Markets Retreat as Cooling Labor Data, Falling Oil Prices, and Central Bank Decisions Shape Year-End Sentiment.

GLOBAL MARKET SQUARE
BIRLING CAPITAL ADVISORS, LLC

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The **U.S. and European stock markets closed lower as investors digested a delayed release of economic data and monitored** evolving geopolitical developments. In the U.S., November nonfarm payrolls increased by 64,000, modestly above expectations, while the unemployment rate rose to 4.6%, the highest level since October 2021. Market leadership was balanced, with most S&P 500 sectors finishing near the flatline. Energy stocks underperformed amid lower oil prices, as renewed optimism about progress toward a Russia-Ukraine peace agreement pressured them**. Treasury yields were little changed, with the 10-year yield closing down at 4.15%.**

Economic Data: Firm Spending, Cooling Labor Conditions

A backlog of economic releases provided a clearer picture of underlying momentum. October headline retail sales were flat, as expected, while control-group sales—a key input for GDP—rose a solid 0.85%, well above consensus estimates. Labor-market data suggest moderation rather than deterioration, as the rise in unemployment appears driven primarily by labor-force expansion rather than job losses. Looking ahead, payroll growth is expected to slow further, averaging 50,000–100,000 jobs per month in 2026. Against this backdrop, real GDP growth is likely to settle near 2%, supported by easing financial conditions, continued investment in technology and AI, and a more stable policy environment.

Inflation in Focus Ahead of Key CPI Release

Inflation takes center stage later this week with the release of November consumer price index data. Expectations call for both headline and core CPI to rise 3.1% year over year. With the October CPI delayed due to the government shutdown, this report carries added significance for markets and policymakers. While inflation is expected to remain above the Federal Reserve's 2% target in 2026, moderating services inflation should help offset firmer goods prices, keeping overall inflation in the 2.5%–3% range. This environment may allow the Fed to deliver one or two additional rate cuts next year as labor-market conditions continue to cool.

Europe: Stocks Slide as Defense Names Retreat and Central Banks Take Focus

European stocks ended lower on Tuesday, reversing gains seen at the start of the week. The pan-European Stoxx 600 closed down 0.47%, with most sectors and major bourses in negative territory. **Investor attention remained focused on developments in the Russia-Ukraine peace negotiations** after Ukrainian President Volodymyr Zelenskyy indicated over the weekend that Kyiv might be willing to relinquish its ambition to join NATO as part of a broader settlement. President Trump reinforced optimism on Monday, stating that following "long and excellent talks" with European leaders, negotiators were closer than ever to ending the conflict.

Defense stocks led the declines as easing geopolitical risk weighed on the sector. The Stoxx Europe Aerospace and Defense index fell 1.8%, with Sweden's Saab dropping 4.8%. Germany's Rheinmetall and Renk declined 4.5% and 4.3%, respectively, ranking among the worst performers across European markets.

Markets also began positioning ahead of a heavy week of central bank decisions. The European Central Bank meets on Thursday and is widely expected to keep its policy rate unchanged at 2%. ECB President Christine Lagarde has signaled that the central bank may again revise its growth outlook higher in December, after lifting its 2025 GDP growth forecast to 1.2% in September. The Bank of England, Riksbank, and Norges Bank are also scheduled to deliver their final policy decisions of the year, with markets assigning a meaningful probability to a BOE rate cut.
In the U.K., labor market data added to the cautious tone. The unemployment rate edged up to 5.1% in the three months to October, the highest level since early 2021, as businesses delayed hiring decisions ahead of the Autumn Budget. Payrolled employment declined by 149,000, or 0.5%, year over year, underscoring growing signs of labor market softening. European risk sentiment, energy markets, and broader macro conditions.

GDPNow Update:

- The **third-quarter GDPNow was updated on 12.16.2025, down to 3.50%, a decrease of 2.78%** from 3.60%.

