



# GLOBAL MARKET SQUARE



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## US and European Markets Kick Off 2025 to a Good Start; Global Labor Markets in Focus and Eurozone Growth Challenges Become Evident.

January 6, 2025

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The US and European stock markets opened the week with gains as markets are off to a strong start, except for the Dow Jones, which closed down. Growth-oriented sectors like technology and consumer discretionary drive gains, while defensive sectors such as utilities and consumer staples are trailing behind.

Asian indices ended lower in overnight trading, but European markets are climbing. This uptick comes amid reports that President-elect Trump's proposed universal tariff policy might be scaled back to focus on key industries, such as steel and aluminum, rather than applying broadly to all imports. The news has weighed on the US dollar, down about 0.5%, reflecting optimism about a softer approach to trade restrictions. Bond markets, meanwhile, are seeing yields rise. The 10-year Treasury yield closed at 4.62%, with the 2-year yield at 4.28%.

### A Key Week for Labor Market Insights

Labor market data will again take center stage this week, starting Tuesday with the November JOLTS report on job openings. Analysts anticipate openings will hold steady around 7.7 million. While this is a significant drop from the March 2022 peak of 12 million, it remains above pre-pandemic levels. On Wednesday, attention will be directed to the ADP Employment Survey, which is expected to show a private sector job growth of 140,000 for December. The highlight of the week will come Friday, with the release of nonfarm payrolls and the unemployment rate for December. Forecasts suggest payrolls will increase by 160,000, while the unemployment rate is expected to remain steady at 4.2%.

The robust labor market has been a pillar of the US economy over the past two years, and we anticipate this trend will continue into 2025, supporting broader economic expansion.

### European Economy Struggles with Weak Growth

In contrast, the Eurozone faces ongoing challenges as it enters 2025. December's Markit PMI data reveal continued contraction, with the composite PMI at 49.6, marking the second consecutive month of decline and the seventh month below its 20-year average of approximately 52.

Higher interest rates and elevated energy costs—partly driven by the aftermath of Russia's invasion of Ukraine—have put significant pressure on the Eurozone's manufacturing sector. While energy prices have eased somewhat, producer price inflation remains stubbornly high, with levels nearly 40% above where they stood in December 2020.

Given these conditions, we expect the Eurozone's economic momentum to lag behind the US in 2025.

As the IMF forecast shows below, the weakest Eurozone economic growth nations are Germany and Italy:

	<b>2024</b>	<b>2025</b>
1. World Output	3.20%	3.20%
2. USA	2.80%	2.20%
3. Euro Area	0.80%	1.20%
4. Germany	0.00%	1.30%
5. France	1.10%	1.10%
6. Italy	0.70%	0.80%
7. Spain	2.90%	2.10%

We recommend underweighting developed international large-cap and small-/mid-cap equities per our strategic guidance. Instead, we suggest reallocating toward US large- and mid-cap stocks, which are better positioned to benefit from resilient economic conditions.

### **GDPNow Update:**

- The GDPNow for the fourth quarter was updated on January 3, 2025, and fell to 2.40% GDP, a 7.69% decrease.

### **Key Economic Data:**

- **US Retail Gas Price:** fell to \$3.128, down from \$3.145 last week, decreasing -0.54%.
- **US Durable Goods New Orders MoM:** fell by -1.16%, compared to 0.75% last month.
- **US Nondefense Capital Goods Excluding Aircraft New Orders MoM:** rose to 0.42%, compared to -0.12% last month.
- **Germany Consumer Price Index YoY:** rose to 2.60%, compared to 2.20% last month.

### **Eurozone Summary:**

- **Stoxx 600:** Closed at 513.02, up 4.83 points or 0.95%.
- **FTSE 100:** Closed at 8,249.66, up 25.68 points or 0.31%.
- **DAX Index:** Closed at 20,216.19, up 310.11 or 1.56%.

### **Wall Street Summary:**

- **Dow Jones Industrial Average:** closed at 42,706.56, down 25.57 points or 0.06%.
- **S&P 500:** closed at 5,975.38, up 32.91 points or 0.55%.
- **Nasdaq Composite:** closed at 19,621.68, up 243.30 points or 1.24%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,645.44, up 47.43 points or 1.32%.
- **Birling Capital US Bank Index:** closed at 6,342.95, up 78.08 points or 1.25%.
- **US Treasury 10-year note:** closed at 4.62%.
- **US Treasury 2-year note:** closed at 4.28%.

## Forecasts for the Fourth Quarter

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



# US Durable Goods New Orders, US Retail Gas Price, US Nondefense Capital Goods and Germany CPI



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