



Global Markets Close Lower as Inflation Concerns and Energy Volatility Weigh on Sentiment.

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The U.S. and European stock markets closed mostly lower, as investors remained cautiously positioned ahead of the October and November CPI reports and assessed shifting sector dynamics late in the year. In the U.S., the Dow Jones fell 228.29 points, the S&P 500 finished 1.16% below last Thursday's record high, while the Nasdaq fell 418.13 points, pressured by weakness in large-cap technology and communication services. Energy stocks outperformed after oil prices jumped following **President Trump's** announcement of a blockade targeting all Venezuelan-sanctioned oil tankers.

Overseas, Asian markets advanced overnight after Japan reported better-than-expected export growth, reinforcing signs of resilience in global trade. European equities closed mostly higher, supported by cooling U.K. inflation and growing expectations for monetary easing. In fixed income, Treasury yields edged higher ahead of the CPI release, with the 10-year U.S. Treasury yield ending near 4.16%, reflecting cautious risk positioning rather than a decisive shift in outlook.

Earnings Growth Set to Broaden Beyond Mega-Caps in 2026

2025 is shaping up to be another strong year for equities, with the S&P 500 on pace to deliver its third consecutive annual gain of more than 15%. Market leadership has once again been concentrated in technology and communication services, both sectors up more than 20% year-to-date and delivering earnings growth exceeding 15%. These sectors have been the primary drivers of index-level returns and profit expansion throughout the year.

Looking ahead to 2026, earnings growth is expected to remain robust in technology and communication services, with both sectors projected to post another year of double-digit profit gains. More importantly, however, consensus forecasts now point to **positive earnings growth across all eleven S&P 500 sectors** next year. Value-oriented areas such as industrials and materials are expected to deliver earnings growth of more than 14%, signaling a potential broadening of market leadership beyond mega-cap technology.

This shift supports diversification and a more balanced equity allocation. Within our opportunistic sector framework, we favor overweight exposure to consumer discretionary, industrials, and health care, offset by underweights in utilities and consumer staples, while maintaining neutral exposure to the remaining sectors.

Fixed Income Delivers Again, but Equities Remain the Primary Opportunity

After suffering a historic 13% decline in 2022—the worst year on record for the Bloomberg U.S. Aggregate Bond Index—U.S. investment-grade bonds are on track for a third consecutive year of positive returns, up approximately 7% year-to-date. The recovery has been supported by lower yields through much of 2025 and steady demand for income-producing assets. Credit-sensitive segments have also performed well, with U.S. high-yield bonds gaining roughly 8% this year and emerging-market debt rising close to 11%. While bonds continue to play an important role in portfolios by providing diversification and income, our outlook for steady economic growth and

resilient corporate earnings leads us to view equities as the more attractive opportunity within an opportunistic asset allocation framework.

Europe: FTSE 100 Leads as U.K. Inflation Cools

European stock markets closed broadly higher, led by the United Kingdom, after data showed that U.K. inflation cooled to 3.2% in November, down from 3.6% the prior month. London's FTSE 100 gained 0.9%, outperforming regional peers as financial services and homebuilder stocks rallied on rising expectations that the Bank of England may cut interest rates by 25 basis points to 3.75% amid soft growth and early signs of labor market slack.

Barratt Redrow surged 3.7% to lead the index, while Phoenix Group added 3.3%. The British pound weakened following the inflation release, last trading about 0.2% lower against the U.S. dollar, reflecting shifting rate expectations ahead of the Bank of England's policy decision.

Economic Data:

- **ECB Deposit Facility Interest Rate:** is unchanged at 2.00%, compared to 2.00% yesterday.
- **ECB Main Refinancing Operations Interest Rate:** is unchanged at 2.15%, compared to 2.15% yesterday.
- **Eurozone Inflation Rate:** Excluding Energy, Food, Alcohol, and Tobacco, is unchanged at 2.40%, compared to 2.40% last month.
- **Germany Ifo Business Climate Index:** fell to 87.60, down from 88.00 last month.
- **Germany Ifo Business Expectations Index:** fell to 89.70, down from 90.50 last month.
- **Germany Ifo Business Situation Index:** is at 85.60, unchanged from 85.60 last month.
- **UK Consumer Price Index YoY:** fell to 3.20%, down from 3.60% last month.
- **UK Producer Price Index: Core Output YoY:** fell to 1.48%, compared to 1.64% last month.

