

GLOBAL MARKET SQUARE



Global Market Rout: Dow Jones Plunges 1,065 Points Amid Economic Woes and DOJ Scrutiny; Chinese Tech Stocks Surge on AI Investments.

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The US and European stock markets closed with losses across major indexes, scoring by far the worst week in months. The Dow Jones closes the week down 1,065.13 points or 2.87%, the Nasdaq fell 548.94 or 2.11% and the S&P 50 fell 108.43 or 1.61%. The sell-off was primarily due to a flood of economic data that sparked fresh concerns, prompting investors to shift towards bonds and pushing yields lower. The University of Michigan's consumer sentiment index dropped to 64.7 in February, marking a nearly 10% decline and exceeding expectations as consumers grew wary of potential inflationary pressures from looming tariffs. The 5-year inflation forecast in the survey climbed to 3.5%, the highest level since 1995. Additionally, US existing home sales fell more than anticipated in January, reaching 4.08 million units. Furthermore, the US services sector purchasing managers' index slid into contraction for February, as reported by S&P Global.

UnitedHealth Group Inc (UNH) shares sharply decreased by more than 7% after the Department of Justice scrutinized the company. The recent slump in the market can be traced back to a cascade of developments, notably a critical public declaration by renowned investor Bill Ackman. He raised alarms over the insurer's financial health, suggesting that the company's earnings could be significantly inflated by denying essential medical procedures and care.

Highlighting today's trading, Chinese tech shares have soared to their highest levels since 2022, led by Alibaba, which jumped 14% following robust earnings reports. Meanwhile, US Treasuries have decreased slightly as markets anticipate the release of the Fed's preferred inflation gauge next week. West Texas Intermediate oil has dropped around 1% to \$71.5, yet it is set for its first weekly rise after four consecutive weeks of losses.

Globally, international stocks have outperformed, reversing a trend of underperformance against US equities in the last ten years. 2024 marked a significant low since 1998.

However, 2025 is shaping up differently as both developed and emerging international markets surpass S&P 500.

Boosts in China's equity markets, mainly driven by tech stock gains and Alibaba's aggressive AI investment plans, have contributed to this trend. In Europe, the German DAX has climbed 11% this year, buoyed by optimism for potential economic reforms following upcoming elections.

Today's economic indicators, such as the Purchasing Managers' Indexes from the eurozone, indicate minimal growth in business activity, underscoring ongoing regional challenges. Yet, potential developments like a resolution to the Russia-Ukraine conflict could improve the economic outlook by reducing energy costs. Given these factors, maintaining a strategic investment in international stocks could enhance portfolio diversification, considering their relative undervaluation and appealing dividend yields compared to US stocks.

Against a backdrop of policy uncertainties, corporate earnings have emerged as a key positive driver. Despite challenges from rising AI competition, tariff announcements, and an unexpectedly high Consumer Price Index which has paused Fed actions, major stock indexes remain near record highs, buoyed by solid economic and corporate fundamentals. S&P 500 is headed for its most substantial quarterly earnings growth in three years, with profits expanding 17% year-over-year, surpassing the initially forecast 12%. Additionally, a broader spectrum of sectors, including financials, healthcare, and real estate, are joining technology, communication services, and consumer discretionary in posting significant profit growth. All eyes are on NVIDIA, currently the second-largest company after Apple, as it is preparing to release its earnings next Wednesday, which could have significant implications for the ongoing AI discourse.

Economic Data:

- **US Index of Consumer Sentiment:** fell to 64.70, down from 71.70 last month, decreasing -9.76%
- **US Existing Home Sales:** fell to 4.08 million, down from 4.29 million last month and decreased by 4.90%.
- **UK Retail Sales YoY:** fell to 1.00%, compared to 2.80% last month.

Eurozone Summary:

- **Stoxx 600:** Closed at 553.85, up 2.84 points or 0.52%.
- **FTSE 100:** Closed at 8,659.37, down 3.60 points or 0.042%.
- **DAX Index:** Closed at 22,287.56, down 27.09 points or 0.12%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 43,428.02, down 748.63 points or 1.69%.
- **S&P 500:** closed at 6,013.13, down 104.39 points or 1.71%.
- **Nasdaq Composite:** closed at 19,524.01, down 438.36 points or 2.20%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,766.29, down 39.47 points or 1.04%.
- **Birling Capital US Bank Index:** closed at 6,928.41, down 235.23 points or 3.28%.
- **US Treasury 10-year note:** closed at 4.42%.
- **US Treasury 2-year note:** closed at 4.19%.

