



GLOBAL MARKET SQUARE



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Markets Rally as Government Shutdown Averted, Index of Consumer Sentiment falls to 57.9%, Tech Leads Surge, Fed in Focus Next Week.

March 14, 2025

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The US and European stock markets closed with gains, ending one of the most volatile weeks in recent memory, and even though the indexes rose in the range of 1.66% to 2.61%, it was the worst trading week since 2023. Investors seem to be reacting to diminished fears of a government shutdown following Senate Minority Leader Chuck Schumer's announcement of his intention to back the House-approved funding bill, significantly reducing the likelihood of disruption. The news fueled investor optimism, with growth-oriented sectors such as technology and consumer discretionary leading the charge. Also, the release of the University of Michigan's US Index of Consumer Sentiment reflects consumer optimism during economic growth and pessimism in recessions. From January to January 2025, it fell from 71.7 to 57.9, a 19.24% drop.

European markets climbed as German policymakers made headway on an infrastructure and defense spending agreement to boost economic activity. Asian equities increased overnight following reports that Chinese policymakers are preparing additional stimulus measures to drive consumer spending, reinforcing regional confidence.

No Government Shutdown: Funding Secured—For Now

Later today, the Senate is set to approve a House-backed bill to keep the government funded through the remainder of the fiscal year, which ends on September 30. While the legislation includes \$13 billion in cuts to various non-defense programs, it offsets this with a \$6 billion boost in defense spending, keeping overall funding levels unchanged from last year.

Though the passage of this bill avoided last-minute brinkmanship, it was finalized just hours before the current funding deadline expired. With Republican control of Washington pushing for fiscal restraint, maintaining a flat budget for government operations will likely be a recurring theme. The good news? The cycle of government shutdown threats is on pause until the fall, when lawmakers will again have to negotiate to fund for the fiscal year 2026.

House Takes the Lead in Budget Negotiations

Securing the government funding deal was a notable victory for House Republicans, who have struggled to find unity within their narrow majority. Speaker Mike Johnson (R-LA) played a role in navigating the deal. However, credit also goes to President Trump, who personally reached out to persuade reluctant House Republicans—many of whom had never previously supported a government funding bill.

In a rare shift of power dynamics, the House dictated the bill's terms instead of being pressured into concessions by the Senate. With bipartisan support in the upper chamber, the urgency of preventing a shutdown made it difficult for lawmakers to oppose the measure.

Tariff Battles Show No Signs of Slowing

President Trump's aggressive tariff policies continue to dominate economic headlines. The administration's stance on trade restrictions has been fluid, creating uncertainty for both markets and business leaders. This week, the White House moved forward with higher tariffs on steel and aluminum imports, triggering retaliatory measures from Canada and the European Union.

However, there may be some room for negotiation. The administration is reportedly considering easing tariffs on Canadian goods if Ottawa takes more decisive action to curb the flow of fentanyl into the United States. Meanwhile, resistance to increased tariffs is growing within the business community. At a recent White House meeting, leading CEOs directly voiced their concerns about the impact of escalating trade tensions.

Fed Policy and Consumer Spending in the Spotlight

Next week, we will focus on the Federal Reserve and consumer spending trends. February retail sales data is set for release on Monday, while the Federal Open Market Committee (FOMC) convenes on Wednesday. The consensus expectation is for the Fed to maintain the current interest rates. However, given recent signs of economic slowing, market forecasts anticipate three 0.25% rate cuts in 2025, up from just one projected last month.

The Fed meeting will clarify rate decisions and include updates on economic projections. Investors will mainly focus on policymakers' expectations for inflation and interest rates over the coming months.

On the consumer side, February's retail sales report will be closely watched to determine whether January's 0.9% decline was an anomaly or a sign of broader weakness in consumer spending. Current estimates call for a 0.8% rebound. While economic momentum has moderated, this appears more in line with a mid-cycle adjustment than a path toward recession. If growth continues to soften, the Fed may opt for a more aggressive rate-cutting cycle in 2025, which could provide additional support for both the economy and financial markets.

Economic Data Update:

- **US Index of Consumer Sentiment:** fell to 57.90, down from 64.70 last month, decreasing -10.51%.
- **Canada Manufacturing Shipments:** rose to 72.98 billion, up from 71.75 billion last month.
- **Canada Wholesale Sales MoM:** fell by 1.73%, compared to 2.18% last month.
- **Germany Consumer Price Index YoY:** is unchanged at 2.30%, compared to 2.30% last month.
- **UK Industrial Production Index YoY:** is at -1.50%, compared to -1.90% last month.