Economic Data:

- **US Nonfarm Payrolls MoM:** is at a current level of 64,000, up from -105,000 last month.
- **US Unemployment Rate:** rose to 4.60%, compared to 4.40% last month.
- **US Labor Force Participation Rate:** is at 62.50%, unchanged from last month.
- **US Retail and Food Services Sales MoM:** fell to 0.03%, compared to 0.10% last month.
- **NY Fed Business Leaders Survey Current Business Activity:** is at -20.00, up from -21.70 last month.
- **US Industrial Production MoM:** rose to 0.10%, compared to -0.38% last month.
- **US Business Inventories MoM:** rose to 0.24%, compared to -0.04% last month.
- **US Wholesalers Inventories MoM:** is at 0.45%, compared to -0.07% last month.
- **US Retail Gas Price:** fell to $3.07, down from $3.11 last week.
- **ZEW Indicator of Economic Sentiment for Germany:** rose to 45.80, up from 38.50 last month.
- **UK ILO Unemployment Rate:** rose to 5.20%, compared to 5.10% last month.
- **Japan Machinery Orders YoY:** rose to 7.90%, compared to 3.18% last month.

Eurozone Summary:

- **Stoxx 600:** Closed at 579.80, down 2.74 points or 0.47%.
- **FTSE 100:** Closed at 9,684.79, down 66.52 or 0.68%.
- **DAX Index:** Closed at 24,076.87, down 153.04 points or 0.63%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 48,114.26, down 302.30 points or 0.62%.
- **S&P 500:** closed at 6,800.26, down 16.25 points or 0.34%.
- **Nasdaq Composite:** closed at 23,111.46, up 54.04 points or 0.23%.
- **Birling Capital Puerto Rico Stock Index:** closed at 4,018.05, up 27.18 points or 0.68%.
- **Birling Capital U.S. Bank Index:** closed at 9,113.98, up 25.78 points or 0.28%.
- **U.S. Treasury 10-year note:** closed at 4.15%.
- **U.S. Treasury 2-year note:** closed at 3.48%.