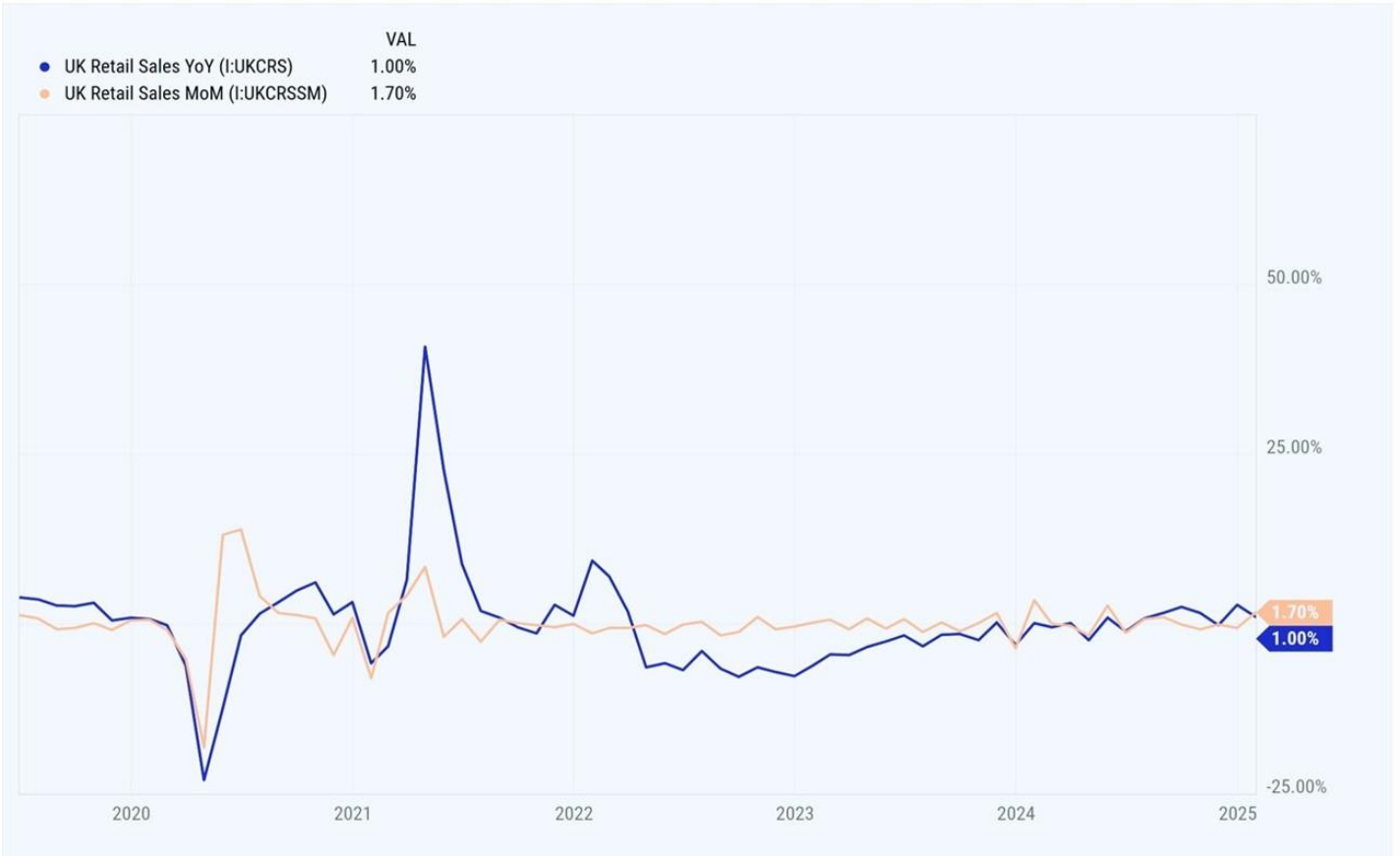


US Index of Consumer Sentiment, US Existing Home Sales & US Existing Home Sales MoM





