

GLOBAL MARKET SQUARE



The Fed Pauses on Rate Cuts, The GDP Now for the Fourth Quarter falls 28.13% to 2.3% GDP, as Indicators Point to a -0.9% Contraction in Domestic Investment.

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The US and European stock markets closed with mixed results, impacted initially by the sudden decrease in the fourth quarter GDP now, which fell to 2.3%, down from 3.20% to 28.13%, as the Advance Economic Indicators report from the US Census Bureau; the fourth-quarter accurate gross private domestic investment outlook has been revised downward, shifting from a 0.1% growth to a -0.9% contraction. The other issue was the Fed's FOMC meeting, as investors had a wait-and-see attitude even though close to 100% of the estimates pointed to the Fed keeping interest rates unchanged as it did.

In Asia, most indices closed in positive territory, although some markets remain shut due to the Lunar New Year holiday. The US dollar is strengthening against major currencies, while WTI crude oil is pulling back following a rise in US inventory levels.

Fed's Policy Stance in Focus as FOMC Meeting Concludes

The Federal Reserve's January meeting ended this afternoon, with policymakers keeping the federal funds rate in the 4.25%-4.50% range and will persist in reducing its Treasury and agency securities holdings. The Fed remains committed to fostering full employment and stabilizing inflation at 2 percent.

The Fed alluded that recent economic indicators show continued robust expansion, with a low and stable unemployment rate and strong labor market conditions. However, inflation remains somewhat high. The Federal Reserve aims to achieve maximum employment and a 2 percent inflation rate over the long term. The Fed will closely monitor economic data and adjust monetary policy if necessary to address risks that could hinder its goals.

Investors closely monitor the central bank's balance-sheet-reduction program, known as quantitative tightening (QT). Market expectations suggest that QT may be wound down later this year, which could provide additional liquidity and support for Treasuries.

While the pause in rate hikes was widely anticipated, the Fed's next steps will depend on inflation trends. With the core Personal Consumption Expenditures (PCE) index—the Fed's preferred inflation gauge—running at an annualized 2.8%, monetary policy remains tight.

Tech Titans Set to Report Amid AI Speculation

Earnings season continues to ramp up, with Microsoft and Meta set to release their fourth-quarter results today after the market closes, followed by Apple and Amazon tomorrow. Investors will be keen to hear the management's outlook, particularly regarding the potential impact of DeepSeek's AI advancements on their businesses.

While technology stocks remain a focal point for investors, market leadership has been broadening. Over the past six months, consumer discretionary, communication services, financials, and industrials have outperformed tech, reflecting a shift in investor sentiment. As economic conditions evolve, investors may continue diversifying into sectors with stronger domestic exposure and greater earnings growth potential.

GDPNow:

- The GDPNow for the fourth quarter of 2024 was updated on January 29, 2025, to 2.30% from 3.20%, decreasing 28.13%. The steep decrease follows this morning's **Advance Economic Indicators** report from the **US Census Bureau**; the fourth-quarter **real gross private domestic investment** outlook was revised downward, shifting from a modest **0.1% growth** to a **-0.9% contraction**.

Corporate Earnings Parade:

- **Norfolk Southern Corp (NSC):** reported 4Q24 revenues of \$3.0 billion, down 2.00%, net income of \$1.1 billion, up 40.00%, and earnings per share of \$23.23, surpassing estimates and has a stock price objective of \$272.84.
- Full-year 2024 Revenues were \$12.1 billion, and net income was \$4.1, up 43%.
- **View our report on Norfolk Southern here:** [NSC Overview](#)

Key Economic Data:

- **Target Federal Funds Rate Upper Limit:** is unchanged at 4.50%.
- **Target Federal Funds Rate Lower Limit:** is unchanged at 4.25%.

Eurozone Summary:

- **Stoxx 600:** Closed at 534.26, up 2.66 points or 0.50%.
- **FTSE 100:** Closed at 8,557.81, up 23.84 points or 0.28%.
- **DAX Index:** Closed at 21,637.53, up 206.95 points or 0.97%.

Wall Street Summary:

- **Dow Jones Industrial Average:** Closed at 44,713.52, down 136.83 points or 0.31%.
- **S&P 500:** Closed at 6,029.88, down 37.95 points or 0.61%.
- **Nasdaq Composite:** Closed at 19,632.32, down 101.26 points or 0.51%.
- **Birling Capital Puerto Rico Stock Index:** Closed at 3,793.04, down 25.50 points or 0.67%.
- **Birling Capital US Bank Index:** Closed 6,941.39, up 6.00 points or 0.09%.
- **US Treasury 10-year note:** closed at 4.55%.
- **US Treasury 2-year note:** closed at 4.21%.



GDPNow

Forecasts for the Fourth Quarter

Date	GDPNow 4Q24	Change
10/31/24	2.70%	Initial Forecast
11/1/24	2.30%	-14.81%
11/5/24	2.40%	4.35%
11/7/24	2.50%	4.17%
11/15/24	2.50%	0.00%
11/19/24	2.60%	4.35%
11/27/24	2.70%	3.85%
12/2/24	3.20%	18.52%
12/5/24	3.30%	3.13%
12/9/24	3.30%	0.00%
12/17/24	3.10%	-6.06%
12/18/24	3.20%	3.23%
12/20/24	3.10%	-3.13%
12/24/24	3.10%	0.00%
1/2/25	2.60%	-16.13%
1/3/25	2.40%	-7.69%
1/7/25	2.70%	12.50%
1/9/24	2.70%	0.00%
1/16/24	3.00%	11.11%
1/17/24	3.00%	0.00%
1/28/24	3.20%	6.67%
1/29/24	2.30%	-28.13%



Federal Reserve Bank Interest Rates Actions

Date	Change	Fed Funds Rate	Prime Rate
1/29/25	No Change	4.25%-4.50%	7.50%
12/18/24	-0.25%	4.25%-4.50%	7.50%
11/7/24	-0.25%	4.50%-4.75%	7.75%
9/18/24	-0.50%	4.75%-5.00%	8.00%
7/31/24	No Change	5.25%-5.50%	8.50%
6/12/24	No Change	5.25%-5.50%	8.50%
5/1/24	No Change	5.25%-5.50%	8.50%
3/20/24	No Change	5.25%-5.50%	8.50%
1/31/24	No Change	5.25%-5.50%	8.50%
12/13/23	No Change	5.25%-5.50%	8.50%
11/1/23	No Change	5.25%-5.50%	8.50%
9/20/23	No Change	5.25%-5.50%	8.50%
7/26/23	0.25%	5.25%-5.50%	8.50%
5/3/23	0.25%	5.00%-5.25%	8.25%
3/22/23	0.25%	4.75%-5.00%	8.00%
2/1/23	0.25%	4.50%-4.75%	7.75%
12/14/22	0.50%	4.25%-4.50%	7.50%
11/2/22	0.75%	3.75%-4.00%	7.00%
9/21/22	0.75%	3.00%-3.25%	6.25%
7/27/22	0.75%	2.25%-2.50%	5.50%
6/16/22	0.75%	1.50%-1.75%	4.75%
5/5/22	0.50%	0.75%-1.00%	4.00%
3/17/22	0.25%	0.25%-0.50%	3.50%

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