

# GLOBAL MARKET SQUARE



## Global Markets React to Fed Policy Shifts, Puerto Rico's Economic Growth Slows as Federal Disbursements are at a Glacial Pace, and Wall Street Jumps.

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The US and European stock markets opened the week higher, with tech stocks leading the indexes. We note that seven sectors are in the red and four in the black, namely information technology, consumer discretionary, communication services, and healthcare, which closed in the black.

Globally, Asian markets posted gains, bolstered by last week's lower-than-expected US personal consumption expenditure (PCE) reading and optimism surrounding a Honda and Nissan potential merger, with a target completion date set for 2026. Mitsubishi has also been invited to participate in this strategic collaboration. The situation is particularly critical for Nissan, which faces significant financial challenges. According to an insider, the automaker may only have 12 to 14 months of viability left without intervention or substantial change. Meanwhile, the US dollar is strengthening against major currencies. In commodities, WTI crude oil and gold are trading down.

### Government Shutdown Averted

Congress successfully passed a bipartisan continuing resolution late Friday, which President Biden signed into law on Saturday. This stopgap measure averts a government shutdown by maintaining current funding levels for three months and includes additional disaster relief and farm aid. However, proposals to address the Treasury debt ceiling were excluded due to insufficient support. While markets are trading slightly lower, this funding extension reduces uncertainty, mitigating risks of service disruptions and delayed government employee paychecks, which could have negatively impacted sentiment.

### Puerto Rico Economic Update:

As Birling Capital had forecasted, the Planning Board's earlier estimates for Puerto Rico's economic growth were too optimistic. The Economic Activity Index's consistent monthly contractions reinforced our view. Birling Capital projects Puerto Rico's GDP growth at 1.50% for 2024 and 1.20% for 2025, aligning with more tempered expectations.

The Puerto Rico Planning Board has revised its projections for fiscal year 2025, estimating a 1.2% growth in Gross Product (GDP). This figure reflects a decline of 1.4% percentage points compared to the official forecast published in February.

The Planning Board attributed the adjustment to uncertainties linked to anticipated changes in U.S. economic policies under the incoming administration of President-elect Donald Trump. The Planning Board also revised projections for fiscal year 2024, from 2.8% in February to 2.2% by December.

### Federal Fund Disbursements Impact Growth

One factor contributing to the tempered projections was reduced federal fund disbursements for fiscal years 2024 and 2025. The April 2023 Fiscal Plan initially projected \$1,858 million in CDBG

disbursements for fiscal year 2024 and \$2,054 million for fiscal year 2025. These estimates were revised downwards in the June 2024 Fiscal Plan to \$1,625 million and \$1,892 million, respectively. The Planning Board outlook contrasts with projections from the Fiscal Control Board (FCB), which estimates a 0.8% contraction for fiscal year 2025, and Moody's Analytics, which forecasts a 0.2% decline.

### Key Figures:

- **Fiscal Year 2024:** 2.2% growth (revised from 2.8%)
- **Fiscal Year 2025:** 1.2% growth (down from earlier projections)

### Key Economic Data:

- **US Retail Gas Price:** rose to \$3.137, up from \$3.131 last week, increasing 0.19%.
- **Canada Real GDP MoM:** rose to 0.32%, compared to 0.24% last month.
- **UK Real GDP QoQ:** fell to 0.10%, compared to 0.50% last quarter.
- **UK Balance of Trade:** is at -10.56B, up from -15.91B last quarter.

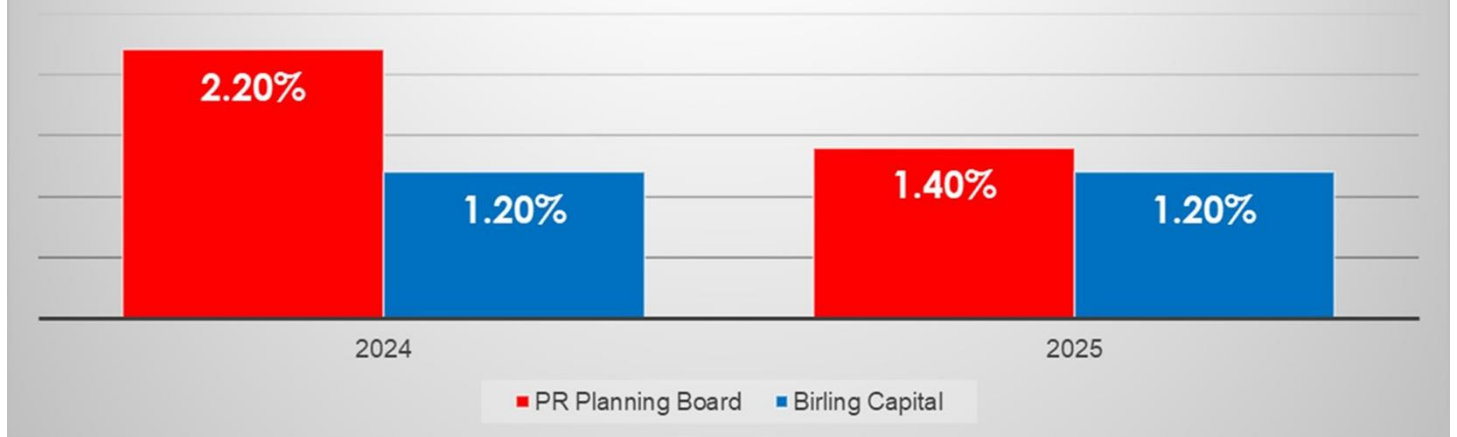
### Eurozone Summary:

