

Wall Street Closes Higher with Investors Weighing Earnings Strength Against Economic Uncertainty as US Home Builders Sound Alarms.

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The US and European stock markets began the holiday-shortened week mostly up. The major indexes were trading with losses, reacting to the steep fall in confidence among US single-family homebuilders until Wall Street staged a late rally to close with gains.

There is a significant cause of concern as the National Association of Home Builders or NAHB/Wells Fargo US Housing Market Index fell sharply, dropping 5 points from January to 42, signaling a shift in sentiment. Any reading below 50 indicates a pessimistic outlook. The current reading is the lowest level in five months, driven by rising costs in no small part by the new tariffs—which cast uncertainty over the housing market. The index's three key components are as follows:

- Current sales conditions fell 4 points to 46.
- Buyer traffic slipped 3 points to 29.
- Sales expectations for the next six months plunged 13 points to 46, marking the lowest reading since December 2023.

Meanwhile, US Treasury yields closed up, with the 10-year yield closing at 4.55% and the 2-year yield near 4.29%. Lastly, the US Treasury Department introduced today, February 18, 2025, a new 6-week or 1.5-month bill price into its daily yield curve calculations, which closed at 4.41%. Asian markets closed mostly in positive territory overnight, while European markets closed mostly higher, buoyed by stronger-than-expected economic sentiment data from Germany.

Corporate Earnings Drive Market Resilience

Despite a volatile start to the year—marked by six trading sessions where the S&P 500 swung more than 1% in either direction—equities remain solidly in positive territory YTD. A key driver of this resilience has been robust corporate earnings, which continue to exceed expectations.

So far, approximately 79% of S&P 500 companies have reported fourth-quarter earnings, with nearly 76% delivering results above analyst forecasts. Earnings per share for the index are on track to rise almost 17% for the quarter, a notable jump from earlier projections of 11%.

Earnings strength is evident across growth-oriented sectors—such as technology and communication services—and value-driven areas like financials and health care. Analysts expect earnings growth to remain strong into 2025, with consensus estimates pointing to a 12% increase. Corporate profits could continue fueling the current market uptrend if economic conditions remain supportive.

What a Strong Start Means for 2025

Despite facing several market headwinds, the S&P 500 gained nearly 3% in January and is up about 4% YTD. While past performance does not guarantee future results, historical trends suggest that a strong January often leads to solid annual returns.

Since 1971, in those 33 years when the S&P 500 posted a January gain, the index delivered an average full-year return of 19.6%. Conversely, in years when January ended in the red, the average annual return was a more modest 2.2%. Across all years since 1971, the average return has been 12.5%.

While history may not repeat itself exactly in 2025, the fundamental and economic landscape provides a supportive backdrop for continued strength in the equity markets.

Corporate Earnings Parade:

- **Medtronic PLC (MDT):** reported 3Q25 revenues of \$8,292 billion, up 4.1%, net income of \$1,787 billion, up 3.4%, and earnings per share of \$1.39, with a stock price objective of \$94.96, and its stock closed today at \$86.07 down \$5.87.
- **View Our Report on Medtronic:** [MDT Overview](#)

Key Economic Data:

- **US Retail Gas Price:** rose to \$3.253, up from \$3.205 last week, increasing 1.50%.
- **NAHB/Wells Fargo US Housing Market Index:** fell to 42.00, down from 47.00 last month, decreasing -10.64%.
- **Canada Consumer Price Index YoY:** rose to 1.90%, compared to 1.83% last month.
- **Canada Inflation Rate:** rose to 1.90%, compared to 1.83% last month.
- **ZEW Indicator of Economic Sentiment for Germany:** rose to 26.00, up from 10.30 last month, increasing 152.4%.
- **UK ILO Unemployment Rate: Aged 16-64:** is unchanged at 4.50%, compared to 4.50% last month.
- **Japan Machinery Orders YoY:** rose to 9.45%, compared to 1.89% last month.

Eurozone Summary:

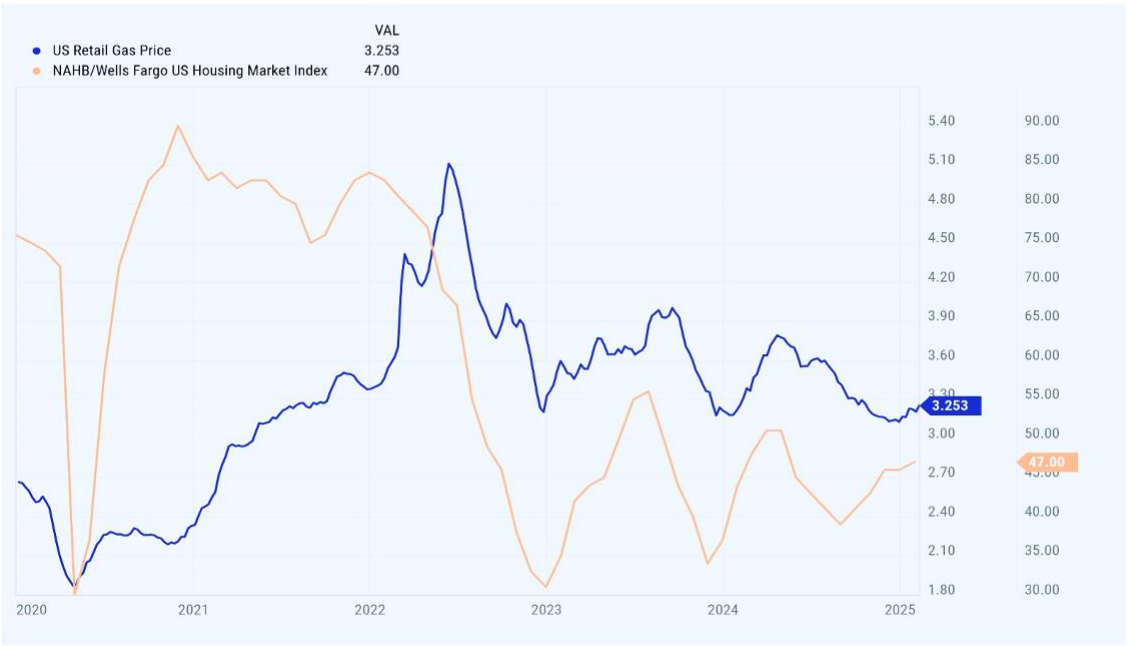
- **Stoxx 600:** Closed at 567.17, up 1.75 points or 0.32%.
- **FTSE 100:** Closed at 8,766.73, down 1.28 points or 0.01%.
- **DAX Index:** Closed at 22,844.50, up 46.41 points or 0.20%.

