



Markets Stumble on Tech Selloff and Tariff Jitters as Investors Turn Focus to Inflation Data and Sector Rotation Intensifies.

March 26, 2025

by Francisco Rodríguez-Castro
frc@birlingcapital.com

The US and European stock markets closed with losses as the markets are being weighed down by a selloff in major tech names amid ongoing investor uncertainty around future tariffs.

On Wall Street, the loss leader was the Nasdaq, which fell 372.54 points, followed by the Dow Jones, which fell 132.71 points, and the S&P 500 lost 64.45 points.

Nvidia led the tech retreat with a sharp decline of over 6.53%. Tesla followed suit, falling around 2.04%. Other tech giants were also impacted, as Alphabet, Amazon, and Meta each lost more than 1%. Microsoft fell only 0.75%, and Apple rose 0.33%

Market participants remain focused on signals pointing to resurging inflation or slowing economic momentum, which could impact future monetary policy and corporate earnings.

European markets fell as UK yields dipped following a fiscal update despite the UK reporting softer-than-expected inflation data. Asian equity markets closed mostly in positive territory.

On the domestic economic front, February durable goods orders surprised to the upside, climbing 0.9% compared to forecasts for a 1% decline, following January's substantial 3.3% increase.

Inflation Watch: All Eyes on PCE Report

Investors are closely monitoring inflation trends this week, with the Personal Consumption Expenditures (PCE) index—considered the Fed's preferred inflation gauge—set for release on Friday. The latest Inflation Nowcasting has the PCE at 2.38% and the Core PCE at 2.60%, both well below last month's readings.

Earlier this month, CPI and PPI came in softer than expected, easing some market concerns following hotter January readings. While tariffs remain a potential inflationary risk, they are expected to create a one-time spike in prices rather than ignite persistent inflation. This scenario could allow the Federal Reserve to "look through" any short-term price pressures.

Our base case remains that the Fed will cut rates gradually, aiming for a policy rate range of 3.5% to 4% by the end of 2025. However, in the near term, the central bank will likely maintain its current stance until more data becomes available—particularly on the impact of tariffs and inflation expectations.

Market Rotation Gains Momentum

After two years of market dominance by mega-cap tech giants, the first few months 2025 have marked a clear shift in equity leadership. Year-to-date, energy stocks are up nearly 10%, including dividends, making them the top-performing sector. Healthcare and financials have also posted solid gains, rising 6% and 4.7% respectively.

In contrast, last year's outperformers have turned into laggards.

While there are still compelling long-term cases for select tech names, the broadening of market leadership highlights the value of diversification. Within our sector strategy, we recommend overweight positions in health care and financials while maintaining underweight exposure to materials and consumer staples. We hold neutral views on all other sectors.

GDPNow:

- **The GDPNow** for the first quarter of 2025 was updated today, March 26, and is unchanged at -1.80% from -1.80%.

Economic Data Update:

- **US Durable Goods New Orders MoM:** fell to 0.94%, compared to 3.34% last month.
- **US Durable Goods Excluding Transportation New Orders MoM:** rose to 0.65%, compared to 0.13% last month.
- **UK Consumer Price Index YoY:** fell to 2.80%, compared to 3.00% last month.
- **UK Core Consumer Price Index YoY:** fell to 3.52%, compared to 3.78% last month.
- **UK Producer Price Index: Output YoY:** rose to 0.29%, compared to -0.15% last month.
- **UK Producer Price Index: Input YoY:** is at -0.14%, compared to -1.28% last month.
- **UK Average House Price YoY:** rose to 4.91%, compared to 4.58% last month.
- **Japan Business Conditions Composite Coincident Index:** rose to 116.10, up from 116.00 last month.

Eurozone Summary:

- **Stoxx 600:** Closed at 548.63, down 3.96 points or 0.72%.
- **FTSE 100:** Closed at 8,689.59, up 25.79 points or 0.30%.
- **DAX Index:** Closed at 22,847.42, down 262.37 points or 1.14%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 42,454.79, down 132.71 points or 0.31%.
- **S&P 500:** closed at 5,712.20, down 64.45 points or 1.12%.
- **Nasdaq Composite:** closed at 17,899.01, down 372.84 points or 2.04%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,736.73, up 20.10 points or 0.54%.
- **Birling Capital US Bank Index:** closed at 6,479.95, up 42.88 points or 0.67%.
- **US Treasury 10-year note:** closed at 4.35%.
- **US Treasury 2-year note:** closed at 3.98%.

