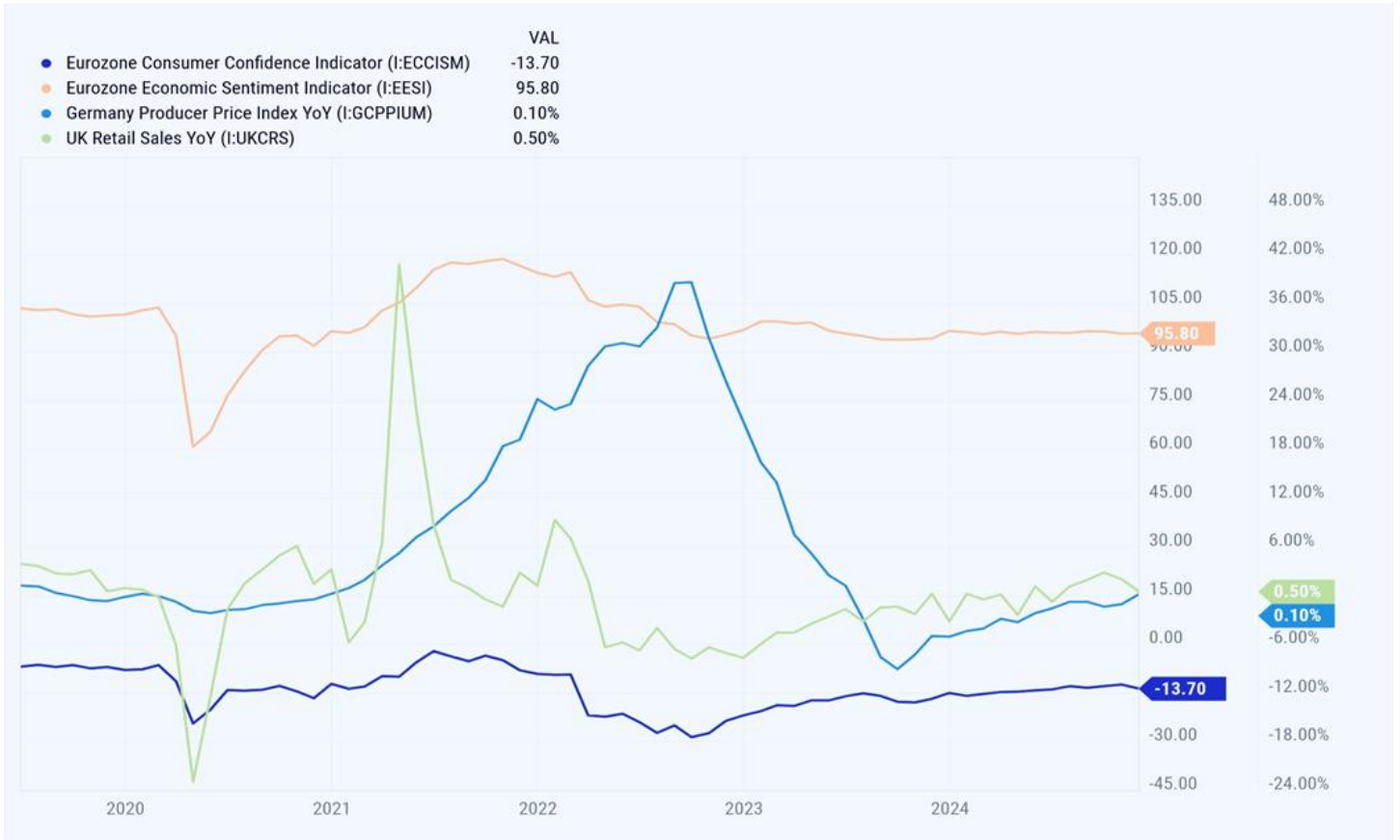
PCE Forecast	PCE Actual	Change	Core PCE Forecast	Core PCE Actual	Change
2.59%	2.44%	-5.79%	2.97%	2.82%	-5.05%

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





Eurozone Consumer Confidence Indicator, Eurozone Economic Sentiment, Germany PPI & UK Retail Sales



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