

# Fed May Rethink Rate Cuts Amid Trump Tariff Plans, Small Business Optimism Edges Up, Wall Street Slides.

November 12, 2024

by Francisco Rodríguez-Castro  
[frc@birlingcapital.com](mailto:frc@birlingcapital.com)

The U.S. and European markets closed with losses, spreading to most Asian markets that struggled overnight, closing in the red. European stocks followed the same downward trend.

U.S. Treasury yields are edging higher today. The 10-year yield closed at 4.43%, while the 2-year yield closed at 4.34%.

Investors are reacting to some predictions that the Federal Reserve Bank may scale back the interest rate cuts anticipated for next year if President-elect Donald Trump's proposed global tariffs are implemented as promised.

We believe that the Fed's policy outlook will shift in response to the fiscal strategies of the incoming Republican administration. Current market projections suggest fewer than the previously expected four rate cuts, which might align with the evolving budgetary landscape.

The **National Federation of Independent Business (NFIB)**. It measures the sentiment and outlook of small business owners in the United States, a critical component of the U.S. economy. NFIB Small Business Optimism Index climbed to 93.7 in October. While this remains below its 30-year average of over 97, it ties for the second-best reading since 2022, reflecting cautious optimism among small business owners.

Oil prices are on the rise, reaching around \$69 per barrel, while gold remains relatively stable.

## Inflation in Focus

This week's market narrative centers on inflation, with two critical data releases on the horizon. The October Consumer Price Index (CPI) is due tomorrow, followed by Thursday's Producer Price Index (PPI).

The Inflation Nowcasting anticipates a 2.56% annual increase in headline CPI and a 2.3% rise in headline PPI, both marking slight upticks from last month. Core CPI, which strips out food and energy prices, is expected to remain steady at 3.34% year-over-year.

Market expectations currently assign a 65% probability to a 0.25% rate cut by the Federal Reserve at its December 18 meeting. While a quarter-point cut appears likely, a stronger-than-anticipated CPI reading could prompt the Fed to pause and reassess.

## Key Economic Data:

- **U.S. Retail Gas Price:** fell to \$3.191, down from \$3.22 last week, down -0.90%.
- **Euro Area Money Supply M3:** rose to 16.55 trillion, up from 16.43 trillion last month.

- **Germany Consumer Price Index YoY:** rose to 2.00%, compared to 1.60% last month.
- **ZEW Indicator of Economic Sentiment for Germany:** fell to 7.40, down from 13.10 last month, a change of -43.51%.
- **U.K. ILO Unemployment Rate:** Aged 16-64: rose to 4.40%, compared to 4.10% last month.

#### Eurozone Summary:

- **Stoxx 600:** Closed at 502.23, down 10.14 points or 1.98%.
- **FTSE 100:** Closed at 8,025.77, down 99.42 points or 1.22%.
- **DAX Index:** Closed at 19,033.64, down 414.96 points or 2.13%.

#### Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 43,910.98, down 382.15 points or 0.86%.
- **S&P 500:** closed at 5,983.99, down 17.36 points or 0.29%.
- **Nasdaq Composite:** closed at 19,281.40, down 17.36 points or 0.09%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,900.17, up 86.84 points or 2.28%.
- **Birling Capital U.S. Bank Stock Index:** closed at 6,445.35, up 144.14 points or 2.29%.
- **U.S. Treasury 10-year note:** closed 4.43%.
- **U.S. Treasury 2-year note:** closed 4.34%.

