

## US Index of Consumer Sentiment Rises to 71.80, Global PMI Data Signals Weakness, Inflation Outlook Shifts to the PCE Next Week as US and European Markets Post Strong Week.

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The US and European stock markets closed higher, recording a solid week of gains, with the Dow Jones leading, rising 906.91 points during the trading week. Asian markets were mixed overnight, with Japan's Nikkei closing with gains, but Chinese stocks experienced a sharp downturn. On the economic front, the preliminary US composite PMI for November rose to a 31-month high, signaling continued economic momentum.

Attention will shift back to inflation next week, with Personal Consumption Expenditures (PCE) data scheduled for release on Wednesday. The Inflation Nowcasting has the PCE at 2.29% y-o-y, up from 2.10% the previous month. Core PCE is expected to reach 2.76%, up from 2.65%. Earlier Consumer Price Index (CPI) data indicated that the road to the Fed's 2% inflation target may be challenging. Core CPI increased by 3.3% annually, while the three-month annualized rate of core CPI climbed to 3.6%. Current market expectations suggest a 60% chance of a 0.25% Fed rate cut at the December 18 meeting. We agree with the market's view that a quarter-point cut is likely, but we believe the Fed may take a more cautious stance on rate cuts in 2025, given persistent inflation, strong economic conditions, and potential inflationary fiscal policies in the coming year.

Preliminary PMI data signals continued weakness in global economic activity. The eurozone composite PMI dropped to 48.1, indicating contraction, with Germany's PMI falling to 47.3 and remaining in contraction since June. The region's sluggish manufacturing sector has been a key drag, with both Germany and the broader eurozone's manufacturing PMIs in contraction since mid-2022. Eurozone producer price inflation, which surged in 2022 due to the war in Ukraine, remains more than 30% higher than at the start of 2021.

Elsewhere, the UK's composite PMI fell to 49.9, marking its first contraction since October 2023, and Japan's manufacturing PMI dropped to 49, marking the fifth consecutive month of contraction. In contrast, the US composite PMI rose to 55.3, its highest level in over two and a half years, driven by service sector strength.

We continue to favor the US economy's relative strength compared to international markets. As part of our asset-allocation strategy, we recommend that investors consider reducing exposure to global developed markets and reallocating toward US large- and mid-cap stocks.

### Key Economic Data:

- **US Index of Consumer Sentiment:** rose to 71.80, up from 70.50 last month, increasing 1.84%.
- **Germany Real GDP QoQ:** rose by 0.10%, compared to -0.30% last quarter.
- **UK Retail Sales YoY:** fell to 2.40%, compared to 3.20% last month.

## Eurozone Summary:

- **Stoxx 600:** Closed at 508.47, up 5.93 points or 1.18%.
- **FTSE 100:** Closed at 8,262.08, up 112.81 points or 1.38%.
- **DAX Index:** Closed at 19,322.59, up 176.42 points or 0.92%.

## Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 44,296.51, up 426.16 points or 0.97%.
- **S&P 500:** closed at 5,969.34, up 20.63 points or 0.35%.
- **Nasdaq Composite:** closed at 19,003.65, up 31.23 points or 0.16%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,865.42, up 79.07 points or 2.09%.
- **Birling Capital US Bank Stock Index:** closed at 6,499.26, up 108.65 points or 1.70%.
- **US Treasury 10-year note:** closed 4.41%.
- **US Treasury 2-year note:** closed 4.37%.

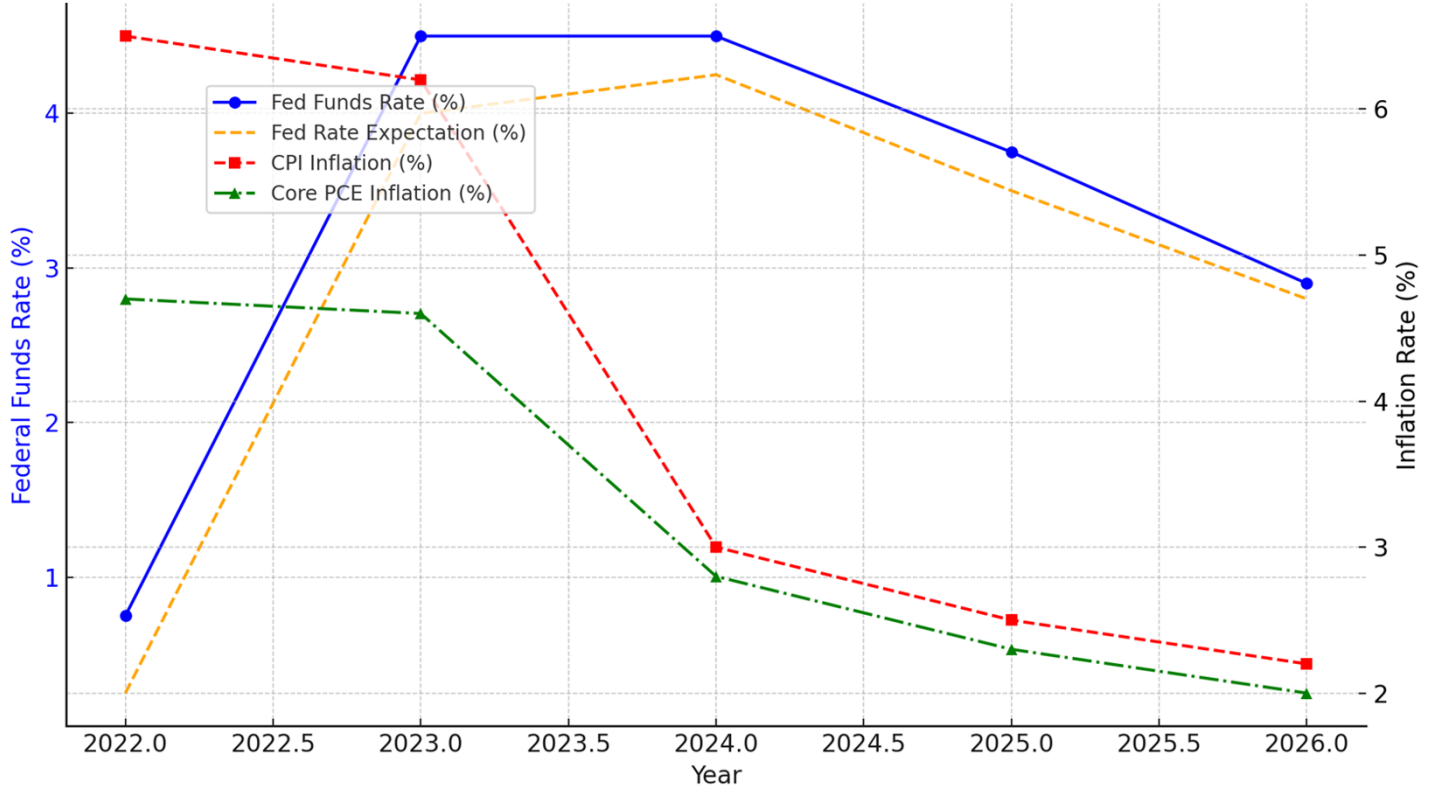


## Inflation Nowcasting PCE & Core PCE

Inflation Nowcasting	PCE Forecast	Core PCE Forecast	Updated
October	2.29%	2.76%	22-Nov

# Federal Reserve Bank Projections Rates and Inflation 2022-2026

Federal Reserve Rate Projections, Expectations, and Inflation Forecasts (2022-2026)



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