



GLOBAL MARKET SQUARE



BIRLING
CAPITAL ADVISORS, LLC

Investor Confidence Rattled as Markets Slide on Sticky Inflation, Sinking Sentiment, and Tariff Reciprocity Coming to \$1.2 Trillion in Trade.

March 28, 2025

by Francisco Rodríguez-Castro
frc@birlingcapital.com

The U.S. and European stock markets closed the week down, ending the week under pressure as larger-than-expected inflation readings and a downward revision to consumer sentiment weighed on investor confidence. Both the headline Personal Consumption Expenditures (PCE) inflation for February rose above the Inflation Nowcasting of 2.38% to 2.54% y-o-y, and the core PCE measure—which excludes food and energy—came in at 2.80%, exceeding the Inflation Nowcasting forecast of 2.60% and last month's 2.60%. The increases reinforce the narrative that while goods inflation remains subdued, services inflation remains persistent.

The University of Michigan's Consumer Sentiment Index was revised lower for March, dropping from 57.9 to 57, the weakest reading since 2022, reflecting consumer concerns over the uncertain policy environment and elevated prices and adding another component to investor angst. Tariff policy uncertainty has been a central theme driving consumer caution and corporate hesitation, and we discuss other tariff developments below.

Despite the volatility in equities, fixed-income markets have offered a relative haven in 2025. Treasury yields have pulled back notably from recent highs, with the 10-year yield falling from approximately 4.8% in mid-January to around 4.3%. We believe yields remain in the 4.0% to 4.5% range and could drift lower if the Federal Reserve initiates rate cuts later this year.

On the consumer side, personal spending showed signs of resilience in February, rebounding 0.4% after a 0.2% decline in January. However, inflation-adjusted actual spending increased just 0.1%, signaling that while households are still spending, they are doing so cautiously amid elevated price levels and policy uncertainty.

The markets are poised to remain volatile until there is more clarity on trade policy and the Fed's path forward.

Tariff Turbulence Ahead

Next Wednesday, President Trump is expected to unveil a sweeping new trade strategy centered around a concept he calls **"tariff reciprocity"**, which seems to be the cornerstone of Trump 2.0's economic agenda.

Rather than focusing solely on tariff symmetry, the new framework will target nations with significant trade surpluses with the United States.

Early details suggest the U.S. plans to increase tariffs on imports from roughly 15 countries and trade blocs on the list: China, the European Union, Mexico, Vietnam, Taiwan, Japan, Canada, Switzerland, South Korea, South Africa, Cambodia, Malaysia, Thailand, Indonesia, and India.

As of 2024, the United States experienced trade deficits with each of the 15 specified countries and trade blocs, with a collective trade deficit of approximately \$1.2 trillion.

A phased rollout is expected, giving affected nations a window to enter negotiations with Washington. The message is clear: the U.S. is preparing to recalibrate its trade relationships—and tariffs are the chosen tool.

GDPNow:

- **The GDPNow** for the first quarter of 2025 was updated today, March 28, falling to -2.80% from -1.80%, a 55.56% decrease.

Economic Data Update:

- **U.S. PCE Price Index YoY:** rose to 2.54%, compared to 2.52% last month.
- **U.S. Core PCE Price Index YoY:** rose to 2.79%, compared to 2.66% last month.
- **U.S. Index of Consumer Sentiment:** fell to 57.00, down from 64.70 last month.
- **U.S. Personal Income MoM:** rose to 0.77%, compared to 0.66% last month.
- **U.S. Personal Spending MoM:** rose to 0.43%, compared to -0.28% last month.
- **Canada Real GDP MoM:** rose to 0.40%, compared to 0.29% last month.
- **Eurozone Consumer Confidence Indicator:** fell to -14.50, down from -13.60 last month.
- **Eurozone Economic Sentiment Indicator:** fell to 95.20, down from 96.30 last month, decreasing -1.14%.
- **Germany Unemployment Rate:** is unchanged at 6.40%, compared to 6.40% last month.
- **U.K. Real GDP YoY:** rose to 1.50%, compared to 1.20%.
- **U.K. Retail Sales YoY:** rose to 2.20%, compared to 0.60% last month.
- **U.K. Business Investment YoY:** fell to 1.82%, compared to 5.64% last quarter.
- **U.K. Balance of Trade:** fell to -12.48B, down from -4.001B last quarter.

Eurozone Summary:

- **Stoxx 600:** Closed at 542.02, down 4.29 points or 0.79%.
- **FTSE 100:** Closed at 8,658.85, down 7.27 points or 0.08%.
- **DAX Index:** Closed at 22,455.90, down 222.84 points or 0.98%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 41,583.90, down 715.80 points or 1.69%.
- **S&P 500:** closed at 5,580.94, down 112.37 points or 1.97%.
- **Nasdaq Composite:** closed at 17,322.99, down 481.04 points or 2.70%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,733.70, down 8.93 points or 0.24%.
- **Birling Capital U.S. Bank Index:** closed at 6,279.56, down 111.60 points or 1.75%.
- **U.S. Treasury 10-year note:** closed at 4.27%.
- **U.S. Treasury 2-year note:** closed at 3.89%.

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%
3/28/2025	-2.80%	55.56%

Inflation Nowcasting PCE & Core PCE

Inflation Nowcasting	PCE Forecast	PCE Actual	Change	Core PCE Forecast	Core PCE Actual	Change
February	2.38%	2.54%	6.72%	2.60%	2.80%	7.62%

US PCE, US Core PCE, US Index of Consumer Sentiment, US Personal Income & US Personal Spending





Canada GDP, EU Consumer Confidence, EU Economic Sentiment, Germany Unemployment Rate, UK GDP, UK Retail Sales, UK Business Investment & UK Balance of Trade

	VAL
Canada Real GDP MoM (I:CRGDPSMP)	0.40%
Eurozone Consumer Confidence Indicator (I:ECCISM)	-14.50
Eurozone Economic Sentiment Indicator (I:EESI)	95.20
Germany Unemployment Rate (I:GURU8UFW)	6.40%
UK Real GDP YoY (I:UKCRGDSQ)	1.50%
UK Retail Sales YoY (I:UKCRS)	2.20%
UK Business Investment YoY (I:UKCB3XL9)	1.44%
UK Balance of Trade (I:UKBT)	-12.48B





Wall Street Recap

March 28, 2025



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.