

US GDP Now at 3.80%, U.S. Equity Markets Edge Higher Amid Trade Optimism and Inflation Watch.

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The U.S. and European stock markets closed with mixed results. Wall Street closed higher as investors closely monitor developments in U.S.-China trade negotiations taking place in London. Market leadership is broad, with most sectors in the S&P 500 opening flat to slightly positive.

Improved Business Sentiment and Global Market Snapshot

On the economic front, the NFIB Small Business Optimism Index rose in May to 99.2, snapping a four-month streak of declines.

The uptick suggests that small business confidence is stabilizing, thanks in part to recent signs of easing trade tensions. Overseas, European indices are trading mixed, supported in part by a better-than-expected reading in the eurozone Sentix Economic Index. Asian markets also delivered a mixed session overnight as investors digest regional economic signals and geopolitical developments.

Meanwhile, U.S. Treasury yields have dipped at the start of the trading day. The benchmark 10-year yield closed at 4.47%, while the 2-year yield closed at 4.01%, reflecting a cautious tone ahead of critical inflation data.

Inflation in Focus: CPI Data to Shape Policy Outlook

Investor attention is now squarely on May's Consumer Price Index (CPI) data, due out tomorrow. The Inflation Nowcasting points to a 0.2% monthly increase in headline CPI and a year-over-year rise of 2.40%. Core CPI, which excludes food and energy, is expected to climb 0.3% for the month and 2.84% annually.

Although tariff concerns have stirred fears of near-term inflationary pressure, the data through April shows limited evidence of such effects. The three-month annualized core CPI rate stood at just 2.1% in April, the lowest since July 2024. Nonetheless, we anticipate that the inflationary impact of tariffs, especially on goods, may begin to emerge in the second half of the year. Importantly, we see this as a one-time upward adjustment in price levels rather than a persistent inflationary trend. As such, we believe the Federal Reserve's rate-cutting cycle has merely been postponed, not derailed. Our base case includes one to two rate cuts later in 2025.

Trade Talks Drive Sentiment, Though Uncertainty Lingers

Trade remains a key market driver, with U.S. and Chinese officials continuing high-level talks in London. Initial reports indicate constructive discussions, with attention centered on the potential relaxation of U.S. technology export controls in exchange for improved access to rare-earth minerals. The S&P 500 has surged over 20% from its April 8 low, buoyed by optimism surrounding the 90-day pause on new tariffs announced in early April. The index now sits just shy of its February 19 all-time high.

While trade-related uncertainty is expected to persist in the lead-up to the July 9 and August 12 expiration dates of the tariff moratorium, the peak in policy-related volatility has passed. This should provide businesses with greater clarity for investment and hiring decisions.

Strategic Allocation: Equities Favored Over Bonds

In this context, we maintain a constructive stance on equities, favoring U.S. stocks over international peers and maintaining an overweight position in equities compared to fixed income. We see current conditions, particularly the combination of improved business sentiment, potential progress on trade, and a still-dovish Fed, as supportive of continued equity market performance.

GDPNow:

- The **GDPNow** for the second quarter of 2025 was updated on June 9 to 3.80%, unchanged from the previous value of 3.80%.

Economic Update:

- **U.S. Retail Gas Price:** fell to \$3.256, down from \$3.288 last week, decreasing -0.97%.
- **UK ILO Unemployment Rate:** Aged 16-64: rose to 4.70%, compared to 4.60% last month.

Eurozone Summary:

- **Stoxx 600:** Closed at 553.12, down 0.12 points or 0.022%.
- **FTSE 100:** Closed at 8,853.08, up 20.80 or 0.24%.
- **DAX Index:** Closed at 23,987.56, down 186.76 or 0.77%.