Eurozone Summary:

- **Stoxx 600:** Closed at 546.60, up 6.16 points or 1.14%.
- **FTSE 100:** Closed at 8,632.33, up 89.77 points or 1.05%.
- **DAX Index:** Closed at 22,986.82, up 419.68 points or 1.86%.

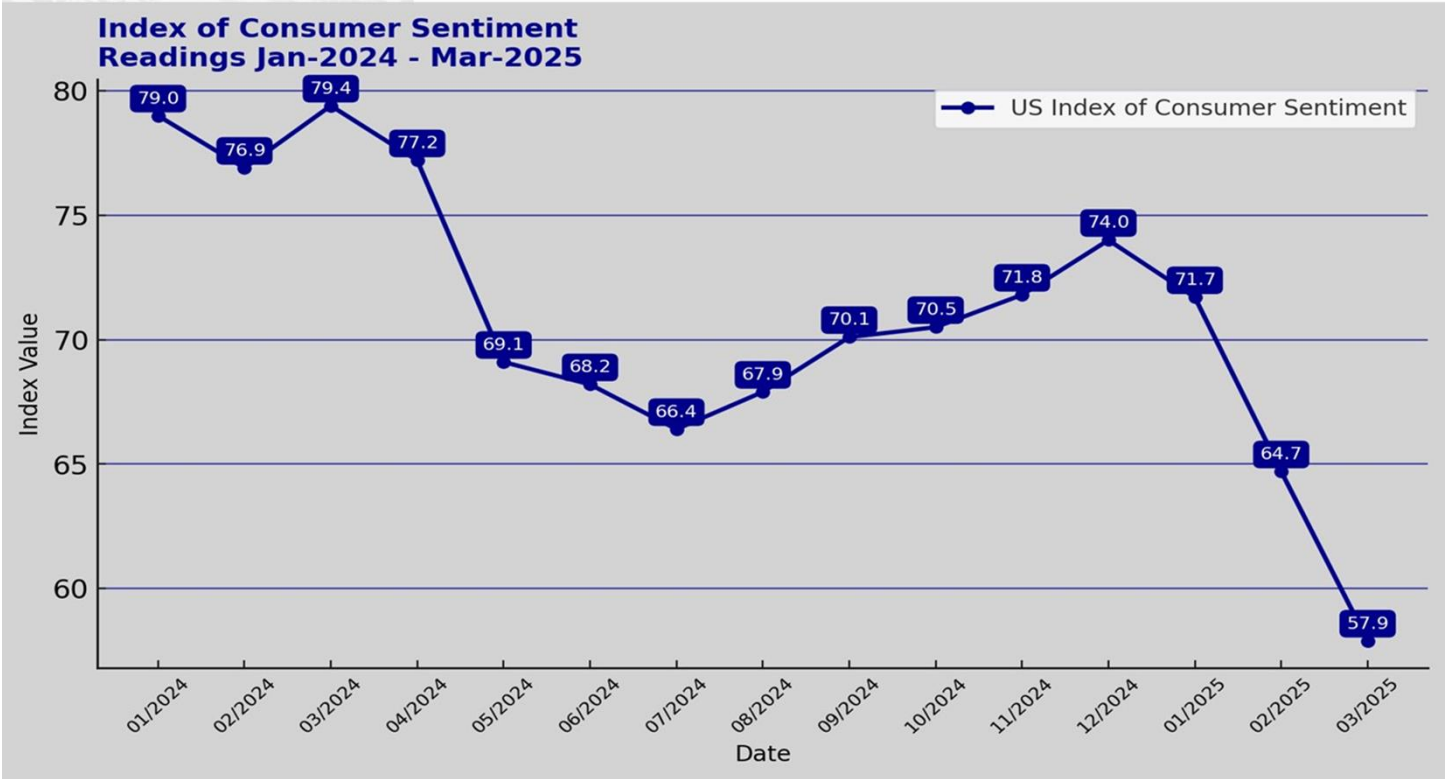
Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 41,488.19, up 674.62 points or 1.66%.
- **S&P 500:** closed at 5,638.94, up 117.42 points or 2.13%.
- **Nasdaq Composite:** closed at 17,754.09, up 451.08 points or 2.61%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,511.72, up 12.44 points or 0.36%.
- **Birling Capital US Bank Index:** closed at 5,860.08, down 74.97 points or 0.98%.