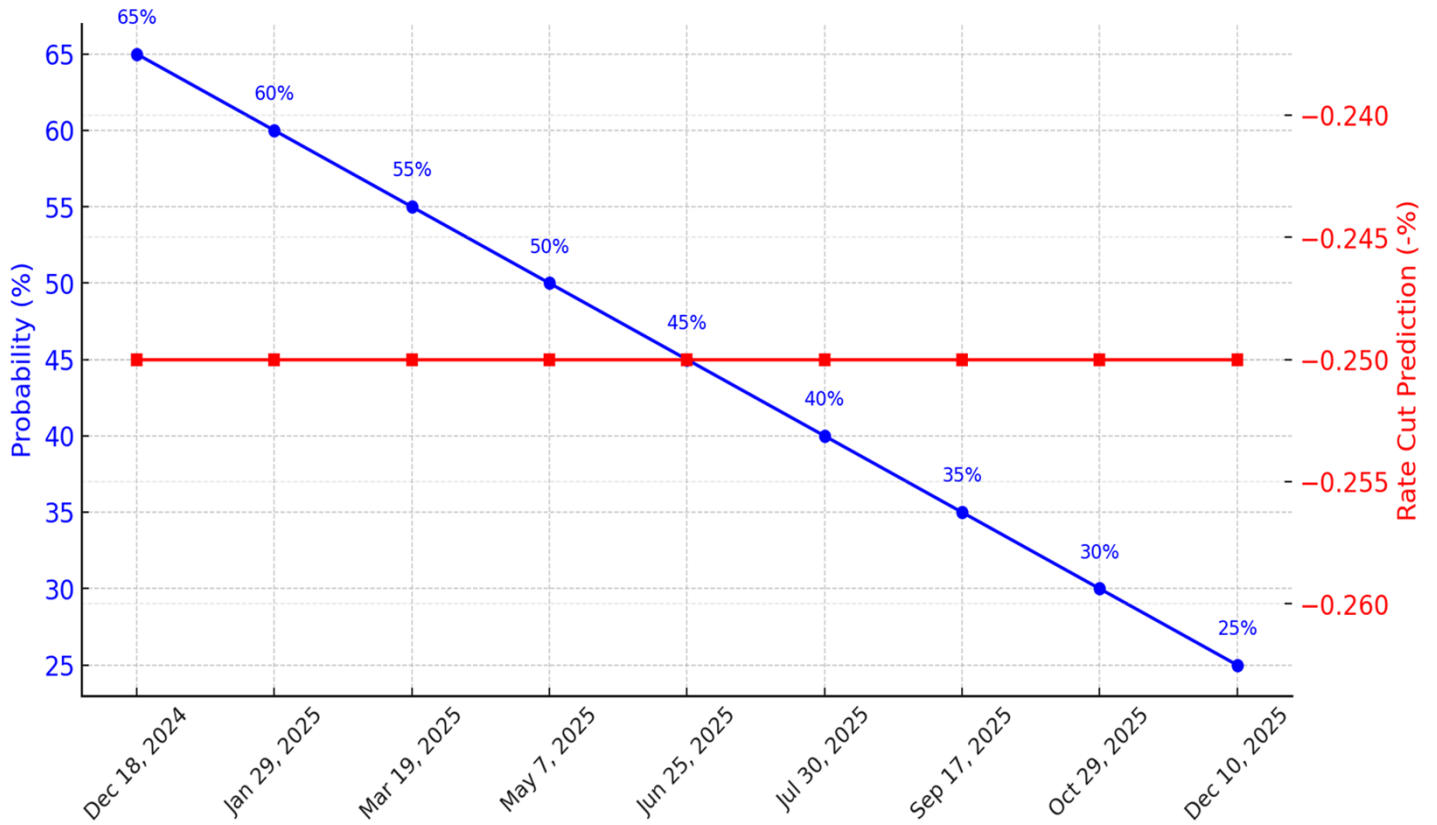


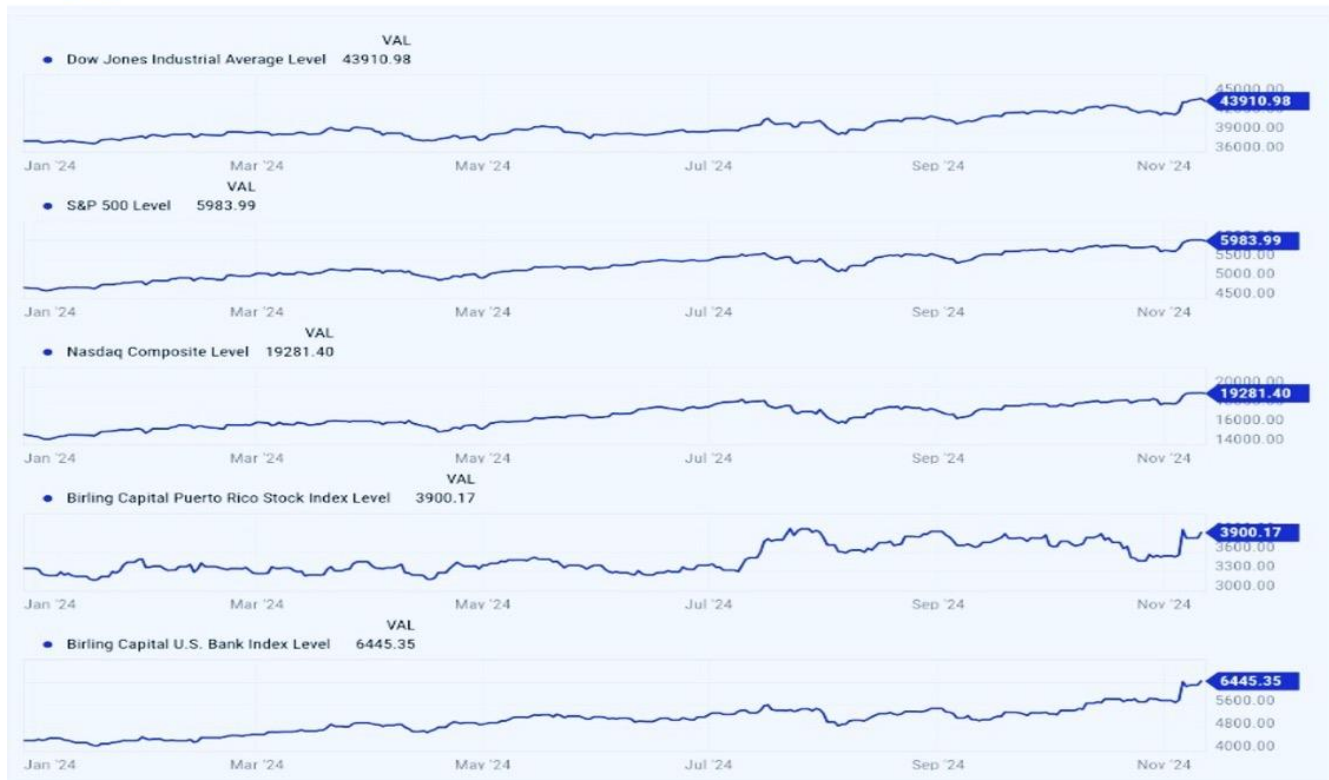
## Inflation Nowcasting CPI & Core CPI

Inflation Nowcasting	CPI	Core CPI	Updated
October	2.56%	3.34%	11.12.24



### Probability and Rate Cut Predictions for Federal Reserve Meetings





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.