Wall Street Summary:

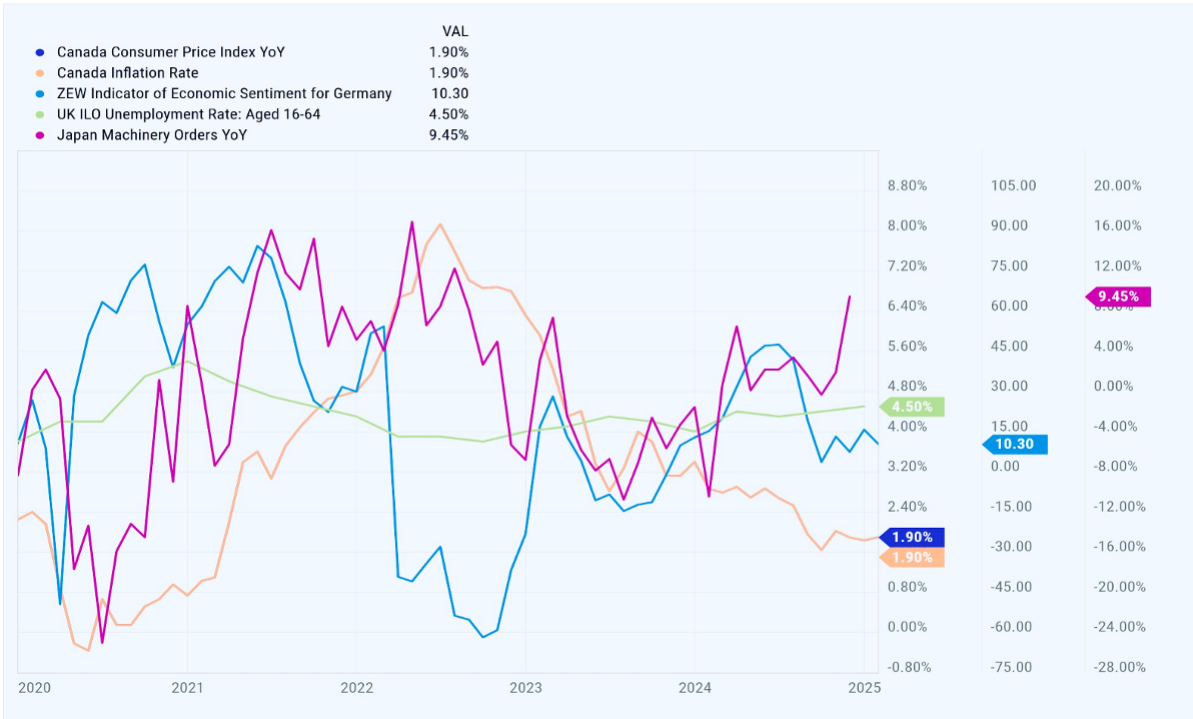
- **Dow Jones Industrial Average:** closed at 44,556.34, up 10.26 points or 0.02%.
- **S&P 500:** closed at 6,129.58, up 14.95 points or 0.24%.
- **Nasdaq Composite:** closed at 20,041.26, up 14.49 points or 0.07%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,800.10, down 15.89 points or 0.42%.
- **Birling Capital US Bank Index:** closed at 7,151.66, up 108.63 points or 1.54%.
- **US Treasury 10-year note:** closed at 4.55%.
- **US Treasury 2-year note:** closed at 4.29%.



US Retail Gas Price & NAHB/Wells Fargo US Housing Market Index



Canada CPI, Canada Inflation Rate, ZEW Indicator of Economic Sentiment for Germany, UK ILO Unemployment Rate & Japan Machinery Orders





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Dow Jones, S&P 500, Nasdaq Composite, Birling Puerto Rico Stock Index & Birling US Bank Index YTD Returns

	VAL
● Dow Jones Industrial Average Level % Change	4.73%
● S&P 500 Level % Change	4.22%
● Nasdaq Composite Level % Change	3.78%
● Birling Capital Puerto Rico Stock Index Level % Change	4.44%
● Birling Capital U.S. Bank Index Level % Change	14.13%





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