Wall Street Summary:

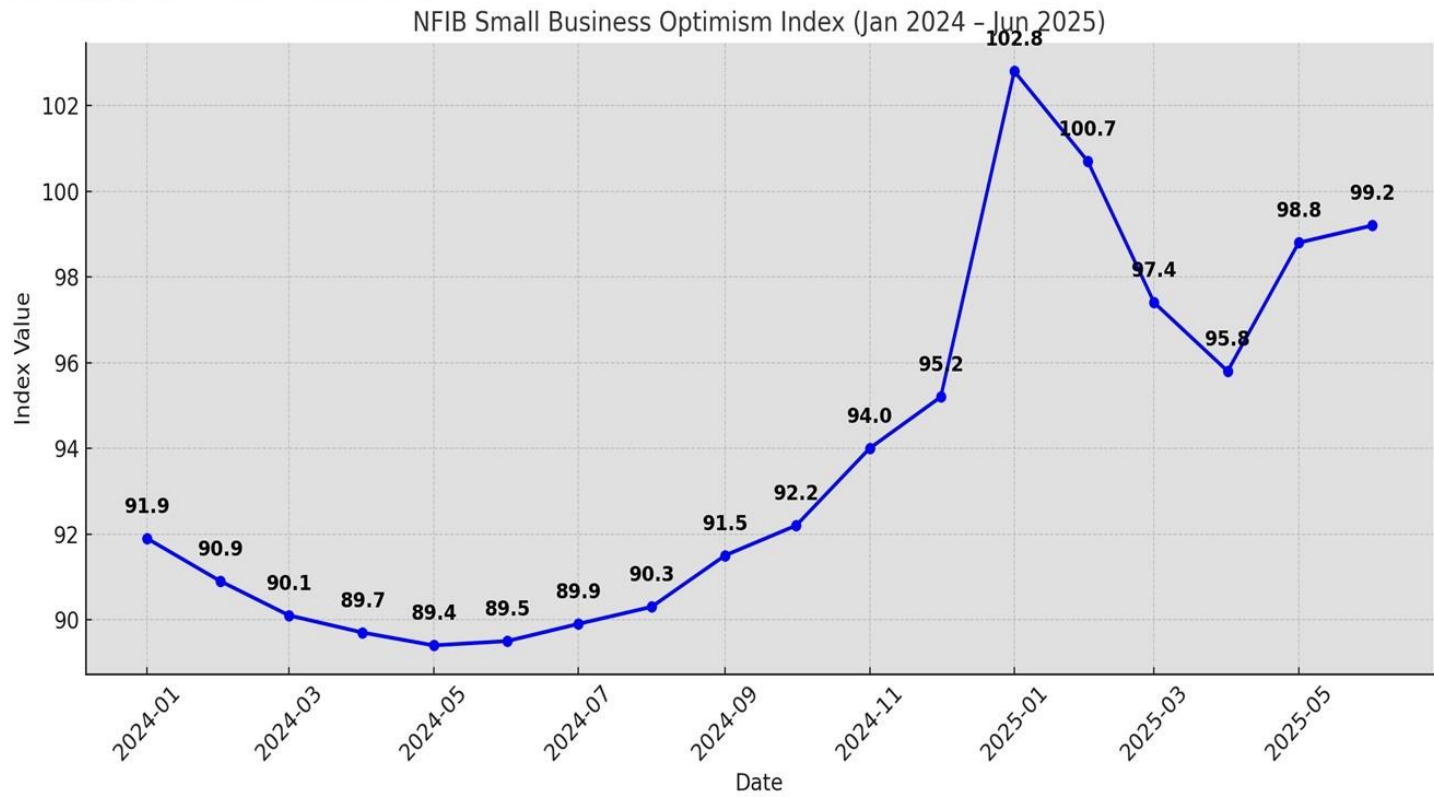
- **Dow Jones Industrial Average:** closed at 42,866.87, up 105.11 points or 0.25%.
- **S&P 500:** closed at 6,038.81, up 32.93 points or 0.55%.
- **Nasdaq Composite:** closed at 19,714.99, up 123.75 points or 0.63%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,931.13, up 8.56 points or 0.22%.
- **Birling Capital U.S. Bank Index:** closed at 6,863.02, up 2.58 points or 0.04%.
- **U.S. Treasury 10-year note:** closed at 4.47%.
- **U.S. Treasury 2-year note:** closed at 4.01%.

