

## Markets Stumble as Fragile Rally Fades, Jobs Reports Fall 72% Showing Weakening Labor Markets Reinforcing Rate-Cut Bets, but Growth Worries Surface.

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The U.S. and European stock markets saw a fragile rally collapse within the first hour of trading on Friday as optimism over potential Federal Reserve rate cuts gave way to renewed anxiety about the strength of the labor market and broader economy.

The **S&P 500 slipped 0.48%**, the **Nasdaq declined 0.03%**, and the **Dow Jones lost 200 points**. This reversal came after all three benchmarks touched fresh intraday record highs earlier in the session, with gains of 0.5% for the S&P, 0.8% for the Nasdaq, and 0.3% for the Dow. European markets fell, as a weaker-than-expected U.S. jobs report rattled sentiment.

In the U.K., **retail sales rose 0.6% in July** and **house prices gained 0.3% in August**, signaling resilience despite looming tax concerns.

### Bond Market Signals Policy Shift

The weaker jobs figures reinforced expectations that the Fed will cut rates at its September 17 meeting. **Two-year Treasury yields fell to their lowest level in three years**, while the **10-year yield closed at 4.10%**, with the dollar also softening. The reaction underscored a “bad news is good news” mentality, as investors bet that slowing growth will push policymakers to act more aggressively.

### Labor Market Weakens Sharply

The **U.S. economy added just 22,000 jobs in August**, well below consensus forecasts of 75,000. The **unemployment rate rose to 4.3% from 4.2%**, and June's figures were revised into negative territory—marking the first monthly job loss since 2020.

- **Manufacturing shed 12,000 jobs**, reflecting weakness in industrial demand.
- **Services remained resilient**, with health care and leisure & hospitality leading the gains.
- **Wage growth slowed to 3.7%** from 3.9%, while hours worked edged lower—signaling softer labor demand.

Taken together, the past four months show minimal net job creation, suggesting a cooling economy rather than outright contraction. With immigration flows still muted, the U.S. labor force may require fewer new jobs to keep unemployment relatively stable.

### Equity Spotlight: Tech Resilience

Despite broader market weakness, **technology stocks continued to show strength**. **Broadcom surged 15%** after reporting stronger-than-expected earnings and disclosing a \$10 billion customer win, which analysts widely speculate could be **OpenAI**. The move underscored tech's role as a stabilizing force in an otherwise uncertain macro environment.

## Looking Ahead: Inflation in Focus

Markets now see a quarter-point Fed cut in September as all but certain, and futures are pricing the **federal funds rate below 3% by the end of 2026**. However, next week's **Consumer Price Index (CPI)** will provide the final key data point before the Fed's meeting, the inflation Nowcastgng has the **Headline CPI rising to 2.84% from 2.7%**, the highest since January, boosted by base effects and the **Core CPI is projected to hold at 3.05%**, suggesting sticky services inflation may continue to challenge the Fed.

Tariff-driven price pressures are expected to intensify later this year, though many companies are still absorbing costs rather than passing them through to consumers.

Markets remain caught in a tug-of-war between weakening job growth that strengthens the case for rate cuts and the underlying concern that the U.S. economy may be losing momentum. With bond yields at multi-year lows and inflation data looming, the Fed's September decision is shaping up to be a pivotal moment for both equities and fixed income.

## Economic Data:

- **U.S. Nonfarm Payrolls MoM:** fell to 22,000, down from 79,000 last month, decreasing -72.15%.
- **U.S. Unemployment Rate:** rose to 4.30%, compared to 4.20% last month.
- **U.S. Labor Force Participation Rate:** rose to 62.30%, compared to 62.20% last month.
- **U.S. Consumer Credit Outstanding MoM:** rose to 7.371 billion, up from 5.129 billion last month, increasing 43.72%.
- **Canada Employment Net Change:** fell by -65,500, down from -40,800 last month.
- **Canada Unemployment Rate:** rose to 7.10%, compared to 6.90% last month.
- **Canada Labour Force Participation Rate:** fell to 65.10%, compared to 65.20% last month.
- **Canada Ivey PMI:** fell to 50.00, down from 50.10 last month.
- **U.K. Retail Sales YoY:** rose to 1.10%, compared to 0.90% last month.
- **Japan Business Conditions Composite Coincident Index:** fell to 113.30, down from 115.90 last month.

## Eurozone Summary:

- **Stoxx 600:** Closed at 549.21, down 0.88 points or 0.16%.
- **FTSE 100:** Closed at 9,208.21, down 8.66 or 0.09%.
- **DAX Index:** Closed at 23,596.98, up 173.35 points or 0.73%.

## Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 45,400.86, down 220.43 points or 0.48%.
- **S&P 500:** closed at 6,481.50, down 20.58 points or 0.32%.
- **Nasdaq Composite:** closed at 21,700.39, down 7.306 points or 0.03%.
- **Birling Capital Puerto Rico Stock Index:** closed at 4,272.36, up 48.16 points or 1.14%.
- **Birling Capital U.S. Bank Index:** closed at 7,977.36, up 133.39 points or 1.70%.
- **U.S. Treasury 10-year note:** closed at 4.10%.
- **U.S. Treasury 2-year note:** closed at 3.51%.

## Inflation Nowcasting CPI & Core CPI

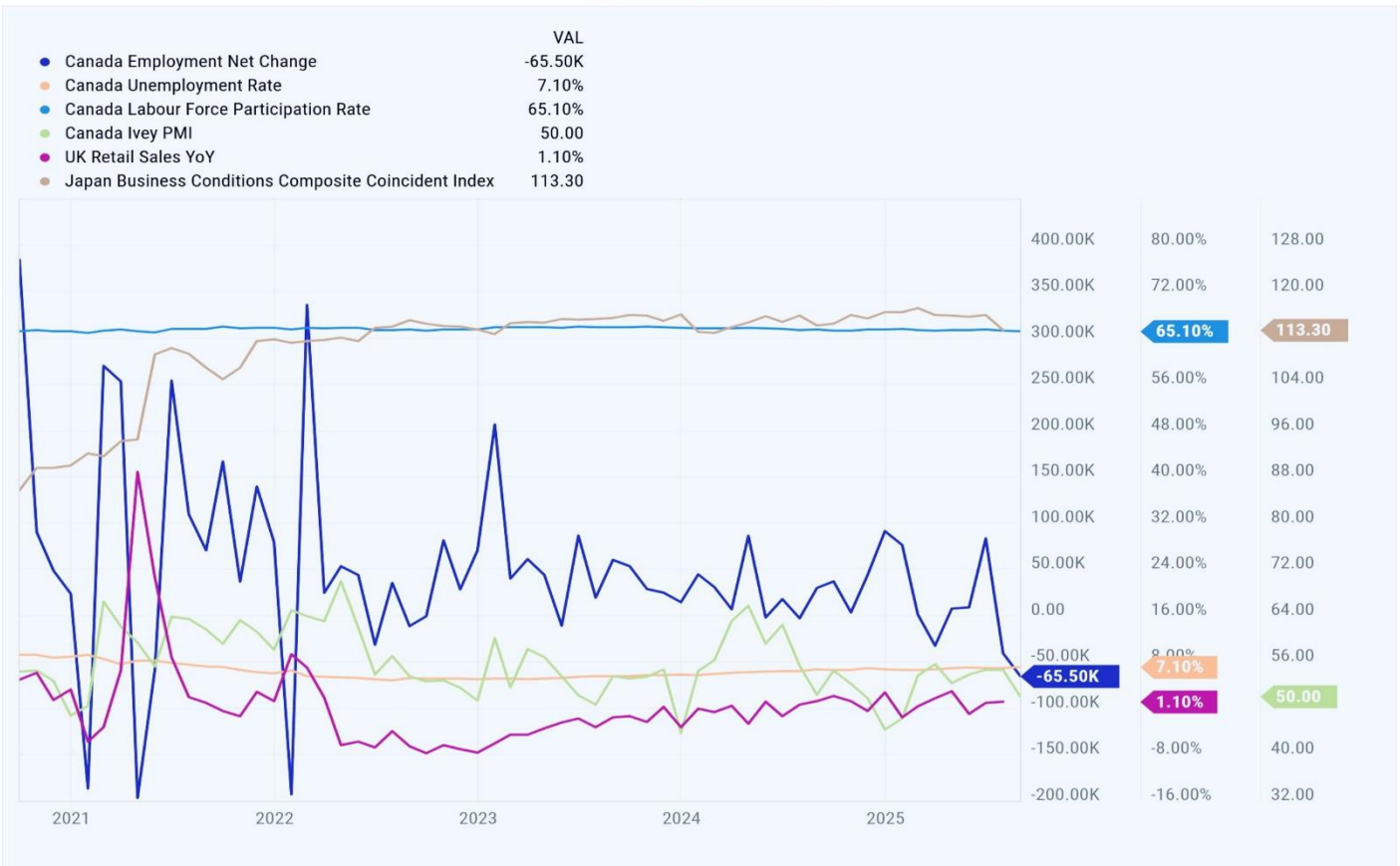
<b>Inflation Nowcasting</b>	<b>CPI Forecast</b>	<b>Core CPI Forecast</b>
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**August**