- **Stoxx 600:** Closed at 502.91, up 0.72 points or 0.14%.
- **FTSE 100:** Closed at 8,102.72, up 18.11 points or 0.22%.
- **DAX Index:** Closed at 19,848.77, down 35.98 points or 0.18%.

### Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 42,906.95, up 66.69 points or 0.16%.
- **S&P 500:** closed at 5,974.07, up 43.22 points or 0.73%.
- **Nasdaq Composite:** closed at 19,764.98, up 192.29 points or 0.98%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,566.87, up 34.34 points or 0.97%.
- **Birling Capital US Bank Stocks Index:** closed at 6,214.31, up 1118.67 points or 0.18%.

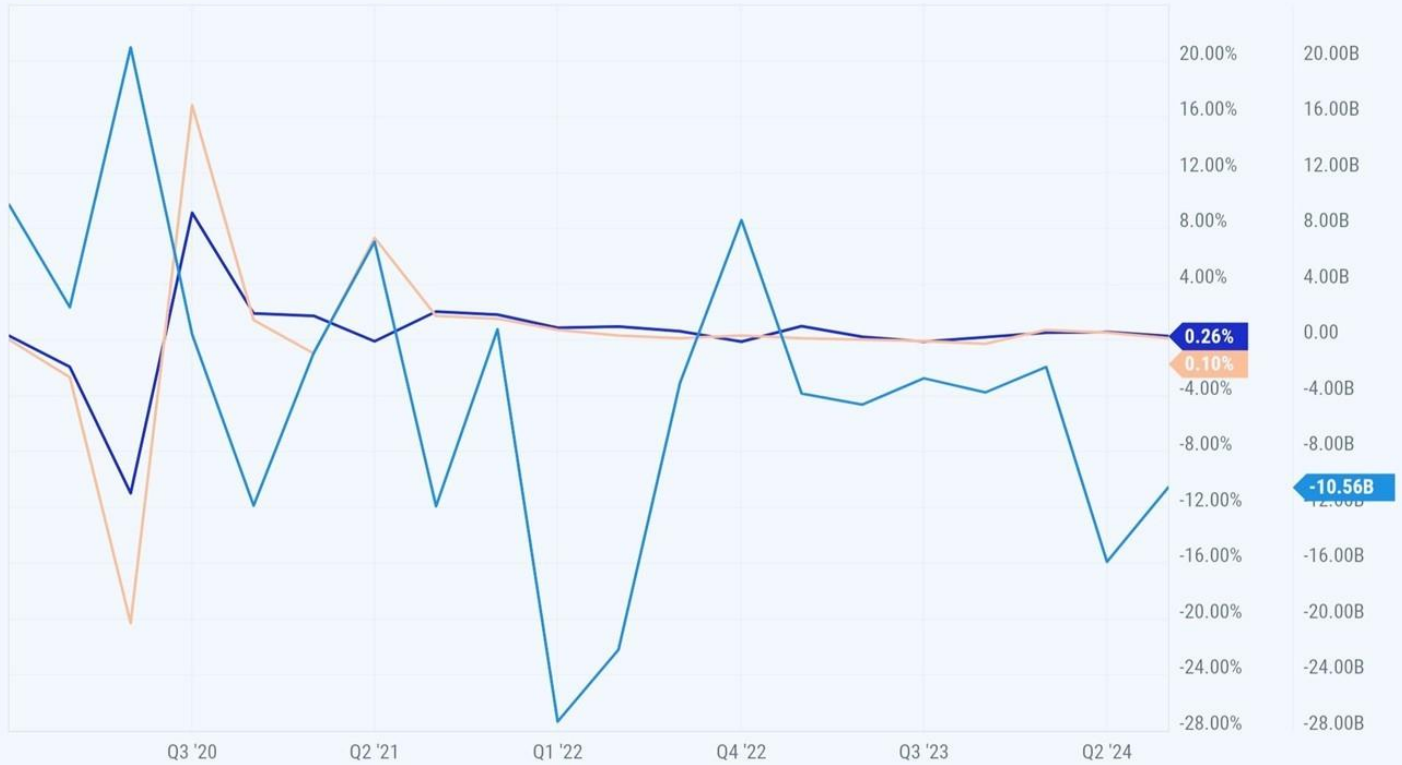
## Two Visions of the Puerto Rico Economy for 2024-2025 Puerto Rico Planning Board vs Birling Capital