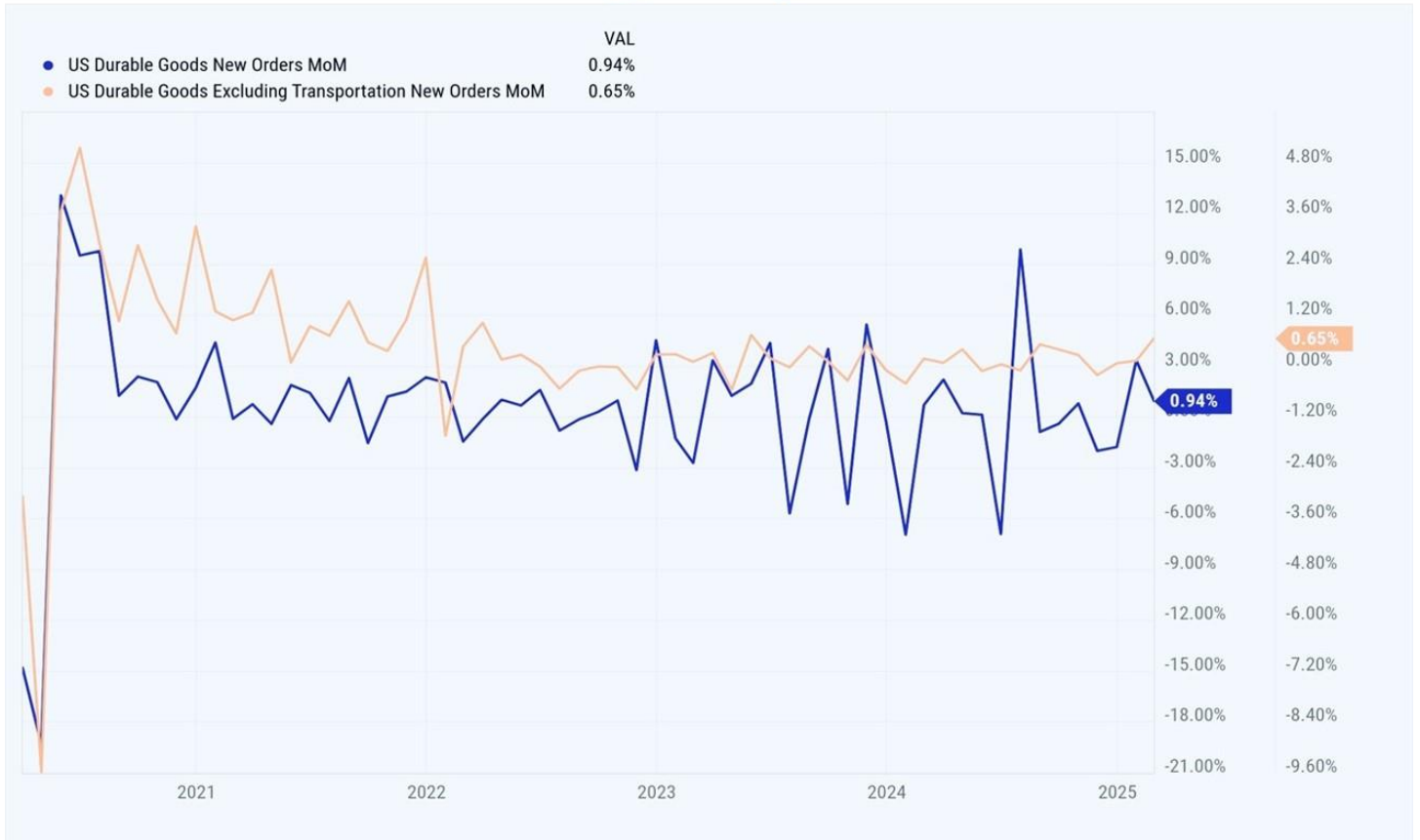
Inflation Nowcasting PCE & Core PCE

Inflation Nowcasting	PCE Forecast	Core PCE Forecast	Updated
February	2.38%	2.60%	26-Mar

GDPNow 1Q25

Date	GDPNow 1Q25	Change
1/31/2025	2.90%	Initial Forecast
2/3/2025	3.90%	34.48%
2/5/2025	2.90%	-25.64%
2/7/2025	2.90%	0.00%
2/14/2025	2.30%	-20.69%
2/19/2025	2.30%	0.00%
2/28/2025	-1.50%	-165.22%
3/3/2025	-2.80%	86.67%
3/6/2025	-2.40%	-14.29%
3/7/2025	-1.60%	-33.33%
3/17/2025	-2.10%	31.25%
3/18/2025	-1.80%	-14.29%
3/26/2025	-1.80%	0.00%

US Durable Goods New Orders & US Durable Goods New Orders Excluding Transportation



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.