

Europe Stumbles, Wall Street Climbs as Global Markets React to Trade Talks and Mixed Economic Signals.

June 9, 2025

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The U.S. and European stock markets opened the week with mixed results as investors weighed the implications of renewed U.S.-China discussions underway in London.

European equities closed down under pressure as weak economic data, particularly from Germany and France, dampened growth prospects. Political uncertainty stemming from upcoming elections and rising populism adds further caution among investors.

The ECB's recent rate cut brought little clarity on future easing, leaving markets unsure about policy direction. Meanwhile, export-dependent economies face headwinds from U.S.-China trade tensions and slowing global demand.

Heavier exposure to financials and industrials—sectors more vulnerable to economic cycles—has compounded the region's underperformance. Unlike the U.S., Europe lacks a dominant tech sector to offset these pressures.

Asian markets closed mostly higher despite China's May export figures falling short of expectations. Notably, Chinese exports to the U.S. plunged 34% year-over-year—the steepest monthly decline since the onset of the pandemic. Still, China has managed to redirect trade flows to other markets, partially offsetting the drop.

Bond Yields Edge Lower Amid Fiscal Concerns

U.S. Treasury yields are moving modestly lower, with the 10-year yield closing at 4.49%. Elevated concerns around federal deficits and rising debt levels have added to volatility in the fixed-income space. Despite this, bond yields remain below their late-May highs.

Markets continue to price in two interest rate cuts from the Federal Reserve in 2025, with another two expected in 2026—closely aligned with the Fed's projections. While the recent wave of tariffs is expected to nudge inflation higher in the short term, the central bank is likely to wait for more data before adjusting policy. In the meantime, easing rates could lower borrowing costs for households and businesses, potentially supporting consumer activity and corporate earnings.

Inflation Data on Deck

Investors are eyeing the May Consumer Price Index (CPI) report, due Wednesday. The Inflation Nowcasting has the headline CPI up to 2.40% year-over-year, up from 2.31% in April. Core CPI, which strips out food and energy, is expected to rise slightly to 2.84% from 2.78%.

While both measures had shown a steady decline over the past three months, the expected uptick likely reflects the early impact of new tariffs beginning to filter through supply chains. While import-driven price increases may lift inflation temporarily, they are unlikely to spark a sustained acceleration.

Importantly, market-based measures suggest long-term inflation expectations remain well-anchored. The 10-year breakeven inflation rate stands near 2.31%, consistent with the Fed's long-run target.

Economic Update:

- **U.S. Wholesale Inventories MoM:** fell to 0.18%, compared to 0.35% last month.
- **China Exports YoY:** fell 8.37%, compared to 12.66% last month.
- **China Imports YoY:** fell -0.22%, compared to -4.43% last month.
- **China Trade Balance:** fell \$ 96.18 billion, down from \$ 102.42 billion last month, a decrease of 6.09%.

Eurozone Summary:

- **Stoxx 600:** Closed at 553.24, down 0.40 points or 0.07%.
- **FTSE 100:** Closed at 8,832.28, down 5.63 or 0.06%.
- **DAX Index:** Closed at 24,174.32, down 130.14 or 0.54%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 42,761.76, down 1.11 points or 0.00%.
- **S&P 500:** closed at 6,005.88, up 5.52 points or 0.09%.
- **Nasdaq Composite:** closed at 19,591.24, up 61.28 points or 0.31%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,922.57, up 64.44 points or 1.67%.
- **Birling Capital U.S. Bank Index:** closed at 6,860.44, up 107.99 points or 1.60%.
- **U.S. Treasury 10-year note:** closed at 4.49%.
- **U.S. Treasury 2-year note:** closed at 4.01%.