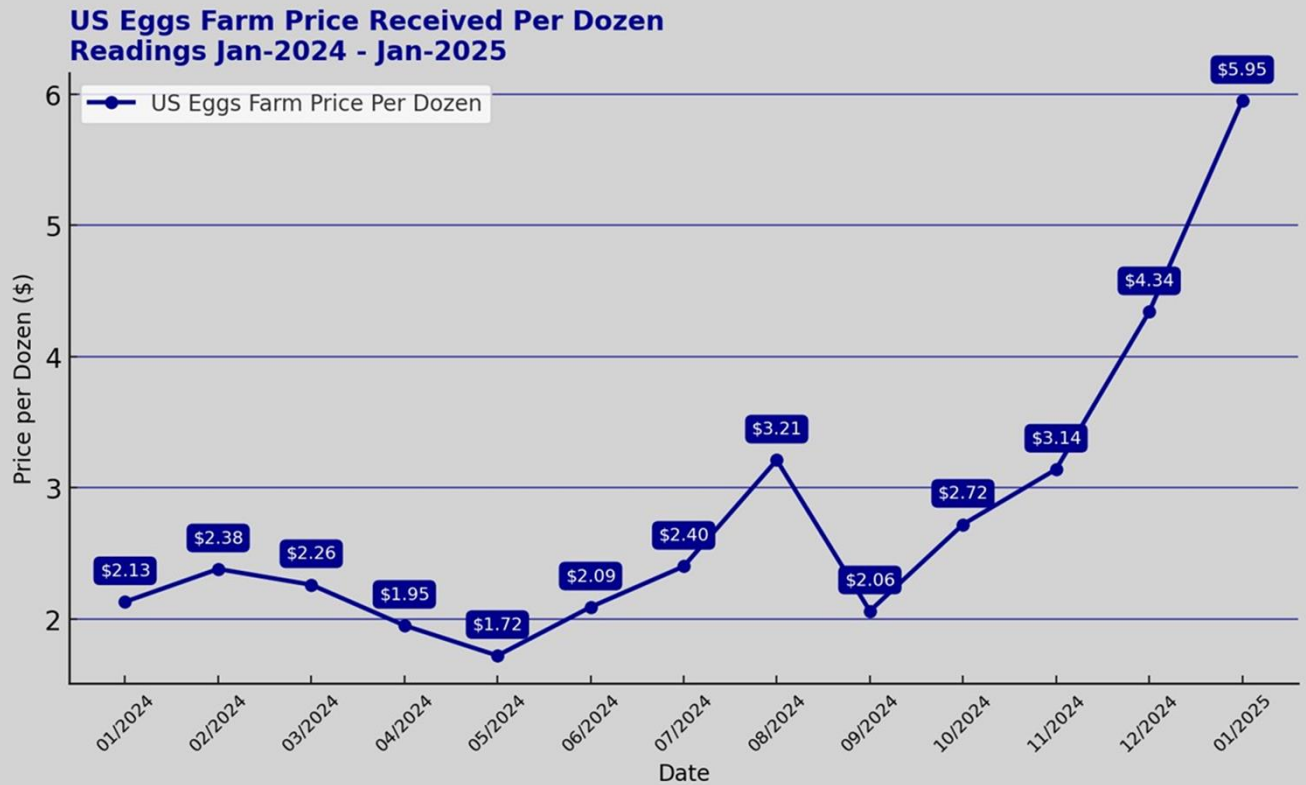
- **US Treasury 10-year note:** closed at 4.31%.
- **US Treasury 2-year note:** closed at 4.02%.



The University of Michigan's US Index of Consumer Sentiment reflects consumer optimism during economic growth and pessimism in recessions. From January 2025 to March 2025, it fell from 71.7 to 57.9, a 19.24% drop.