**2.84%**

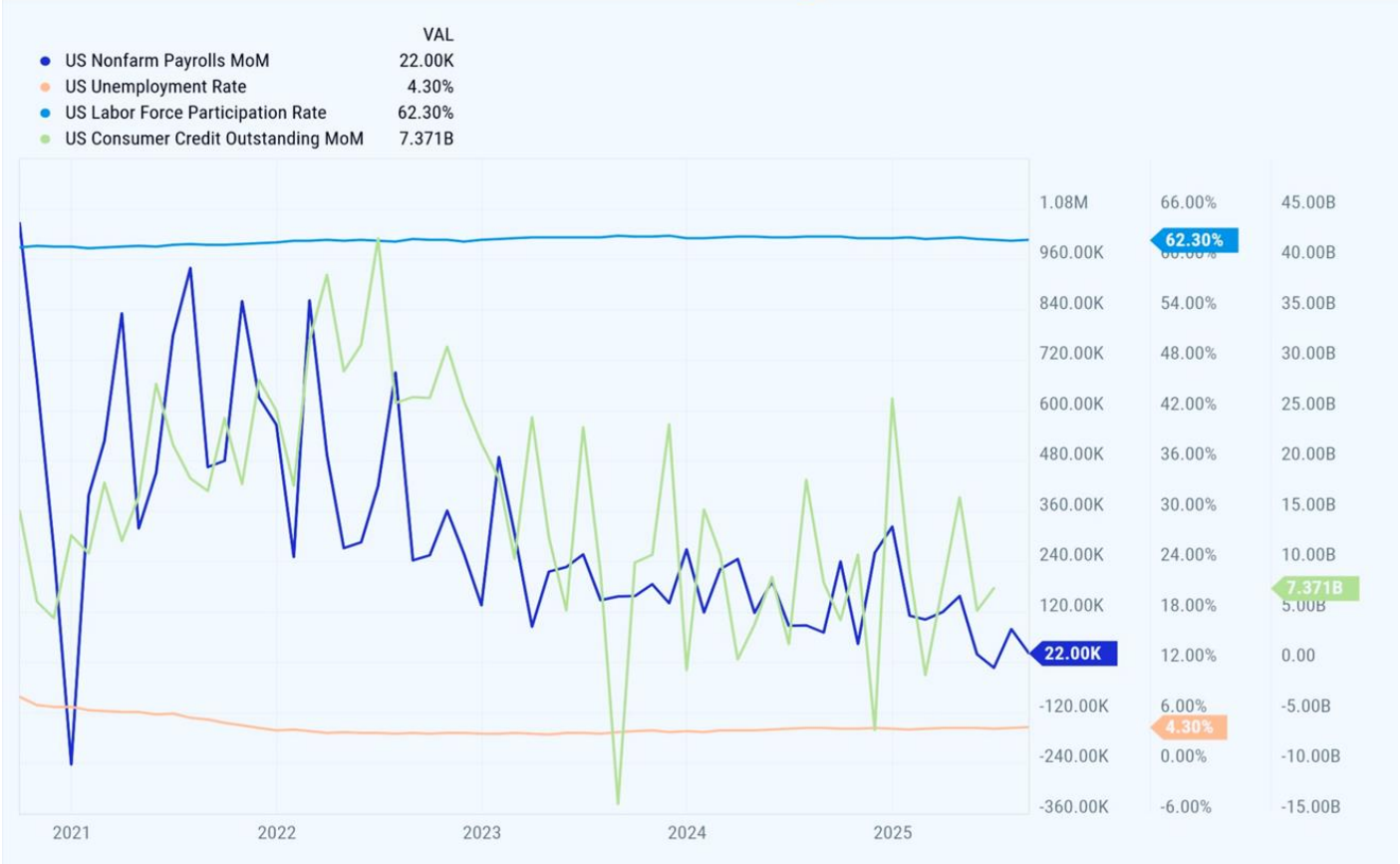
**3.05%**

**Canada Employment Net Change; Canada  
Unemployment Rate; Canada Labour Force  
Participation Rate; Canada Ivey PMI; UK Retail  
Sales YoY & Japan Business Conditions Composite  
Coincident Index**



# US Nonfarm Payrolls MoM; US Unemployment Rate; US Labor Force Participation Rate & US Consumer Credit Outstanding MoM

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# Wall Street Recap

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