Markets Close Higher as PCE Cools and President Trump's Greenland Framework of a Future Deal Defuses Europe Tariff Risk, For Now.

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The **U.S. and European stock markets closed higher**, as investors welcomed a cooler U.S. inflation backdrop and a sharp reduction in near-term trade risk across Europe following new developments related to Greenland from President Donald Trump.

In the **U.S., sentiment improved after the Fed's preferred inflation gauge moderated**, reinforcing the view that inflation is cooling without a meaningful deterioration in the labor market. **Treasury yields remained firm, with the 10-year Treasury closing at 4.26%**, as markets continued to price a slower, more cautious path of rate cuts. The U.S. dollar weakened against major currencies, while WTI oil pulled back, reflecting easing geopolitical risk premia and a more balanced macro tone.

In Europe, equities finished decisively higher after President Trump said a **"framework of a future deal**" agreement had been reached involving Greenland and confirmed he would call off escalating tariffs on a group of European countries.

Wall Street Drivers

U.S. equities advanced as November inflation data reinforced the soft-landing narrative. Headline PCE inflation slowed to 2.7% year-over-year, while Core PCE also eased to 2.7%, both modestly below expectations and supportive of the market's view that disinflation remains intact. Goods inflation has stayed contained, helping offset services inflation, which continues to cool but remains elevated. Importantly, shelter inflation decelerated, adding to the broader moderation in services. The labor market continues to provide stability rather than stress. **Initial jobless claims increased modestly to 198,000, below expectations**, while continuing claims declined to 1.85 million, also better than forecast. These readings remain consistent with a "low-hiring, low-firing" environment, where layoffs stay limited, and inflation gradually moderates without forcing a recessionary reset.
With inflation still above the Fed's 2% target, the data support a central bank stance of patience and confirmation, suggesting rate cuts may remain paused for at least the next few months as policymakers look for further evidence that inflation pressures are easing sustainably.

European Market Drivers

European markets rallied after President Trump announced that he and NATO Secretary General Mark Rutte had agreed on a **"framework of a future deal"** involving Greenland, prompting the U.S. to step back from imposing higher tariffs on European allies. The shift reduced immediate trade uncertainty and supported a broad-based move higher across regional equities.
Speaking around the World Economic Forum in Davos, Trump described the framework as more of a "concept", but markets focused on the policy direction: de-escalation rather than confrontation. Trump indicated the framework would involve U.S.-European collaboration tied to a proposed Golden Dome missile defense system and access to Greenland's mineral resources, highlighting how security and critical supply chains are increasingly shaping global economic negotiations.

Bottom Line

Markets closed higher as two supportive forces aligned: cooler U.S. inflation data and reduced tariff risk in Europe. While the Fed is unlikely to pivot aggressively with inflation still above target, the combination of stable labor conditions and improving policy visibility has strengthened risk appetite and reinforced the market's base case for a controlled normalization cycle.

Economic Update:

- **U.S. Initial Claims for Unemployment Insurance:** fell to 198,000, down from 207,000 last week, a decrease of -4.35%.
- **U.S. Total Vehicle Sales:** rose to 15.93 million, up from 15.63 million last month, an increase of 1.89%.
- **Kansas City Fed Manufacturing Production Index:** fell to -3.000, down from 18.00 last month.
- **30-Year Mortgage Rate:** fell to 6.06%, compared to 6.16% last week.
- **Eurozone Consumer Confidence Indicator:** fell to -13.10, down from -12.80 last month.
- **Eurozone Economic Sentiment Indicator:** fell to 96.70, down from 97.10 last month.
- **Japan Consumer Price Index YoY:** fell to 2.90%, compared to 3.00% last month.

