



Dow Jones Rises 358.67 Points Amid Tech Sell-Off, Market Eyes Inflation Data Rising Bond Yields Pressure Global Stocks.

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by Francisco Rodríguez-Castro
frc@birlingcapital.com

The US and European stock markets opened the week with mixed results; following last Friday's market downturn, while stocks initially opened lower, the Dow Jones closed higher on Monday, outshining all other market indices, while the Nasdaq Composite experienced a downturn as investors continue to rotate out of tech stocks. Since January 7, 2025, the Magnificent Seven stocks have fallen as follows: Nvidia -10.44%, Apple -4.34%, Amazon -4.06%, Meta -3.36%, Alphabet -2/84%, Microsoft -2.45%, and Tesla -1.33%.

Conversely, as tech stocks retracted, the energy sector demonstrated resilience, surpassing the broader market with a gain exceeding 2% fueled by rising oil prices. The health sector also observed fluctuations amidst these market dynamics., with government bond yields steadily rising. The US 10-year Treasury yield reached 4.76%, a peak not seen since October 2023. This increased yield is fueled by persistent inflation expectations, a less aggressive forecast for Federal Reserve rate cuts, ongoing high deficits, and an economy outperforming projections. Although rising yields have pressured the stock market, it's worth noting that the S&P 500 is only about 4% below its peak, while the Nasdaq has fallen approximately 5%. Typically, annual market corrections range from 5% to 15%; however, given the robust economic and earnings landscape, we do not foresee these turning into extended bear markets.

This week, the spotlight turns to inflation figures—following unexpectedly strong labor market data last week. The upcoming Consumer Price Index (CPI) for December is anticipated to show a slight increase in headline inflation; the latest Inflation Nowcasting has the CPI at 2.86% and the Core CPI at 3.28%.

The latest labor data indicated moderate wage increases, which could help temper services inflation. Despite potential short-term fluctuations, we anticipate inflation will stabilize within the 2.0% to 3.0% range, without reverting to the post-pandemic highs above 4.0%.

Policy uncertainty persists as the US approaches Inauguration Day, casting a shadow over the economic landscape. Yet, the upcoming administration's policy priorities—tariffs, immigration, tax reforms, or deregulation—are less likely to influence market dynamics directly than the underlying economic fundamentals. The ongoing economic expansion is underpinned by a robust labor market, promising consumption levels, S&P 500 earnings poised for significant growth, and central banks likely to reduce policy rates, albeit cautiously. After enjoying substantial gains and low volatility in recent years, the US markets may face some normalization in returns and bouts of heightened volatility. Nevertheless, these market pullbacks present opportunities for investors to diversify, rebalance, and secure quality investments at more attractive prices across various market segments.

Key Economic Data:

- **US Retail Gas Price:** rose to \$3.168, up from \$3.128 last week, increasing 1.28%.

Eurozone Summary:

- **Stoxx 600:** Closed at 508.68, down 2.82 points or 0.55%.
- **FTSE 100:** Closed at 8,224.19, down 24.30 points or 0.29%.
- **DAX Index:** Closed at 20,132.85, down 81.94 points or 0.41%

Wall Street Summary:

- **Dow Jones Industrial Average:** Closed at 42,297.12, up 358.67 or 0.86%.
- **S&P 500:** Closed at 5,836.22, up 9.18 or 0.16%.
- **Nasdaq Composite:** Closed at 19,088.10, down 73.53 or 0.38%.
- **Birling Capital Puerto Rico Stock Index:** Closed at 3,490.23, down 128.59 points or 3.55%.
- **Birling Capital US Bank Index:** Closed 6,434.21, down 165.10 points or 2.57%.
- **US Treasury 10-year note:** closed at 4.79%.
- **US Treasury 2-year note:** closed at 4.40%.



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Inflation Nowcasting

Update

Inflation Nowcasting	CPI Forecast	Core CPI Forecast	Updated
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December	2.86%	3.28%	1.13.25
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US Retail Gas Price, WTI Oil Price & Brent Crude Oil Price

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