

# GLOBAL MARKET SQUARE



## The Initial GDPNow Forecast for the 1Q25 is at 2.90% GDP; the Fed's Preferred Inflation Metrics PCE & Core PCE meet expectations and Trade Tariffs Next.

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The US and European stock markets closed the week mostly higher, as equity markets reacted well to the Fed's preferred inflation metric, the Personal Consumption Expenditures (PCE) and Core PCE inflation data that met forecasts. Stocks recovered somewhat after a turbulent start to the week—when the Nasdaq tumbled over 3%, and the S&P 500 fell 1.46%.

However, late in the afternoon, Wall Street's major indices retreated, closing with losses after White House Press Secretary Karoline Leavitt confirmed that President Trump will follow through with plans to impose on February 1 a 25% tariff on imports from Canada and Mexico and a 10% duty on Chinese goods. The White House did not specify how the tariffs would work and only stated that at some point tomorrow, Saturday, February 1, the specific data would be available.

### The five indexes we follow YTD Returns:

- **Dow Jones Industrial Average YTD** return of **4.70%**
- **S&P 500 YTD** return of **2.70%**
- **Nasdaq Composite YTD** return of **1.64%**.
- **Birling Puerto Rico Stock Index YTD** return of **4.76%**
- **Birling Capital US Bank Index YTD** return of **11.89%**

In corporate news, Apple delivered stronger-than-expected earnings after Thursday's market close, citing robust demand for Mac and iPad products as a key driver. Shares of the tech giant rallying approximately 2% in early trading. Meanwhile, global markets are also trending higher. Asian stocks closed mostly in positive territory overnight, while European indices are advancing, helped by softer-than-anticipated inflation data from Germany and France.

Bond markets remain steady, with the benchmark 10-year Treasury yield hovering closing at 4.58%.

### Inflation Trends Reinforce Fed's Gradual Approach

December's PCE inflation report showed a 0.3% monthly increase and a 2.55% annual rise, matching expectations. Core PCE, the Federal Reserve's preferred inflation gauge, excluding food and energy, increased 0.2% for the month and 2.79% YoY. Notably, the three-month annualized core PCE rate has now eased to 2.2%, the lowest since July.

The data suggests that inflation continues its gradual descent toward the Fed's 2% target. However, with resilient economic growth, we anticipate a measured approach to monetary easing throughout 2025. Futures markets project two quarter-point rate cuts this year, a reasonable scenario given prevailing condition.

### Trade Policy in Focus: Tariffs on Canada, Mexico, and China

Trade policy again made headlines after President Trump confirmed his intention to implement a 25% tariff on goods imported from Canada and Mexico. At the same time, China will face a 10% tariff on

goods and services starting February 1. Citing national security concerns, the administration positions tariffs as a key policy tool.

If enacted across the board, these tariffs could introduce upward inflation pressure, particularly in the energy and automotive sectors. Canada accounted for roughly 60% of US crude oil imports in 2023, and around 24% of total US refinery throughput relied on Canadian crude. A 25% tariff on energy imports could lead to higher fuel costs for American consumers.

The auto industry would also feel the effects. US automakers like Ford and General Motors operate extensive North American supply chains, with vehicle components crossing borders multiple times before final assembly. Broad tariffs could increase production costs, potentially leading to higher vehicle prices.

In terms of China, the numbers are quite impressive. As of the end of 2024, China's **trade surplus hit nearly \$1 trillion**, resulting in a **\$361 billion trade deficit** for the US, driven by increased exports ahead of anticipated Trump administration tariffs.

Uncertainty remains regarding exemptions from US critical goods like oil and auto parts. If such exclusions are granted, the broader economic impact of tariffs could be more contained. However, absent exemptions, inflationary risks may rise, adding another layer of complexity to the Federal Reserve's policy considerations.

#### GDPNow Update:

- The initial GDPNow estimate for US GDP growth for the first quarter of 2025 was released on January 31, projecting a 2.9% growth rate.

#### Key Economic Data:

- **US PCE Price Index YoY:** rose to 2.55%, compared to 2.45% last month.
- **US Core PCE Price Index YoY:** fell to 2.79%, compared to 2.82% last month.
- **US 12-Month Trimmed Mean PCE Inflation Rate:** fell to 2.69%, compared to 2.70% last month.
- **US Personal Income MoM:** rose to 0.37%, compared to 0.29% last month.
- **US Personal Spending MoM:** rose to 0.66%, compared to 0.59% last month.
- **US Employment Cost Index QoQ:** rose to 0.90%, compared to 0.80% last quarter.
- **Canada Real GDP MoM:** fell by -0.24%, compared to 0.35% last month.
- **Germany Consumer Price Index YoY:** fell to 2.30%, compared to 2.60% last month.
- **Germany Unemployment Rate:** rose to 6.40%, compared to 6.00% last month.

#### Eurozone Summary:

- **Stoxx 600:** Closed at 539.53, up 0.69 points or 0.13%.
- **FTSE 100:** Closed at 8,673.96, up 27.08 points or 0.31%.
- **DAX Index:** Closed at 21,732.05, up 4.85 points or 0.02%.

