

# Wall Street Stumbles as Tech Sells Off and Fed's Balanced Message Refocuses Investors on the Data Ahead.

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The U.S. and European stock markets closed markedly lower as Wall Street continued to work through a decisive year-end rotation. The major indexes failed to deliver a third straight weekly gain, as the Nasdaq closed down 368.90 points amid renewed pressure on mega-cap tech, while the Dow Jones Industrial Average lost 194.20 points and the S&P 500 closed down 66.20 points.

**Earnings season continues to reshape market sentiment. Broadcom posted results above expectations, but the stock fell more than 7%** as concerns over profitability and lofty AI spending projections took hold after its 70% rally earlier this year. Investors appear increasingly willing to lock in gains in megacaps and rotate toward small-caps, industrials, financials, and other cyclicals positioned to benefit from steady U.S. growth and anticipated Fed easing.

**Asian markets traded broadly higher**, extending a strong December run driven by improving economic data and declining sovereign yields.

## The Fed's Balanced Tone Keeps Risk Appetite Intact

The Federal Reserve's final meeting of 2025 delivered exactly what investors expected: a **25-basis-point rate cut**, bringing the target range to **3.50%–3.75%**, the third consecutive move in its easing cycle. While policymakers remain split on the long-run path, the median outlook still shows **one cut in 2026 and one in 2027**, signaling a slower glide path toward 2% inflation.

Chair Powell emphasized improving productivity trends and tariff-linked disinflation in goods, adding a cautiously optimistic tone. At the same time, the Fed announced it will purchase **\$40 billion in short-term Treasuries** over the next month to maintain balance sheet stability as bills mature.

Markets are now shifting their attention to the delayed October and November CPI and labor reports. Powell cautioned about potential noise and "data-quality distortions," suggesting a January pause remains possible even as the broader easing cycle stays intact.

## Sector Rotation Supports Year-End Momentum

The **Magnificent 7** cooled this week, pressured by post-earnings declines from **Oracle** and **Broadcom**. Broadcom's reluctance to issue a full-year revenue outlook has sharpened doubts about the most aggressive AI revenue assumptions, reinforcing the case for rotation after a year of extraordinary tech performance.

Meanwhile, breadth is improving. The **equal-weight S&P 500** and **Russell 2000** both hit new highs, signaling that the rally is expanding beyond megacaps. Small-caps, industrials, consumer cyclicals, and banks are attracting renewed inflows as valuations reset and Fed policy turns supportive.

We continue to expect **AI to remain a central market engine in 2026**, but with leadership broadening across sectors and regions, the landscape favors **diversified positioning** and selective exposure to cyclical growth.

## Europe Ends Lower Amid Geopolitical Tension

European equities finished Friday slightly lower as investors monitored renewed tensions between **Ukraine and Russia**. NATO Secretary General **Mark Rutte** warned that Europe must be “prepared for conflict on a scale not seen in generations,” underscoring heightened geopolitical risk. Russia’s central bank criticized the EU’s plan to deploy frozen Russian assets for Ukraine’s reconstruction as “illegal,” just as European governments moved closer to finalizing the proposal. Semiconductor suppliers **ASMI** and **BESI** also weighed on regional indexes after profit-taking in the chip segment.

### Economic Data:

- **Canada Wholesale Sales MoM:** fell to 0.21%, compared to 0.42% last month.
- **Germany Consumer Price Index YoY:** is unchanged at 2.30%, compared to 2.30% last month.
- **UK Industrial Production Index YoY:** is at -0.80%, compared to -2.50% last month.