Inflation Nowcasting CPI & Core CPI

| Inflation Nowcasting | CPI Forecast | Core CPI Forecast | Updated |
|-------------------------|-----------------|----------------------|---------|
| May | 2.40% | 2.84% | 6.9.25 |

US Wholesale Inventories MoM

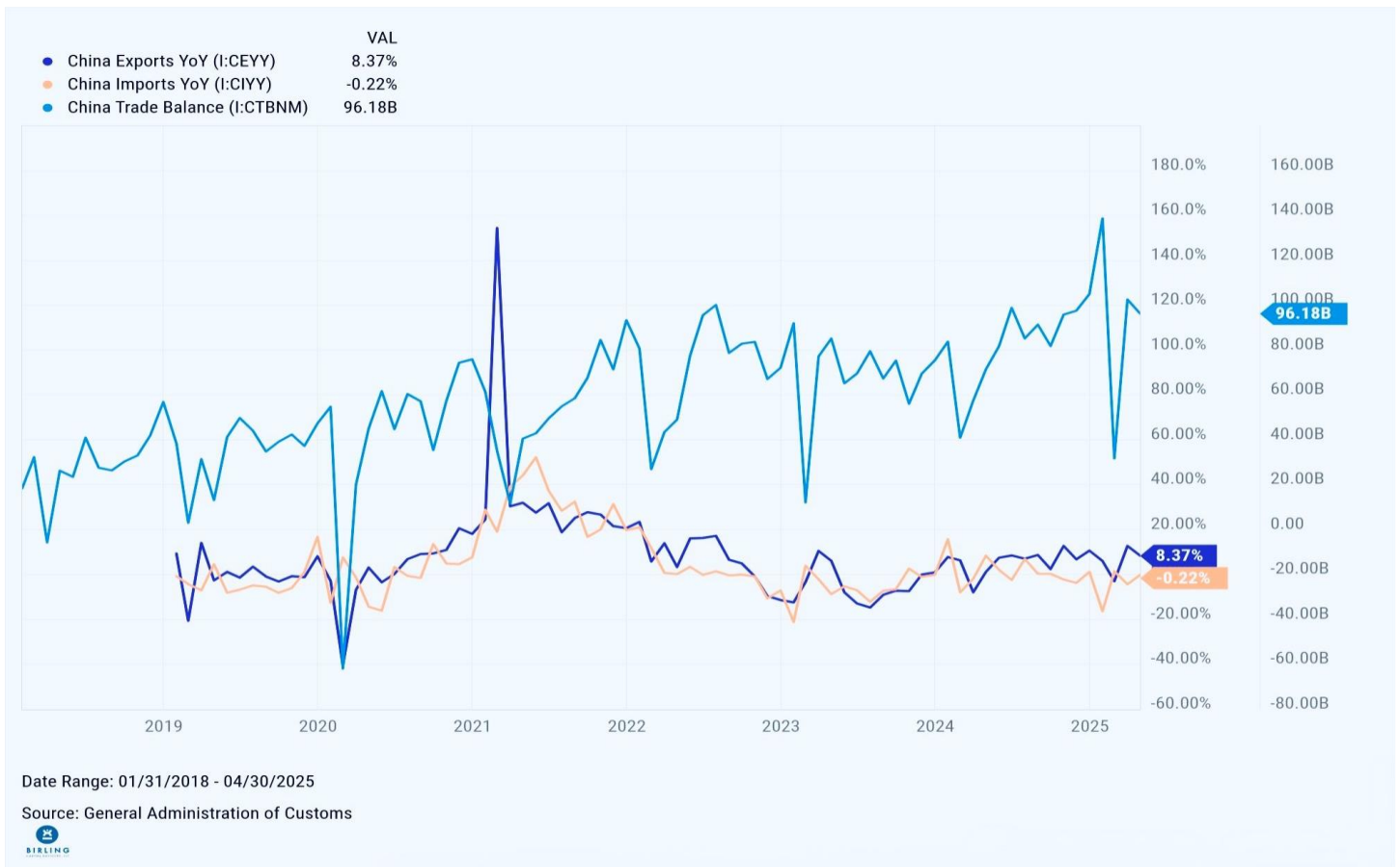


Date Range: 06/30/2020 - 04/30/2025

Source: Census Bureau



China Exports YoY; China Imports YoY & China Trade Balance





Wall Street Recap

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