

Stocks Sink as Trade Tensions Flare, Inflation Cools, and Looming Government Shutdown.

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The US and European stock markets closed lower despite softer inflation data came in below expectations. The Producer Price Index (PPI) for February remained flat, defying forecasts of a 0.3% increase, reinforcing the notion that inflationary pressures are easing.

Equities continued their downward trajectory on Thursday, with the market struggling to recover from a three-week decline amid escalating trade tensions. Investors reacted to fresh tariff threats from President Donald Trump, who announced potential 200% duties on all alcoholic beverages imported from the European Union.

Posting on Truth Social, Trump justified the move as retaliation against the EU's 50% tariff on American whiskey, stating, **"This will be great for the Wine and Champagne businesses in the U.S."**

Later in the day, he reinforced his stance, making it clear that he had no intention of backing down from a broader wave of tariffs scheduled to take effect on April 2.

The renewed tariff concerns added to market unease, compounding existing volatility as investors assess the potential impact on global trade and corporate earnings.

Meanwhile, initial jobless claims dropped to 220,000 last week, outperforming estimates of 226,000, signaling continued labor market strength despite recent uncertainty surrounding federal employment cuts. Defensive sectors, including healthcare and utilities, are leading early gains, while growth-oriented industries, such as communication services and consumer discretionary stocks, are underperforming.

Internationally, Asian markets closed predominantly lower overnight, while European equities are also in decline despite stronger-than-expected eurozone industrial production data. Treasury yields are moving slightly higher in fixed income, with the 10-year yield hovering around 4.35% at the open.

Inflation Trends Confirm Easing Pressure

February's PPI report further supports the downward trend in inflation, as the index was unchanged month-over-month and posted a 3.2% annual increase—its slowest pace since April last year. Economists had expected a 0.3% monthly rise and a 3.3% yearly increase. This softer inflation data follows yesterday's lower-than-anticipated Consumer Price Index (CPI) reading, alleviating some concerns that inflationary pressures might disrupt economic momentum.

With ongoing uncertainty surrounding potential tariffs, the Federal Reserve is expected to maintain its current policy stance at next week's meeting. However, given the recent inflation data, the central bank may continue its path toward monetary easing, with interest rates potentially ending the year in the 3.5%-4% range. Policymakers are likely to view tariff-driven price increases as temporary rather than a persistent inflationary force, keeping the focus on long-term economic conditions.

Government Shutdown Concerns Cloud Policy Outlook

A potential government shutdown adds another layer of uncertainty to the policy landscape. On Tuesday, the House of Representatives passed a continuing resolution to keep the government funded through September. However, Senate Minority Leader Chuck Schumer has pushed back against the Republican-backed bill, arguing that it lacks 60 votes to pass in the Senate. With Republicans holding 53 seats, bipartisan support is required to avoid a filibuster.

Lawmakers must reach a deal before midnight on Friday to prevent a shutdown. While market volatility may increase in the short term, historical data suggests that government shutdowns have had minimal long-term effects on stock performance. During the last major shutdown from December 2018 to January 2019, the S&P 500 gained over 10%. Similarly, the index has posted gains during the past five shutdowns.

With two days left for negotiations, the possibility of a last-minute funding resolution remains on the table. Investors are likely to watch developments closely but may ultimately look past the immediate uncertainty as markets focus on broader economic trends.

Economic Data Update:

- **US Producer Price Index YoY:** fell to 3.17%, compared to 3.70% last month.
- **US Core Producer Price Index YoY:** fell to 3.45%, compared to 3.82% last month.
- **US Initial Claims for Unemployment Insurance:** 220,000, down from 222,000 last week, decreasing -0.90%.
- **30-Year Mortgage Rate:** fell to 6.63%, compared to 6.76% last week.
- **Eurozone Industrial Production Index YoY:** fell by -2.00%, compared to -1.80% last month.

