



Record Highs Meet Rising Risks: Wall Street Rallies on AI Momentum as Europe Stumbles Amid French Political Turmoil.

October 6, 2025

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The U.S. and European stock markets closed with mixed results, with Wall Street building on last week's gains. The S&P 500 and Nasdaq closed at fresh records, while the Dow Jones fell 0.14%. Investors struck a balance between optimism about the growth of artificial intelligence (AI) and caution over the ongoing U.S. government shutdown.

The major U.S. indexes ended modestly higher, led once again by the technology-heavy Nasdaq Composite, which outperformed the Dow Jones Industrial Average and the S&P 500. A new partnership between AMD and OpenAI to develop next-generation AI infrastructure fueled optimism across the semiconductor sector, adding fresh momentum to an already robust technology rally. Meanwhile, U.S. Treasury yields edged slightly higher, with the 10-year yield rising five basis points to 4.18%. Despite the uptick, yields remain comfortably within the 4.0%–4.5% trading range observed in recent weeks. Futures markets continue to price in a 95% probability of a Federal Reserve rate cut in October, according to the CME FedWatch Tool, as policymakers weigh moderating economic data against the potential drag of the shutdown.

Shutdown Enters Second Week

The U.S. government shutdown entered its second week, with economists warning that each week of closure could shave 0.1% to 0.2% off quarterly GDP growth. While most furlough workers are expected to receive back pay, the pause in federal spending could still disrupt short-term activity, particularly among government contractors and small businesses reliant on federal projects.

If the shutdown persists beyond mid-October, permanent income losses may emerge, amplifying political pressure on both parties to strike a deal. Historically, such slowdowns have been temporary, with economic activity rebounding once funding resumes. Still, the risk of broader layoffs and the potential for lingering damage to business confidence remain elevated.

Europe: Political Turmoil in France Weighs on Markets

European stock markets were mostly down, as investors reacted to the unexpected resignation of France's Prime Minister Sébastien Lecornu, an event that injected fresh political uncertainty into the region.

The pan-European Stoxx 600 was little changed stabilizing after five consecutive days of gains and a record high reached last Thursday. The muted performance reflected cautious sentiment across major bourses as traders reassessed risk amid renewed political volatility in France.

France: Political Shock Ripples Through Markets

In Paris, the CAC 40 fell 1.4%, retreating from earlier steeper losses following Lecornu's abrupt departure—just weeks after taking office. The move followed the prior collapse of the François

Bayrou government, deepening investor concerns over France's political stability and fiscal direction. French financial stocks bore the brunt of the sell-off, with Société Générale, BNP Paribas, and Crédit Agricole all tumbling more than 3%. The euro also weakened, sliding 0.4% to \$1.1697, as traders priced in the risk of further political disruptions.

The European auto sector delivered a mixed performance. Aston Martin shares plunged 8% after the luxury automaker issued a profit warning, citing the impact of persistent U.S. tariffs and softer export demand. In contrast, Stellantis gained 2% after reports surfaced that the multinational automaker plans to invest \$10 billion in new manufacturing facilities across Illinois and Michigan, signaling confidence in its U.S. growth outlook despite the headwinds from tariffs.

Market Drivers: AI Tailwinds and Lower Yields

Equity markets wrapped up the third quarter on a high note: the S&P 500 rose 8%, the Nasdaq jumped 11%, and the Russell 2000 rallied 12%. Despite political uncertainty, investor confidence has stayed resilient, with the S&P 500 posting 31 record closes year-to-date.

Birling Capital sees two key forces sustaining this momentum:

1. **AI Innovation as a Secular Growth Engine** – Accelerating investment in AI infrastructure and semiconductor capacity continues to propel market leadership, particularly in the technology sector. Data-center expansion and enterprise AI adoption remain primary catalysts for earnings growth and investor enthusiasm.
2. **Monetary Easing as a Cyclical Tailwind** – With the Federal Reserve resuming its rate-cut cycle, rate-sensitive sectors, including consumer discretionary, small- and mid-cap equities, and emerging markets, are regaining traction. Lower borrowing costs are gradually feeding through to improved liquidity conditions and renewed appetite for risk assets.

While short-term risks from the government shutdown may temper fourth-quarter growth, the broader market uptrend remains supported by strong fundamentals—anchored in AI-driven innovation and a more accommodative monetary stance. Assuming the shutdown ends within weeks rather than months, the U.S. economy is likely to rebound in early 2026, setting the stage for continued resilience in the equity market.