UK Retail Sales YoY & UK Retail Sales MoM

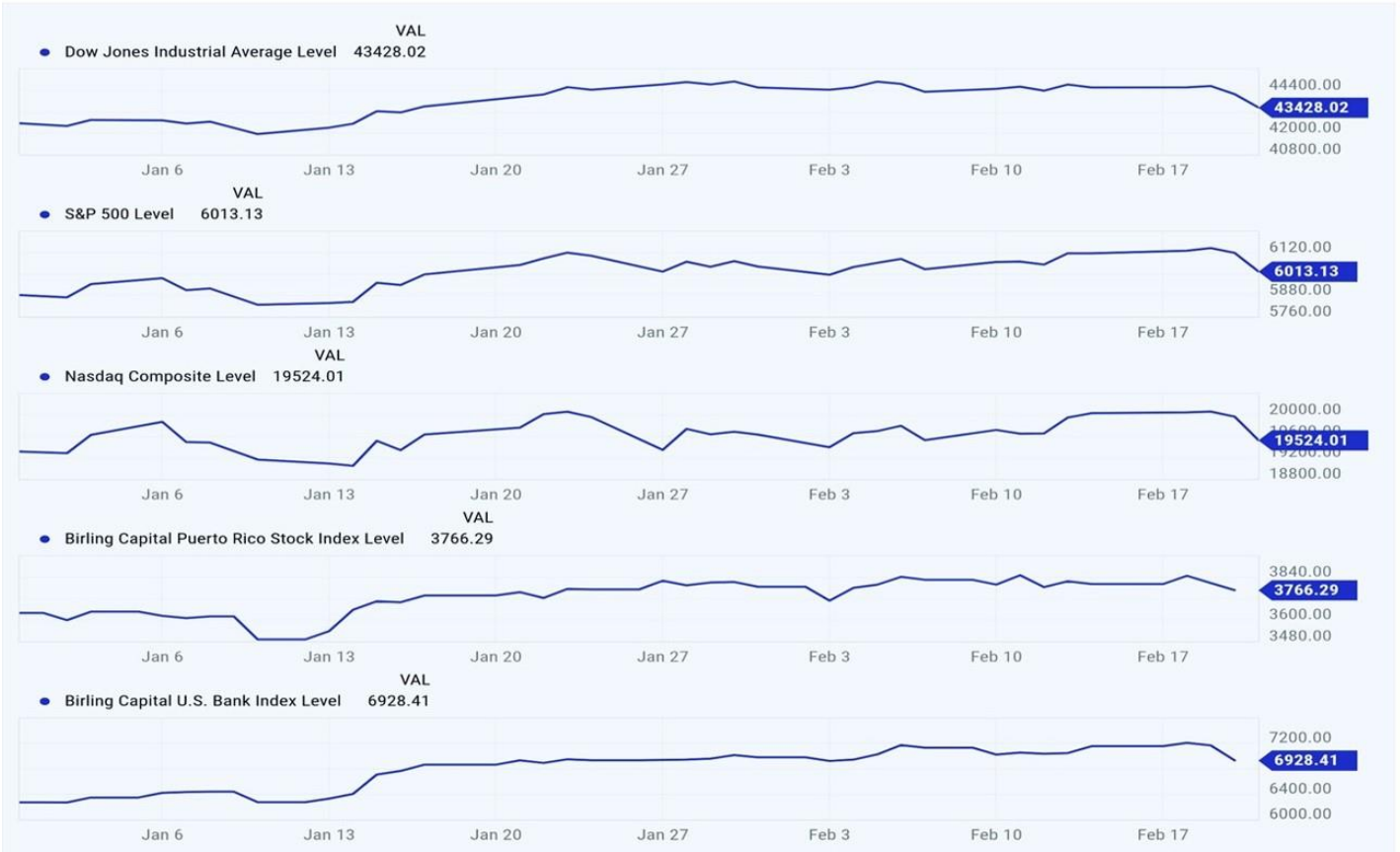




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