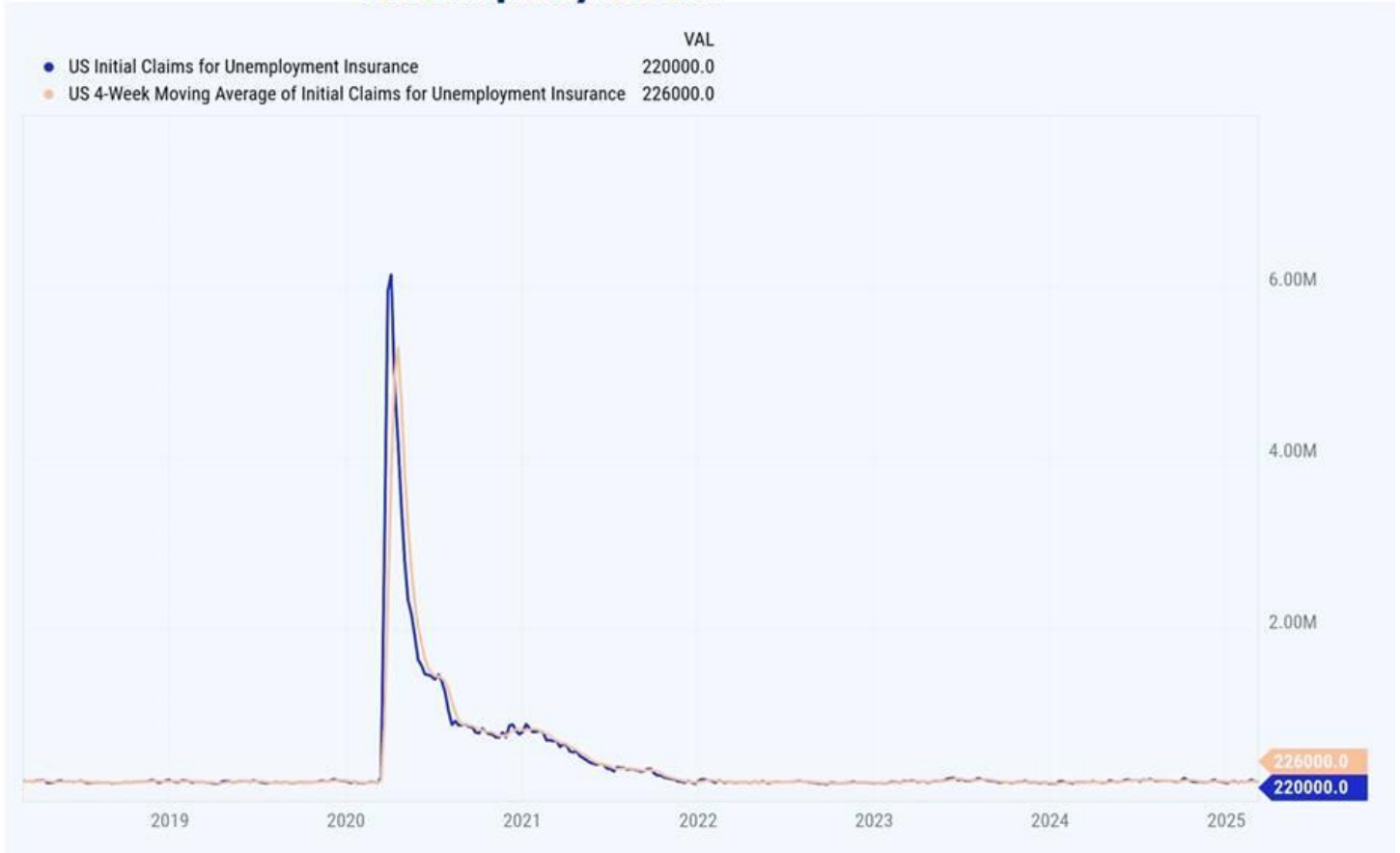
Eurozone Summary:

- **Stoxx 600:** Closed at 540.44, down 0.81 points or 0.15%.
- **FTSE 100:** Closed at 8,542.56, up 1.59 points or 0.019%.
- **DAX Index:** Closed at 22,567.14, down 109.27 points or 0.48%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 40,813.57, down 537.36 points or 1.30%.
- **S&P 500:** closed at 5,521.52, down 77.78 points or 1.39%.
- **Nasdaq Composite:** closed at 17,303.01, down 345.44 points or 1.96%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,499.28, up 7.96 points or 0.23%.
- **Birling Capital US Bank Index:** closed at 5,935.05, up 57.48 points or 0.98%.
- **US Treasury 10-year note:** closed at 4.27%.
- **US Treasury 2-year note:** closed at 3.94%.

US Initial Claims for Unemployment & US 4-Week Moving Average of Claims for Unemployment



US Producer Price Index & US Core Producer Price Index



Dow Jones Industrial Average, S&P 500, Nasdaq Composite, Birling Puerto Rico Stock Index & Birling US Bank Index YTD Returns 3.13.25

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| ● Dow Jones Industrial Average Level % Change | -4.07% |
| ● S&P 500 Level % Change | -6.12% |
| ● Nasdaq Composite Level % Change | -10.40% |
| ● Birling Capital Puerto Rico Stock Index Level % Change | -3.83% |
| ● Birling Capital U.S. Bank Index Level % Change | -5.31% |





Wall Street Recap

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