GLOBAL MARKET SQUARE
BIRLING CAPITAL ADVISORS, LLC

Europe Extends Rally as Eurozone Labor Market Remains Resilient While Atlanta Fed's GDPNow Signals Sharp U.S. Growth Slowdown

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With U.S. financial markets closed in observance of the Independence Day holiday, investors turned their attention to Europe, where equities advanced on encouraging labor market data, underscoring the resilience of the eurozone economy. At the same time, attention remains focused on the U.S. economic outlook after the Atlanta Federal Reserve's GDPNow model sharply reduced its estimate for second-quarter economic growth, highlighting a significant loss of momentum since May.

GDPNow Analysis

The Atlanta Fed's GDPNow model began tracking second-quarter 2026 GDP growth on April 30 with a robust estimate of **3.70%**, reflecting expectations for above-trend economic expansion. The outlook strengthened throughout May, rising to **4.00%** on May 14 before reaching a quarterly peak of **4.30%** on May 21, supported by strong incoming economic data.

That optimism, however, faded rapidly. Beginning in late May, softer reports on consumer spending, trade, and business investment prompted successive downward revisions. The estimate slipped to **3.00%** on June 1, briefly stabilized near **3.30%** during mid-June, and then resumed its decline, falling to **2.50%** on June 25 before plunging to **1.20%** on July 1—a **52%** decline from the previous estimate and the steepest single adjustment of the quarter.

Overall, GDPNow has declined by **2.50 percentage points** from its initial estimate and by **3.10 percentage points** from its May peak, representing more than two-thirds of the growth momentum projected earlier this spring. While GDPNow is a data-driven nowcasting model rather than an official government forecast, the consistency and magnitude of these downward revisions suggest the U.S. economy lost considerable momentum as the second quarter progressed.

European Markets

European equities finished the week on a positive note as investors welcomed another encouraging report from the eurozone labor market. The unemployment rate remained at a record low of **6.2%**, reinforcing confidence that consumer demand and domestic economic activity continue to provide a solid foundation for regional growth despite ongoing geopolitical uncertainty and persistent weakness in manufacturing.

Financials, industrials, technology, and consumer discretionary shares led Friday's advance, while trading volumes remained relatively light as U.S. markets were closed for the Independence Day holiday.

GDPNow Update

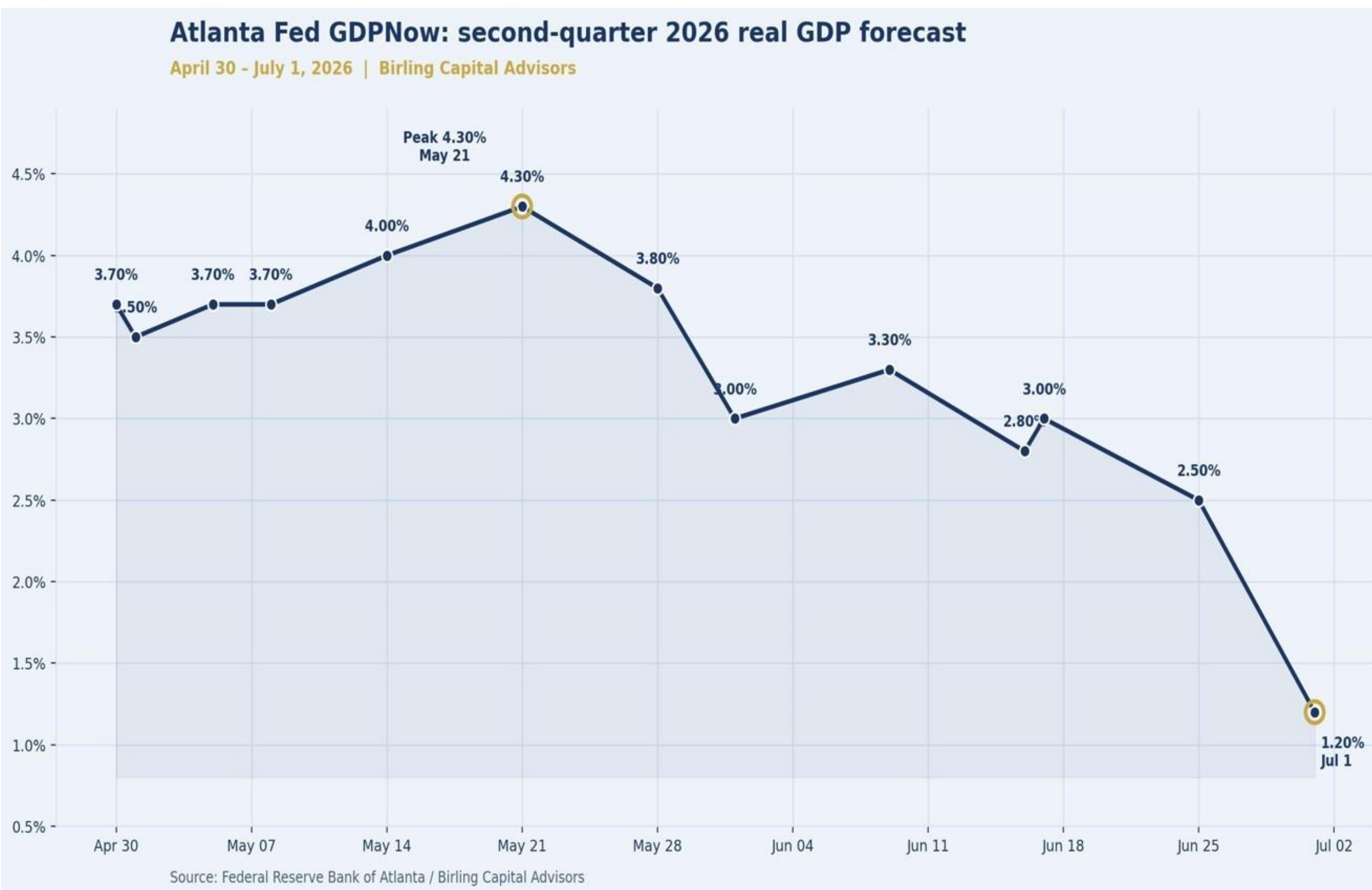
- Atlanta Fed GDPNow (July 1): **1.20%**, down from **2.50%** previously, a **52%** decline.

Eurozone Summary:

- **Stoxx Europe 600:** 652.77, up 4.40 points or 0.68%.
- **FTSE 100:** 10,679.03, up 26.16 points or 0.25%.
- **DAX:** 25,779.31, up 198.43 points or 0.78%.

Wall Street Summary:

- **U.S. markets are closed in observance of the Independence Day holiday.**
- **Dow Jones Industrial Average:** Closed
- **S&P 500:** Closed
- **Nasdaq Composite:** Closed
- **Birling Capital Puerto Rico Stock Index:** Closed
- **Birling Capital U.S. Bank Index:** Closed
- **U.S. Treasury 10-Year Note:** Market Closed
- **U.S. Treasury 2-Year Note:** Market Closed



Eurozone indexes close

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+4.40 +0.68%	+26.16 +0.25%	+198.43 +0.78%

Source: Birling Capital Advisors

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