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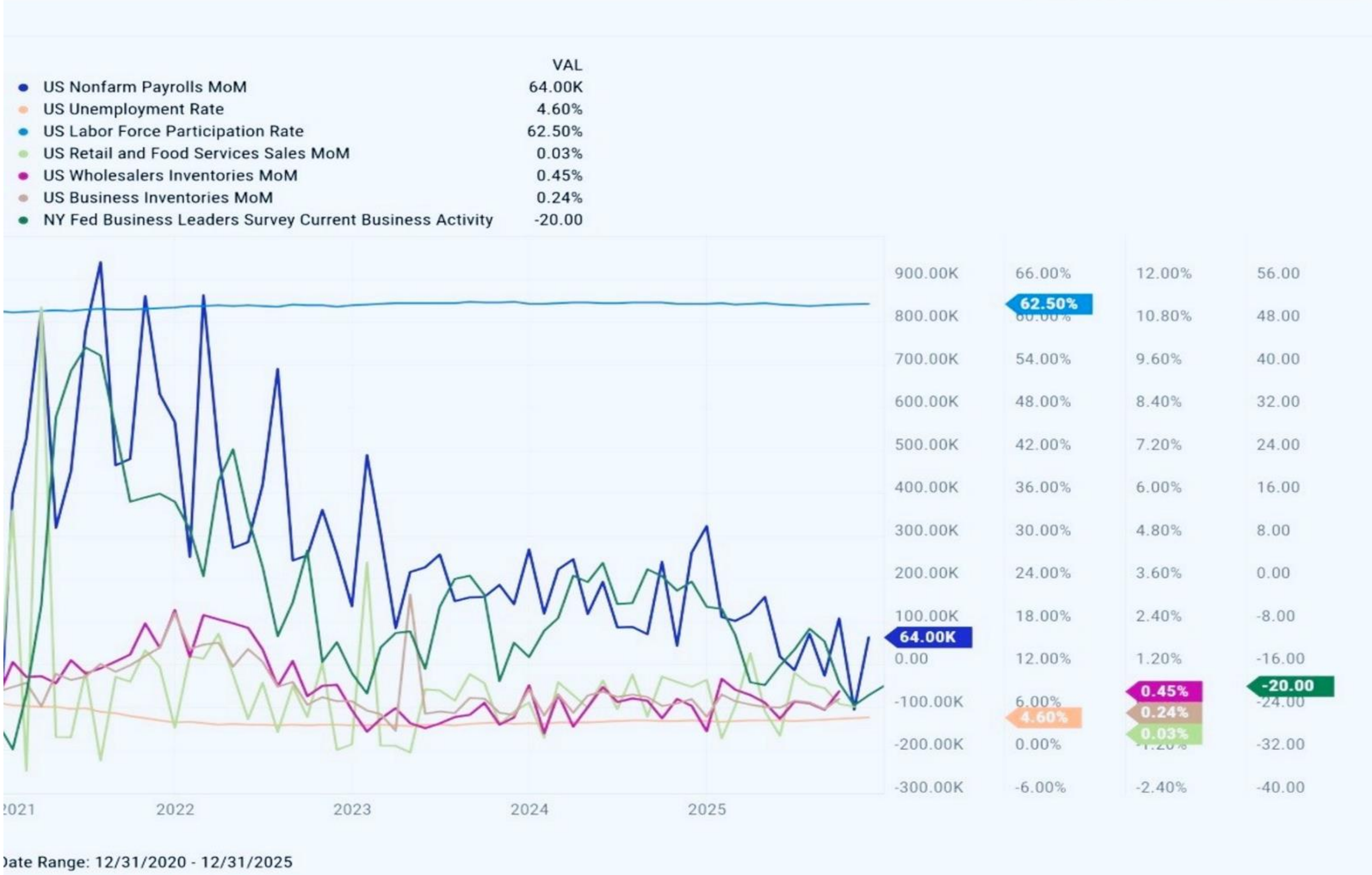
GDPNow

Third Quarter 2025

Date	GDPNow 3Q25	Change
7/31/2025	2.30%	Initial Forecast
8/1/2025	2.10%	-8.70%
8/5/2025	2.50%	19.05%
8/7/2025	2.50%	19.05%
8/15/2025	2.50%	0.00%
8/19/2025	2.30%	-8.00%
8/26/2025	2.20%	-4.35%
8/29/2025	3.50%	59.09%
9/2/2025	3.00%	-14.29%
9/4/2025	3.00%	0.00%
9/10/2025	3.10%	3.33%
9/16/2025	3.40%	9.68%
9/17/2025	3.30%	-2.94%
9/26/2025	3.90%	18.18%
10/1/2025	3.80%	-2.56%
10/7/2025	3.80%	0.00%
10/17/2025	3.90%	2.63%
10/27/2025	3.90%	0.00%
11/3/2025	4.00%	2.56%
11/17/2025	4.10%	2.50%
11/19/2025	4.10%	0.00%
11/25/2025	4.00%	-2.44%
11/26/2025	3.90%	-2.50%
12/1/2025	3.90%	0.00%
12/5/2025	3.50%	-10.26%
12/11/2025	3.60%	2.86%
12/16/2025	3.50%	-2.78%

US Nonfarm Payrolls MoM; US Unemployment Rate; US Labor Force Participation Rate; US Retail and Food Services Sales MoM; US Wholesalers Inventories MoM; US Business Inventories MoM & NY Fed Business Leaders Survey Current Business Activity



ZEW Indicator of Economic Sentiment for Germany; UK ILO Unemployment Rate: Age 16-64 & Japan Machinery Orders YoY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We wish you
MERRY
CHRISTMAS
Happy 2026
May this Christmas bring you quiet moments of gratitude, renewed hope, and the warmth of those who matter most.
May the new year ahead be filled with peace, purpose, and the confidence to move forward with grace.
Francisco Rodríguez-Castro
President & CEO