US Eggs Farm Price Received Per Dozen 1/2024 to 1/2025 Released by the US Department of Agriculture on March 3, 2025



Source: US Department of Agriculture, released March 3, 2025

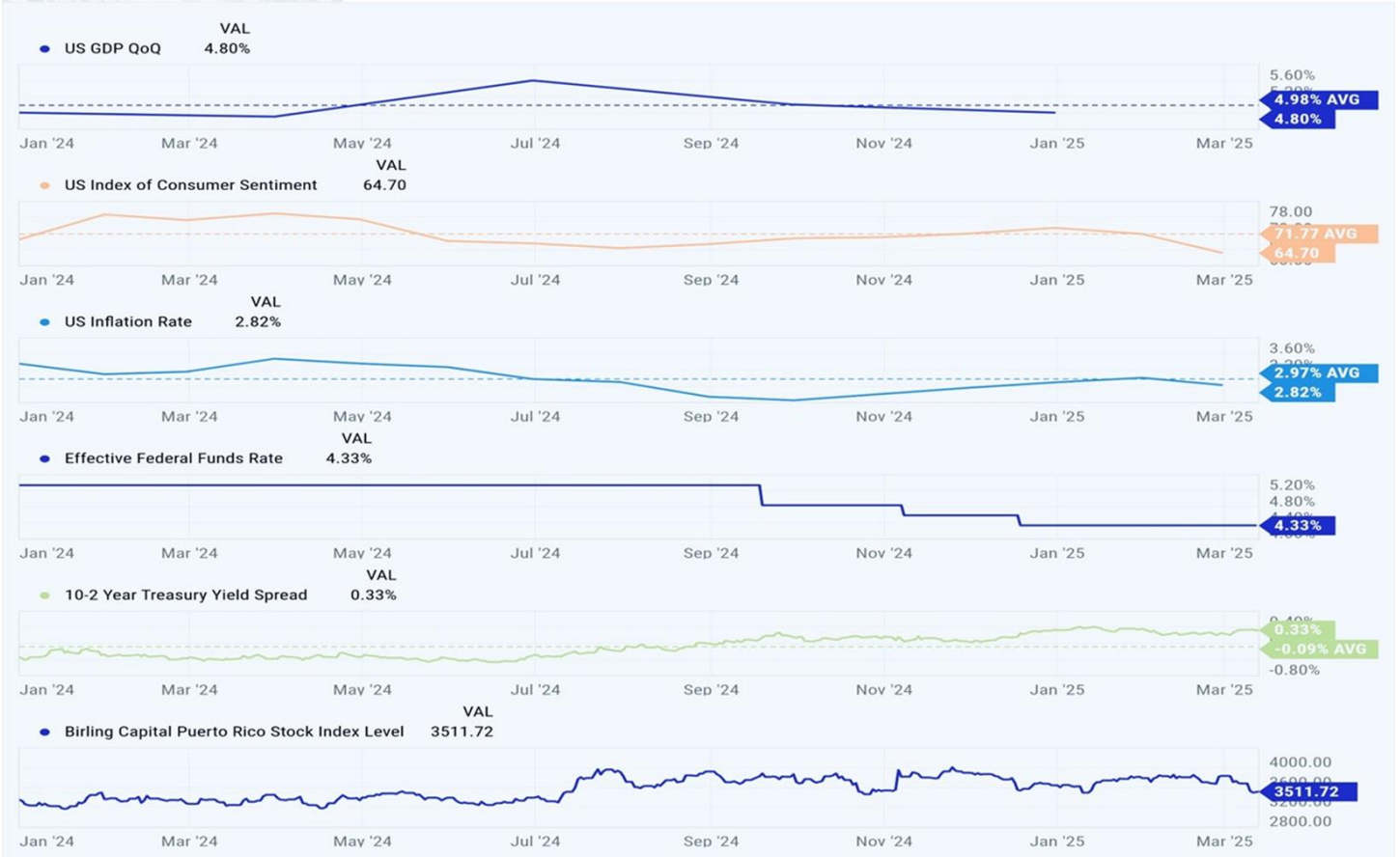


US Index of Consumer Sentiment, Canada Manufacturing Shipments, Canada Wholesale Sales, Germany CPI & UK Industrial Production Index

- US Index of Consumer Sentiment (I:USCS) VAL 57.90
- Canada Manufacturing Shipments (I:CMS) 72.98B
- Canada Wholesale Sales MoM (I:CWSMM) 1.73%
- Germany Consumer Price Index YoY (I:GCCPNGCS) 2.30%
- UK Industrial Production Index YoY (I:UKCIPIP) -1.50%



The Economic Cycle: US GDP, US Index of Consumer Sentiment, US Inflation Rate, Effective Federal Funds Rate, 10-year US Treasury & Birling PR Stock Index





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