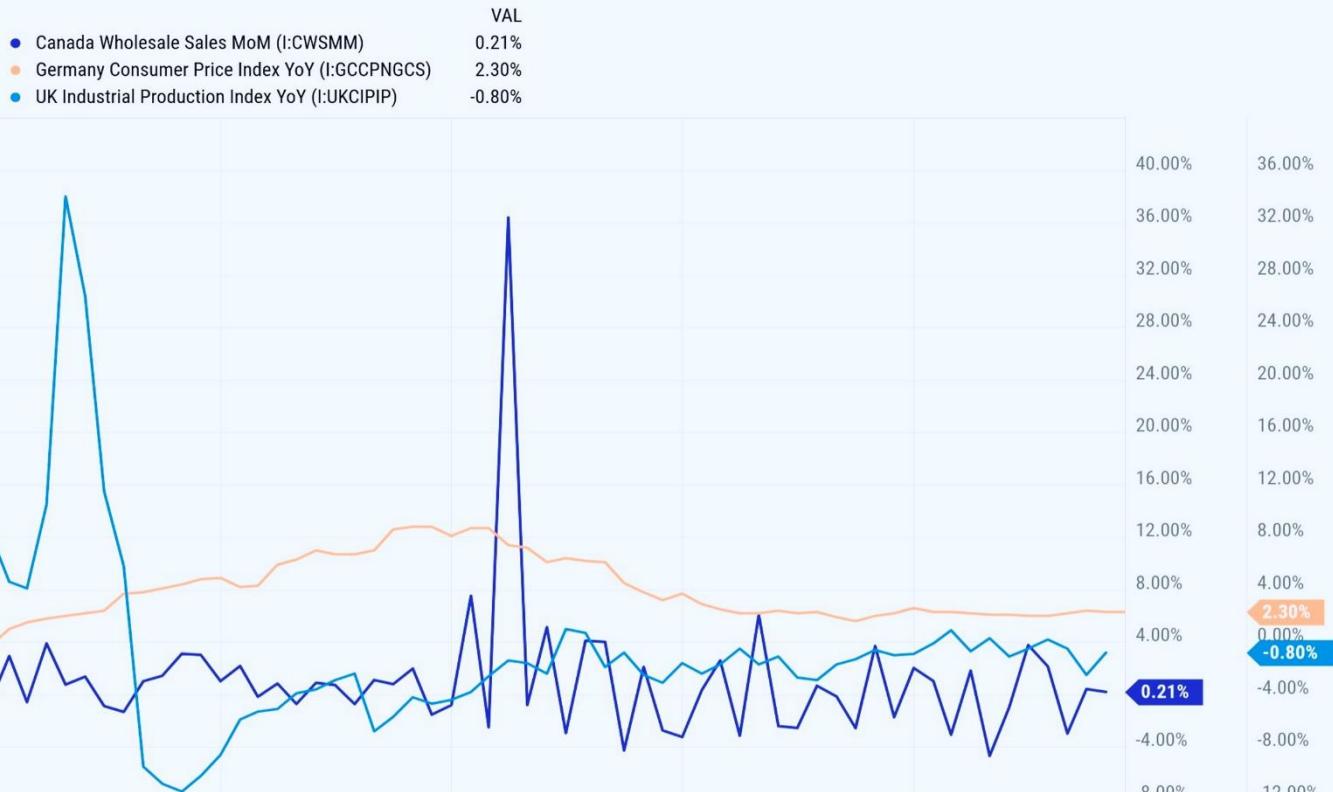
### Eurozone Summary:

- **Stoxx 600:** Closed at 578.24, down 3.10 points or 0.53%.
- **FTSE 100:** Closed at 9,649.03, down 54.13 or 0.56%.
- **DAX Index:** Closed at 24,186.49, down 108.12 points or 0.45%.