Second Quarter 2025

Date	GDPNow 2Q25	Change
4/30/2025	2.40%	Initial Forecast
5/1/2025	1.10%	-54.17%
5/6/2025	2.20%	100.00%
5/8/2025	2.30%	4.55%
5/15/2025	2.50%	8.70%
5/16/2025	2.40%	-4.00%
5/27/2025	2.20%	-8.33%
5/30/2025	3.80%	72.73%
6/2/2025	4.60%	21.05%
6/5/2025	3.80%	-17.39%
6/9/2025	3.80%	0.00%

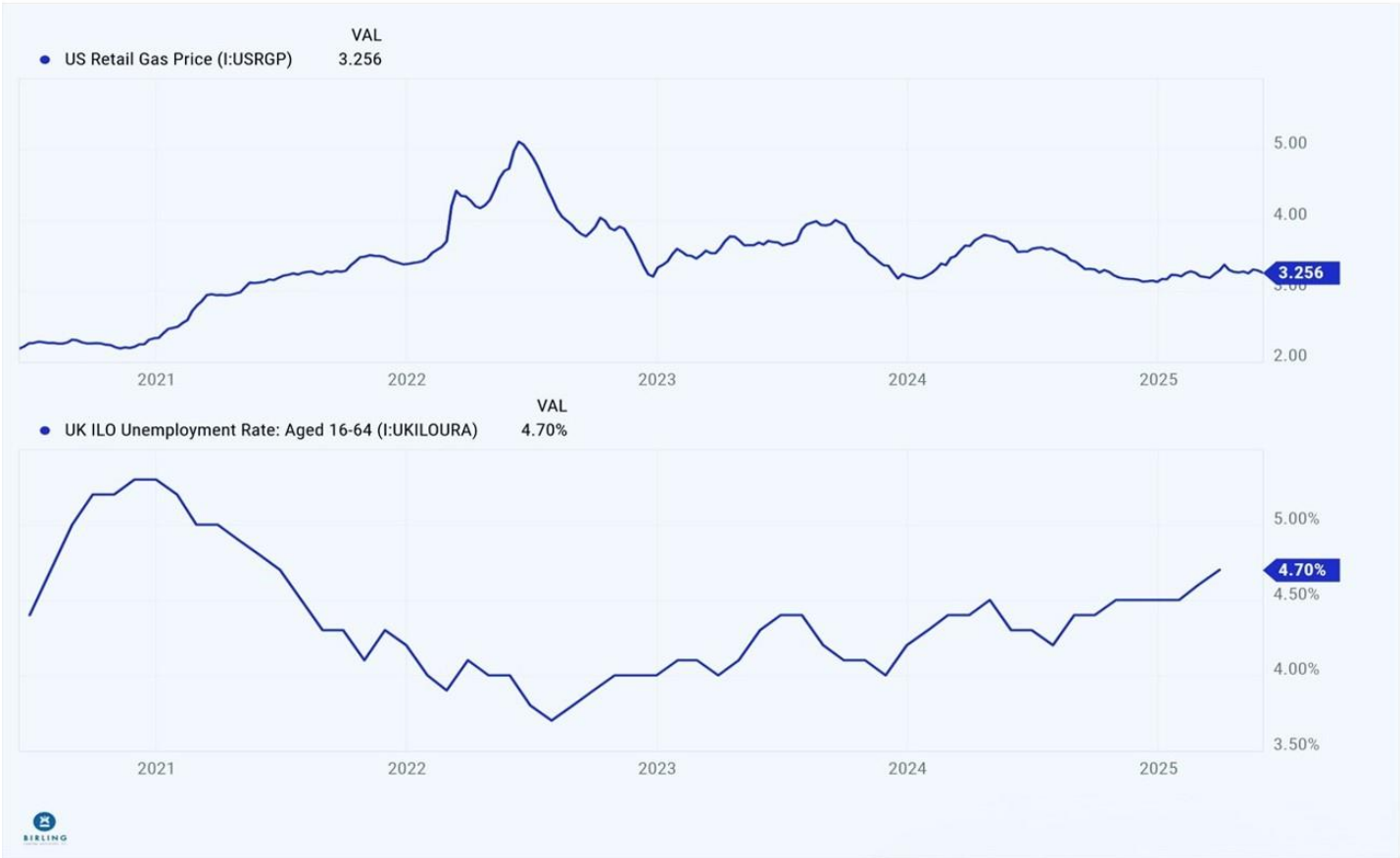


NFIB Small Business Optimism Index 2024-June 2025





US Retail Gas Price & UK ILO Unemployment Rate





Wall Street Recap

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