



Global Markets Edge Lower as Iran-Israel Tensions Escalate and Retail Sales Disappoint.

June 17, 2025

by Francisco Rodríguez-Castro
frc@birlingcapital.com

The U.S. and European stock markets closed down under pressure with renewed geopolitical tensions weighing on investor sentiment. President Donald Trump's urgent call for the evacuation of Tehran amid the ongoing Israel-Iran conflict has amplified concerns across global markets. The heightened uncertainty has pushed crude oil prices up roughly 2%, reflecting fears of supply disruption, while equity indices opened broadly lower.

Safe-haven flows were evident in early trading: U.S. Treasury yields ticked down, and the dollar gained modest ground, with the DXY index slightly higher, suggesting a cautious tone among investors navigating global risk.

Retail Sales: Mixed Signals from Consumers

May's retail sales data delivered a mixed picture. Headline sales declined 0.9%, more than the anticipated 0.7% drop, primarily due to weaker spending in building materials and a pullback in motor vehicle purchases, likely following the March surge driven by tariff-related buying. Adding to the downside, April's retail figures were revised downward to a 0.1% decline.

However, the more stable "control group" sales—which strip out volatile components like gas, autos, and building materials—offered some reassurance. This measure rose 0.4% in May, matching expectations and underscoring the resilience in core consumption. Notably, discretionary categories such as furniture and apparel saw healthy gains, indicating that consumer demand remains resilient despite broader macroeconomic headwinds.

With household finances still robust and the labor market providing a solid foundation, we expect consumer activity to remain a pillar of economic growth through the second half of 2025.

Eyes on the Fed: Policy Clarity Ahead

The Federal Reserve's June policy meeting begins today, with a rate decision and updated economic projections set for release on Wednesday. Markets widely expect the FOMC to leave the benchmark rate unchanged at 4.25%–4.50%, but investor attention will focus on any shifts in the Fed's outlook for rate cuts this year.

Since the March meeting, inflation has moderated, and job market indicators have softened, suggesting that the Fed may lean toward a more dovish stance. Our base case anticipates one to two rate cuts in the latter half of 2025 as policymakers seek to balance progress in disinflation with sustained economic momentum. Lower borrowing costs offer modest tailwinds to growth as the year progresses.

Global Snapshot

Overseas, Asian equity markets delivered mixed performances after the Bank of Japan opted to maintain its policy rate at 0.5%. European markets are also trading lower, reflecting cautious sentiment ahead of the Fed's decision and continued geopolitical unease.

GDPNow:

- The **GDPNow** for the second quarter of 2025 was updated on June 17 to 3.50%, down from the previous value of 3.80%, representing a 7.89% decrease.

Economic Update:

- **U.S. Retail and Food Services Sales MoM:** fell to -0.91%, compared to -0.08% last month.
- **NY Fed Business Leaders Survey Current Business Activity:** fell to -13.20%, compared to -16.20% last month.
- **U.S. Industrial Production MoM:** rose to -0.22%, compared to 0.07% last month.
- **U.S. Export Prices YoY:** fell to 1.68%, compared to 1.94% last month.
- **U.S. Import Prices YoY:** rose to 0.21%, compared to 0.07% last month.
- **U.S. Wholesalers Inventories MoM:** fell to 0.18%, compared to 0.35% last month.
- **U.S. Business Inventories MoM:** fell to 0.03%, compared to 0.08% last month.
- **NAHB/Wells Fargo US Housing Market Index:** fell to 32.00, down from 34.00 last month.
- **U.S. Retail Gas Price:** fell to 3.235%, down from 3.256 last week.
- **ZEW Indicator of Economic Sentiment for Germany:** rose to 25.20%, up from -14.00% last month.
- **Japan Machinery Orders YoY:** rose by 11.40%, compared to 1.69% last month.

Eurozone Summary:

- **Stoxx 600:** Closed at 542.26, down 4.65 points or 0.85%.
- **FTSE 100:** Closed at 8,834.03, down 41.19 points or 0.46%.
- **DAX Index:** Closed at 23,434.65, down 264.47 points or 1.12%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 42,215.80, down 299.29 points or 0.70%.
- **S&P 500:** closed at 5,982.72, down 50.39 points or 0.84%.
- **Nasdaq Composite:** closed at 19,521.09, down 180.12 points or 0.91%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,837.38, up 0.15 points or 0.00%.
- **Birling Capital U.S. Bank Index:** closed at 6,833.20, up 107.09 points or 1.59%.
- **U.S. Treasury 10-year note:** closed at 4.39%.
- **U.S. Treasury 2-year note:** closed at 3.94%.

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%
6/17/2025	3.50%	-7.89%

US Retail & Food Services Sales, NY Fed Business Leaders Survey, US Industrial Production, US Export Prices, US Import Prices, US Wholesalers Inventories, US Business Inventories, US NAHB/Wells Fargo US Housing Market & US Retail Gas Price





Global Market Square © es una publicación preparada por Birling Capital LLC y resume los recientes desarrollos geopolíticos, económicos, de mercado y otros que pueden ser de interés para los clientes de Birling Capital LLC. Este informe está destinado únicamente a fines de información general, no es un resumen completo de los asuntos a los que se hace referencia y no representa asesoramiento de inversión, legal, regulatorio o fiscal. Se advierte a los destinatarios de este informe que busquen un abogado profesional adecuado con respecto a cualquiera de los asuntos discutidos en este informe teniendo en cuenta la situación de los destinatarios. Birling Capital no se compromete a mantener a los destinatarios de este informe informados sobre la evolución futura o los cambios en cualquiera de los asuntos discutidos en este informe. Birling Capital. El símbolo de registro y Birling Capital se encuentran entre las marcas registradas de Birling Capital. Todos los derechos reservados.