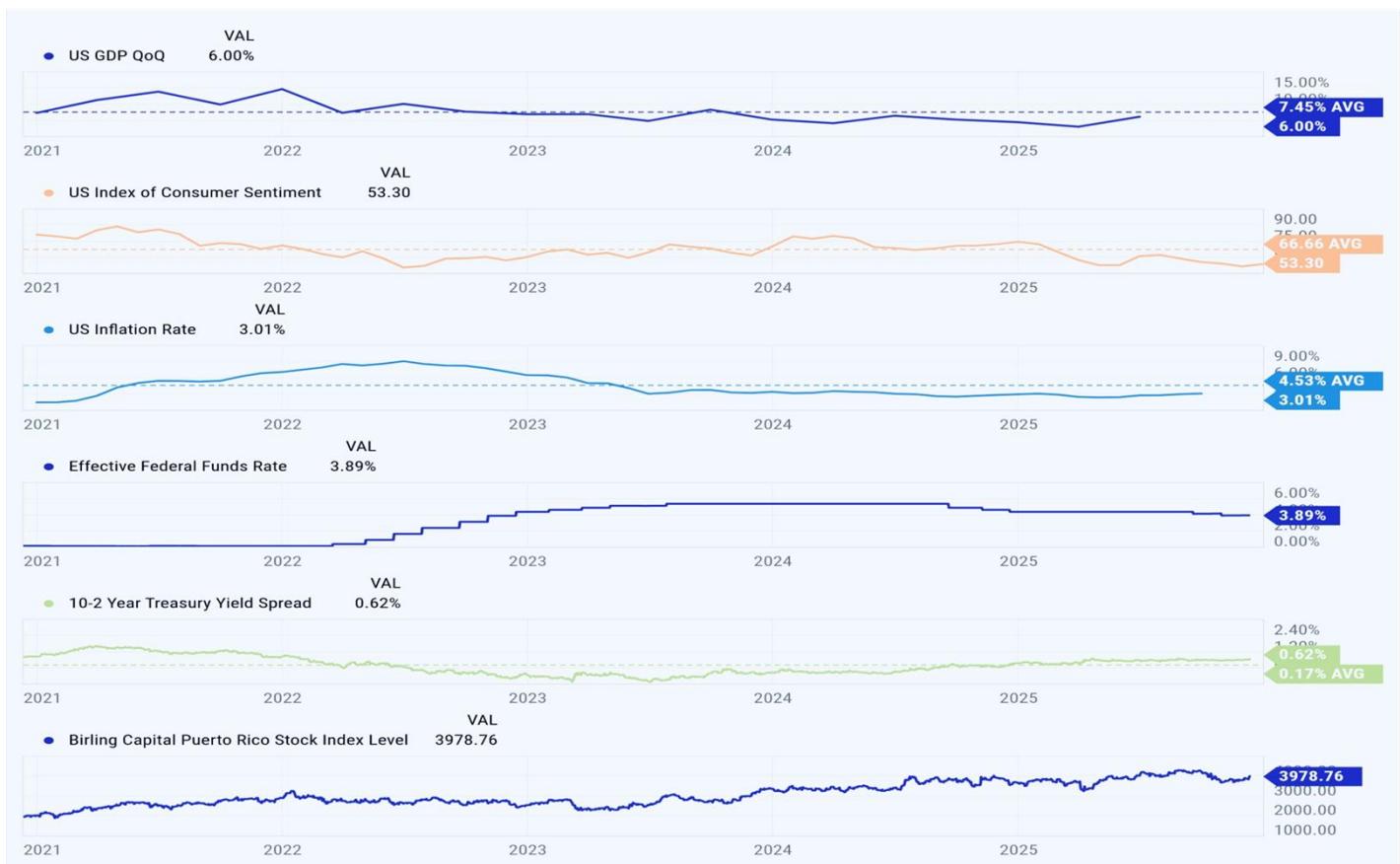
### Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 48,458.05, down 245.96 points or 0.51%.
- **S&P 500:** closed at 6,827.41, down 73.59 points or 1.07%.
- **Nasdaq Composite:** closed at 23,195.16, down 398.68 points or 1.69%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,978.76, up 41.34 points or 1.05%.
- **Birling Capital U.S. Bank Index:** closed at 9,119.88, up 129.76 points or 1.44%.
- **U.S. Treasury 10-year note:** closed at 4.19%.
- **U.S. Treasury 2-year note:** closed at 3.52%.

# Canada Wholesale Sales MoM; Germany Consumer Price Index YoY & UK Industrial Production Index YoY



# The Economic Cycle: US GDP, US Index of Consumer Sentiment, US Inflation Rate, Effective Federal Funds Rate & Birling PR Stock Index





# Wall Street Recap

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