Read The Policy Ripple Report on the Government

Shutdown: [ThePolicyRipple.FacingtheFederalGovernmentShutdownEverythingPR.pdf](#)

Economic Data:

- **Eurozone Retail Trade YoY:** fell to 1.00%, compared to 2.10% last month.

Eurozone Summary:

- **Stoxx 600:** Closed at 570.24, down 0.21 points or 0.04%.
- **FTSE 100:** Closed at 9,479.14, down 12.11 or 0.13%.
- **DAX Index:** Closed at 24,378.29, down 0.51 points or 0.10%.

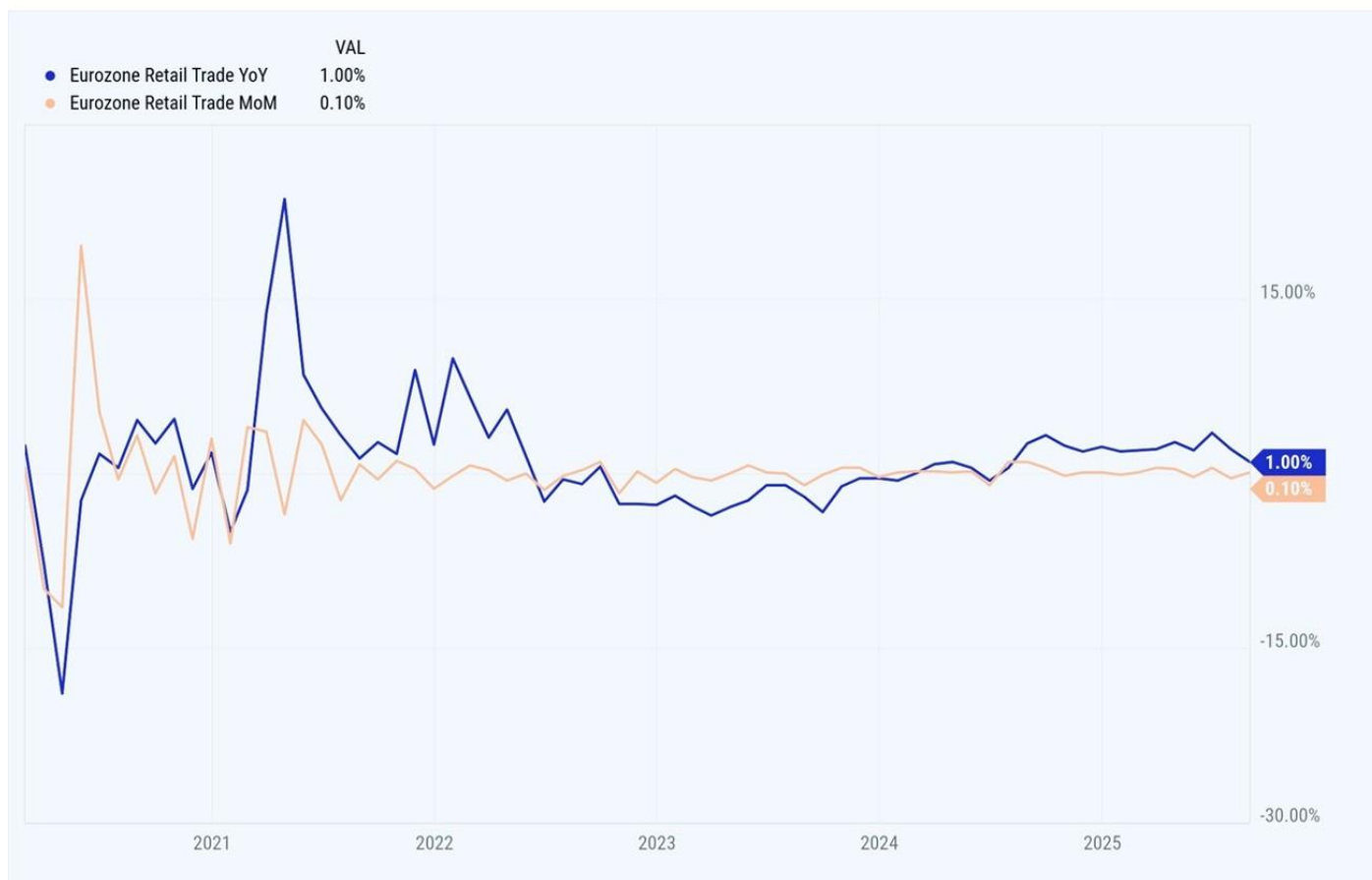
Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 46,694.97, down 63.31 points or 0.14%.
- **S&P 500:** closed at 6,740.28, up 28.49 points or 0.36%.
- **Nasdaq Composite:** closed at 22,941.67, up 161.16 points or 0.71%.