#### Wall Street Summary:

- **Dow Jones Industrial Average:** Closed at 44,544.66, down 337.47 points or 0.75%.
- **S&P 500:** Closed at 6,040.53, down 30.64 points or 0.50%.
- **Nasdaq Composite:** Closed at 19,627.44, down 54.31 points or 0.28%.
- **Birling Capital Puerto Rico Stock Index:** Closed at 3,811.66, up 2.92 points or 0.08%.

- **Birlinging Capital US Bank Index:** Closed 7,011.81, up 56.85 points or 0.82%.
- **US Treasury 10-year note:** Closed at 4.58%.
- **US Treasury 2-year note:** Closed at 4.22%.



## GDPNow

### Initial Forecast for the First Quarter 2025

Date	GDPNow 1Q25	Change
1/31/25	2.90%	Initial Forecast



## PCE & Core PCE

Released January 31, 2025

### Inflation Nowcasting

Month	PCE	Core PCE
December	2.55%	2.79%



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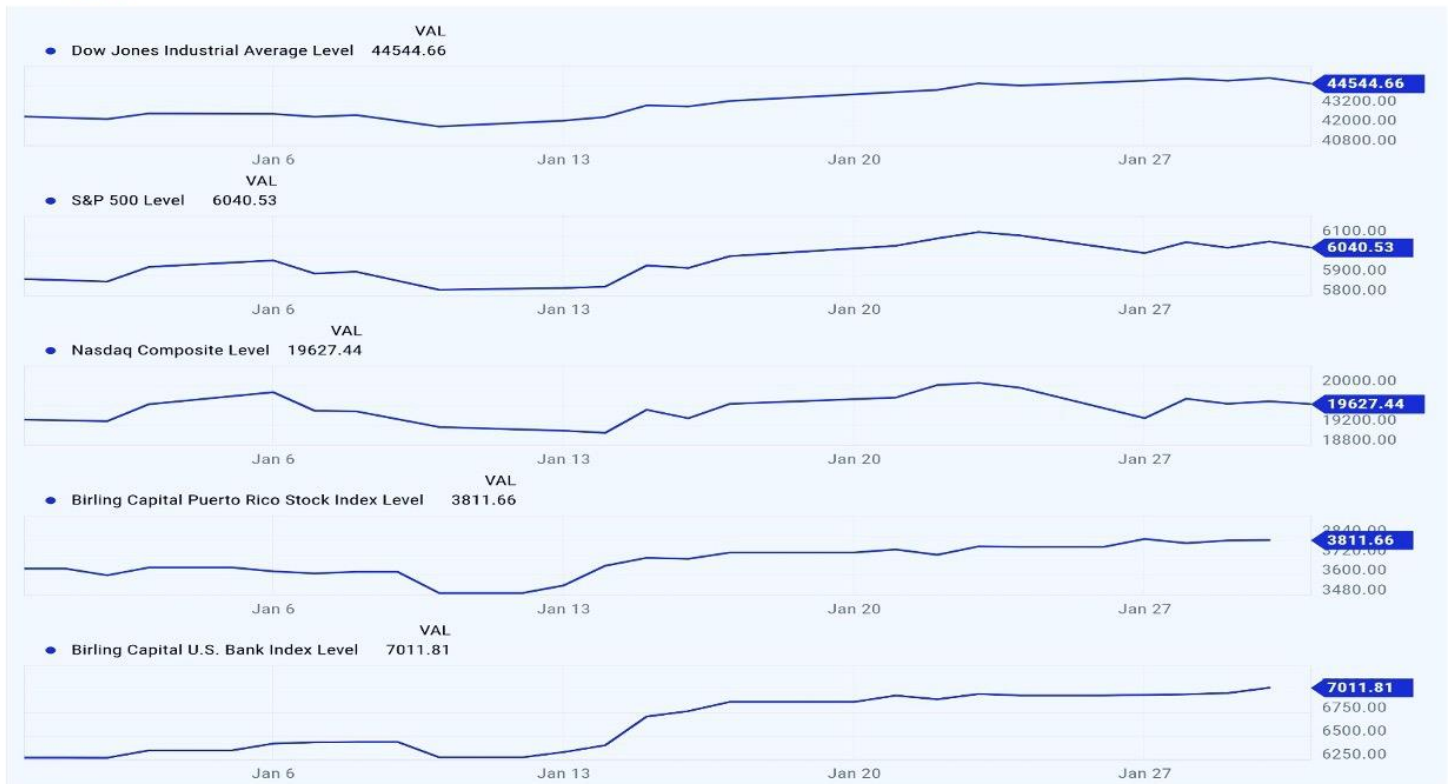
# US PCE Price Index , US Core PCE Price Index, US Personal Income, US Personal Spending & US Employment Cost Index





# Dow Jones, S&P 500, Nasdaq Composite, Birling PR Stock Index & Birling US Bank Index YTD Returns 1.31.25





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