

Wall Street Pullback Led by Stagflation Warnings from Fed Chair Powell and NVIDIA Take Down the Dow Jones 699.57 Points; and Bank of America Beats Estimates.

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The U.S. and European stock markets closed with mixed results; Wall Street tanked, led by a notable pullback in technology stocks, which further deteriorated when Fed Chair Powell issued a stark warning about the economic risks posed by the Trump administration's tariff policies. Speaking at the Economic Club of Chicago, Powell cautioned that the extensive tariffs will likely lead to a challenging economic scenario characterized by rising inflation and slowing growth—a combination known as stagflation.

Powell emphasized that the scale of the tariffs has been "significantly larger than anticipated", suggesting that their economic impact could be more profound than initially expected. In that case, the Fed may face a dilemma: raising interest rates to combat inflation could further hamper growth while lowering rates to stimulate the economy might exacerbate inflation.

The combination of these issues took the Nasdaq down more than 3%, while the Dow Jones fell 699.57 points and the S&P 500 lost 2.24%. European equities closed mostly up, with the Stoxx 600 slightly down, and investor sentiment remains fragile amid geopolitical and policy uncertainty.

Shares of NVIDIA dropped sharply after the company disclosed it could face charges of up to \$5.5 billion due to new U.S. export restrictions targeting chip sales to China. The announcement triggered a broader tech-sector selloff.

Asian markets closed lower despite China posting better-than-expected GDP growth for Q1. The bond market yields are slightly lower, with the 10-year Treasury closed at 4.29%.

Consumer in the Spotlight

Markets closely monitor consumer activity, particularly after March retail sales data surprised modestly to the upside. Headline retail sales rose 1.4% for the month, topping February's 0.2% gain and consensus expectations of 1.3%. A strong rebound in auto-related purchases, up 5.3%, was a major contributor, potentially driven by consumers rushing to buy ahead of anticipated auto tariffs.

More importantly, core retail sales, which exclude autos, gasoline, and building materials, climbed a solid 0.4%, suggesting underlying consumer demand remains resilient. After a sluggish start to 2025, the uptick in spending is a welcome sign. Still, there are headwinds: the University of Michigan's latest consumer sentiment index dropped to its lowest level since June 2022, highlighting how political and economic uncertainty is dampening confidence.

Despite those concerns, strong household finances and a still-healthy labor market should support consumption, even if growth cools in the coming months.

Earnings Season Begins with Strength

The first wave of Q1 corporate earnings is in, with major banks, including JPMorgan Chase, Goldman Sachs, Morgan Stanley, Citigroup, and Bank of America, posting better-than-expected results—thanks largely to robust trading revenue. Analysts project S&P 500 earnings per share to rise 7% this quarter, with technology and healthcare sectors expected to lead gains.

Consensus forecasts call for around 10% EPS growth for the whole year. However, that outlook may be overly optimistic if tariffs remain elevated and begin to erode corporate margins. That said, a 90-day pause in tariff enforcement announced on April 2 offers a possible opening for trade de-escalation. If that window is used effectively and policy pivots toward pro-growth measures such as tax reform and regulatory relief, corporate earnings could remain on a solid upward trajectory in the year's second half.

GDPNow Update:

- The latest GDPNow for 1Q25, reported on April 16, increased to -2.20%, up from -2.40%, representing an 8.33% improvement.

Corporate Earnings Parade:

- **Bank of America (BAC):** reported 1Q25 revenues of \$27,336 billion, up 5.99%, net income of \$7,396 billion, up 10.81%, and earnings per share of \$0.90, surpassing estimates. BAC has a stock price objective of \$49.17.

Economic Data Update:

- **U.S. Retail and Food Services Sales MoM:** rose to 1.43%, compared to 0.22% last month.
- **U.S. Industrial Production MoM:** fell to -0.32%, compared to 0.85% last month.
- **U.S. Business Inventories MoM:** fell to 0.19%, compared to 0.32% last month.
- **U.S. Wholesalers Inventories MoM:** fell to 0.32%, compared to 0.80% last month.
- **NAHB/Wells Fargo US Housing Market Index:** rose to 40.00, up from 39.00 last month.
- **NY Fed Business Leaders Survey Current Business Activity:** fell to -19.80, down from -19.30 last month.
- **UK Consumer Price Index YoY:** fell to 2.60%, compared to 2.80% last month.
- **China Real GDP YoY:** rose to 5.40%, compared to 4.60% last quarter.

Eurozone Summary:

- **Stoxx 600:** Closed at 507.09, down 0.97 points or 0.19%.
- **FTSE 100:** Closed at 8,275.60, up 26.48 points or 0.32%.
- **DAX Index:** Closed at 21,311.02, up 57.32 points or 0.27%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 39,669.39, down 699.57 points or 1.70%.
- **S&P 500:** closed at 5,275.70, down 120.93 points or 2.24%.
- **Nasdaq Composite:** closed at 16,307.16, down 516.01 points or 3.07%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,367.50, up 28.44 points or 0.85%.
- **Birling Capital U.S. Bank Index:** closed at 5,718.55, up 81.79 points or 1.45%.

- U.S. Treasury 10-year note: closed at 4.29%.
- U.S. Treasury 2-year note: closed at 3.77%.



GDPNow

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%	-25.64%
2/14/2025	2.30%	-20.69%
2/19/2025	2.30%	0.00%
2/28/2025	-1.50%	-165.22%
3/6/2025	-2.40%	60.00%
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%
4/1/2025	-3.70%	32.14%
4/3/2025	-2.80%	-24.32%
4/9/2025	-2.40%	-14.29%
4/16/2025	-2.20%	8.33%



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US Retail Sales, US Industrial Production, US Business Inventories, US Wholesalers Inventories, NAHB/Wells Fargo US Housing Market & NY Fed Business Leaders Survey





Dow Jones Industrial Average, S&P 500, Nasdaq Composite, Birling Puerto Rico Stock Index & Birling US Bank Index YTD Returns 4.16.25

	VAL
● Dow Jones Industrial Average Level % Change	-6.76%
● S&P 500 Level % Change	-10.30%
● Nasdaq Composite Level % Change	-15.55%
● Birling Capital Puerto Rico Stock Index Level % Change	-7.45%
● Birling Capital U.S. Bank Index Level % Change	-8.77%





Wall Street Recap

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