- **Birlinging Capital Puerto Rico Stock Index:** closed at 4,144.49, up 20.60 points or 0.50%.
- **Birlinging Capital U.S. Bank Index:** closed at 8,137.46, up 68.86 points or 0.77%
- **U.S. Treasury 10-year note:** closed at 4.18%
- **U.S. Treasury 2-year note:** closed at 3.60%.

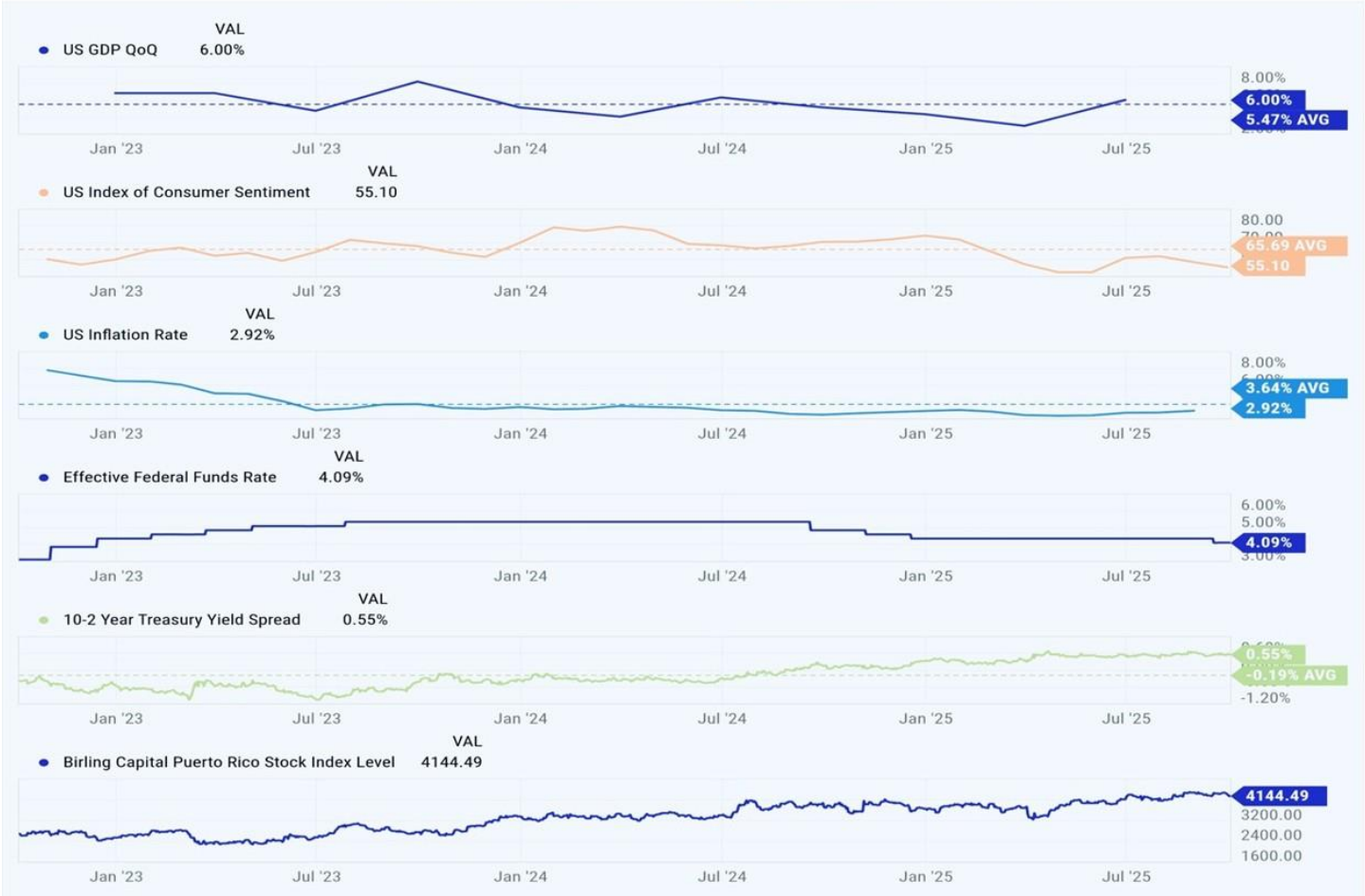


Eurozone Retail Trade YoY & Eurozone Retail Trade MoM





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



Wall Street Recap October 6, 2025



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