

Tariff Tensions Rise, Investors Look Ahead to Key Inflation Data, Fed Rate Cut Expectations Hold Firm and Wall Street Rallies.

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The US and European stock markets began the week in rally mode, with the Nasdaq climbing close to 1.00% in the session. Investor sentiment remains steady despite new tariff announcements from President Donald Trump over the weekend. The administration confirmed plans to impose a 25% tariff on steel and aluminum imports alongside a reciprocal tariff strategy targeting nations that impose duties on US exports.

Asian markets posted gains in their latest session, while European markets closed higher, supported by an uptick in the Eurozone Sentix Investor Confidence Survey. Bond yields edged lower in fixed-income markets, with the 10-year Treasury yield closing at 4.51%.

Inflation Data in Focus

This week's spotlight is inflation and its implications for Federal Reserve policy. On Wednesday, the Bureau of Labor Statistics will release January's Consumer Price Index (CPI) report, which is expected to show a 0.3% monthly increase, and the inflation nowcasting has the CPI at 2.85% and the Core CPI at 3.13%.

A resilient labor market and improving productivity trends should help keep inflation on a downward trajectory while supporting solid economic growth. With inflation still above the Federal Reserve's 2% target, policymakers can cautiously adjust interest rates. Futures markets anticipate a 25-basis-point rate cut from the Fed in 2025.

Market Breadth Highlights the Value of Diversification

Despite a turbulent start to the year, equity markets have delivered a strong performance, as shown in the five indexes' latest Year-to-date returns.

- Dow Jones has a 4.53%.
- S&P 500 is 3.10%.
- Nasdaq Composite has 2.09%.
- Birling PR Stock Index has a 5.10%.
- Birling US Bank Index has 13.75%.

This broader market participation is a key theme for 2025, as earnings expectations for both value and growth stocks signal robust gains ahead. While value stocks saw earnings contract by 4% in 2023 and remain flat in 2024, growth stocks experienced double-digit profit increases, primarily driven by the strength of mega-cap tech firms. Both categories are projected to post double-digit earnings growth in 2025, setting the stage for a more balanced performance between value and growth stocks.

Corporate Earnings Parade:

- **McDonald's Corp (MCD):** reported 4Q24 revenues of \$6,838 billion, down 19%, net income of \$2,017 billion, down 22%, and earnings per share of \$2.80. McDonald's has a stock price objective of \$320.75, and its stock closed today at \$308.42, up \$14.12.
- **Full-year 2024:** Revenues \$15,872 billion, down 2%, and net income of \$8,233 billion.
- **View Our Report on McDonald's:** [MCD Overview](#)

Key Economic Data:

- **US Retail Gas Price:** fell to \$3.205, down from \$3.224 last week, decreasing -0.59%.

Eurozone Summary:

- **Stoxx 600:** Closed at 545.92, up 3.17 points or 0.58%.
- **FTSE 100:** Closed at 8,767.80, up 67.27 points or 0.77%.
- **DAX Index:** Closed at 21,911.74, up 124.74 points or 0.57%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 44,470.41, down 167.01 points or 0.38%.
- **S&P 500:** closed at 6,066.44, up 40.45 points or 0.67%.
- **Nasdaq Composite:** closed at 19,714.27, up 190.87 points or 0.98%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,824.12, down 16.35 points or 0.43%.
- **Birling Capital US Bank Index:** closed at 7,128.16, down 40.71 points or 0.57%.
- **US Treasury 10-year note:** closed at 4.51%.
- **US Treasury 2-year note:** closed at 4.28%.

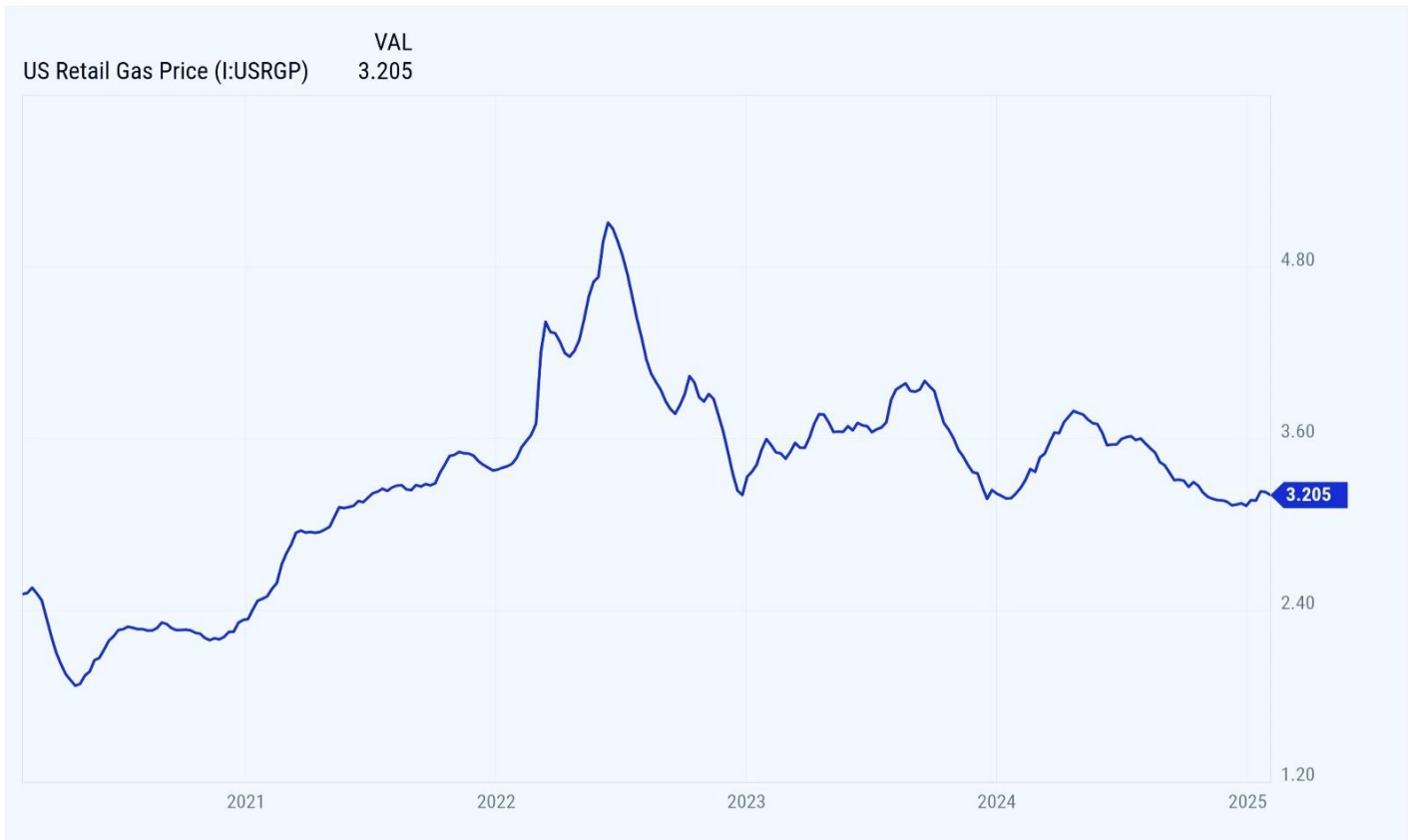


CPI & Core CPI

Inflation Nowcasting

Inflation Nowcasting	CPI Forecast	Core CPI Forecast
January	2.85%	3.13%

US Retail Gas Price



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