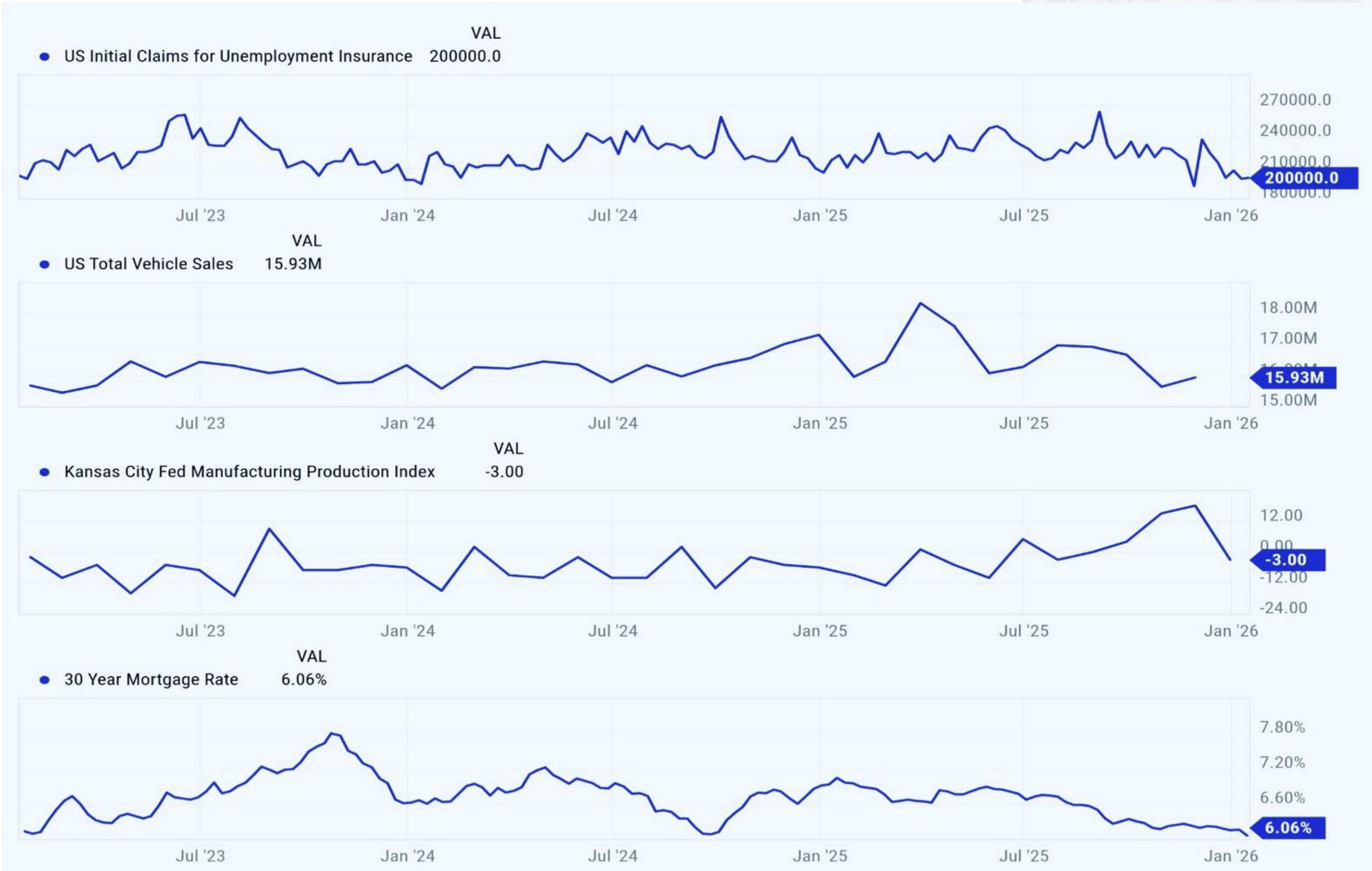
Eurozone Summary:

- **Stoxx 600:** closed at 608.86, up 6.19 points or 1.03%.
- **FTSE 100:** closed at 10,150.05, up 11.96 or 0.12%.
- **DAX Index:** closed at 24,856.47, up 295.49 or 1.20%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 49,384.01, up 306.78 points or 0.65%.
- **S&P 500:** closed at 6,913.35, up 37.73 points or 0.55%.
- **Nasdaq Composite:** closed at 23,436.02, up 131.06 points or 3.29%.
- **Birling Capital Puerto Rico Stock Index:** closed at 4,112.09, up 131.06 points, or 3.29%.
- **Birling Capital U.S. Bank Index:** closed at 9,008.25, up 28.07 points or 0.31%.
- **U.S. Treasury 10-year note:** closed at 4.26%.
- **U.S. Treasury 2-year note:** closed at 3.61%.

US Initial Claims for Unemployment Insurance; US Total Vehicle Sales; Kansas City Fed Manufacturing Production Index & 30 Year Mortgage Rate



Eurozone Consumer Confidence Indicator; Eurozone Economic Sentiment Indicator & Japan Consumer Price Index YoY