The 2024 GDP forecast of 2.80% was lowered to 2.20%, a 21.42% decrease, and the 2025 1.40% GDP forecast was lowered to 1.20%, a 14.28% decrease

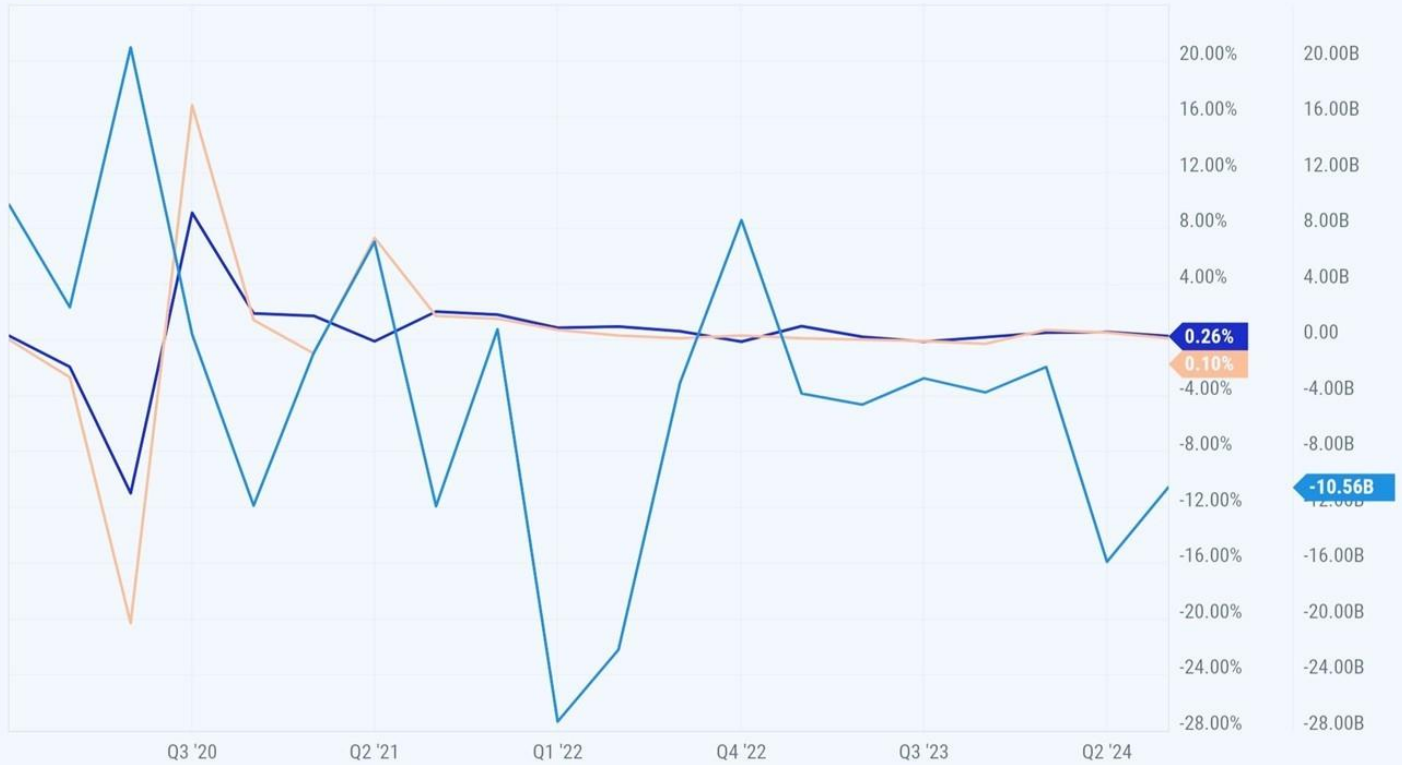
# Canada Real GDP, UK Real GDP, and UK Balance of Trade

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● UK Balance of Trade (I:UKBT)	-10.56B



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# Wall Street Recap

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