Eurozone Summary:

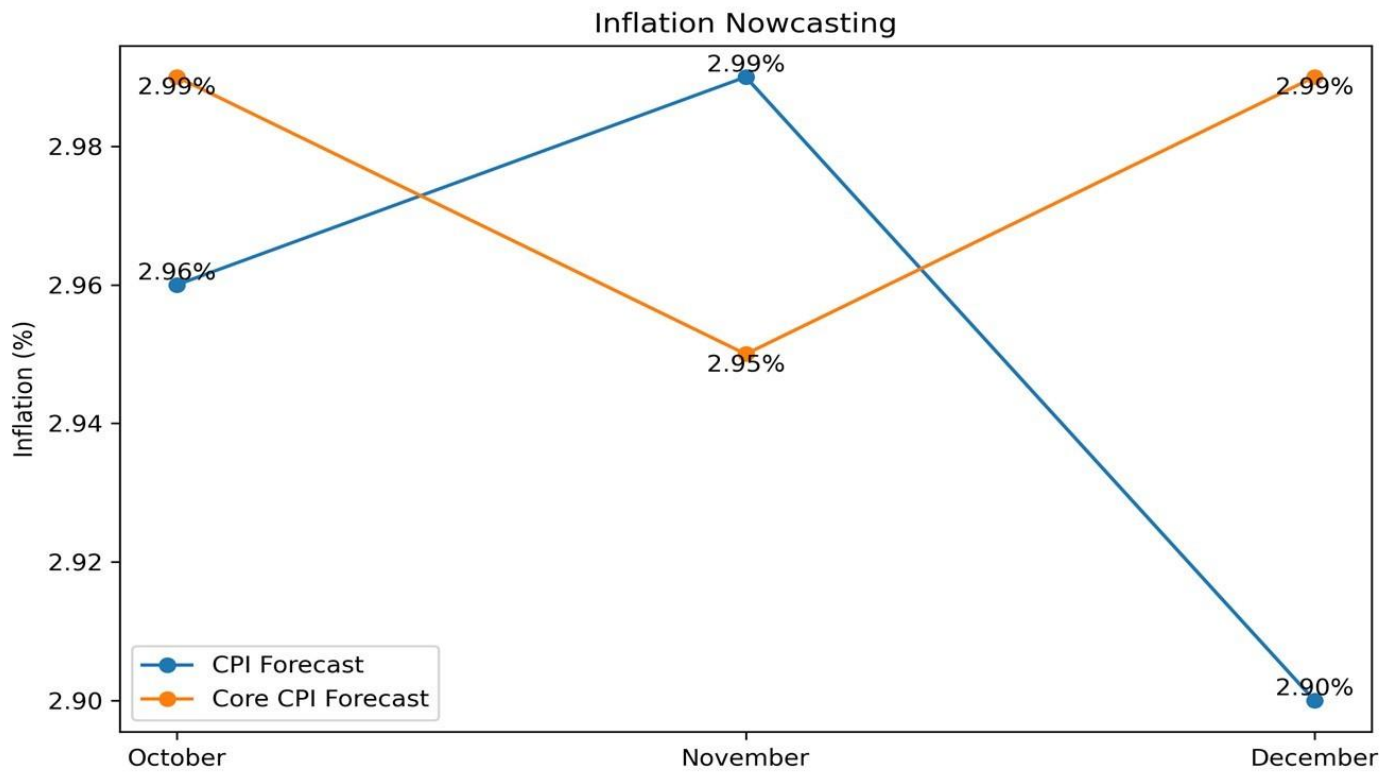
- **Stoxx 600:** Closed at 579.79, down 0.01 points or 0.00%.
- **FTSE 100:** Closed at 9,774.32, up 89.53 or 0.92%.
- **DAX Index:** Closed at 23,960.59, down 116.28 points or 0.48%.

Wall Street Summary:

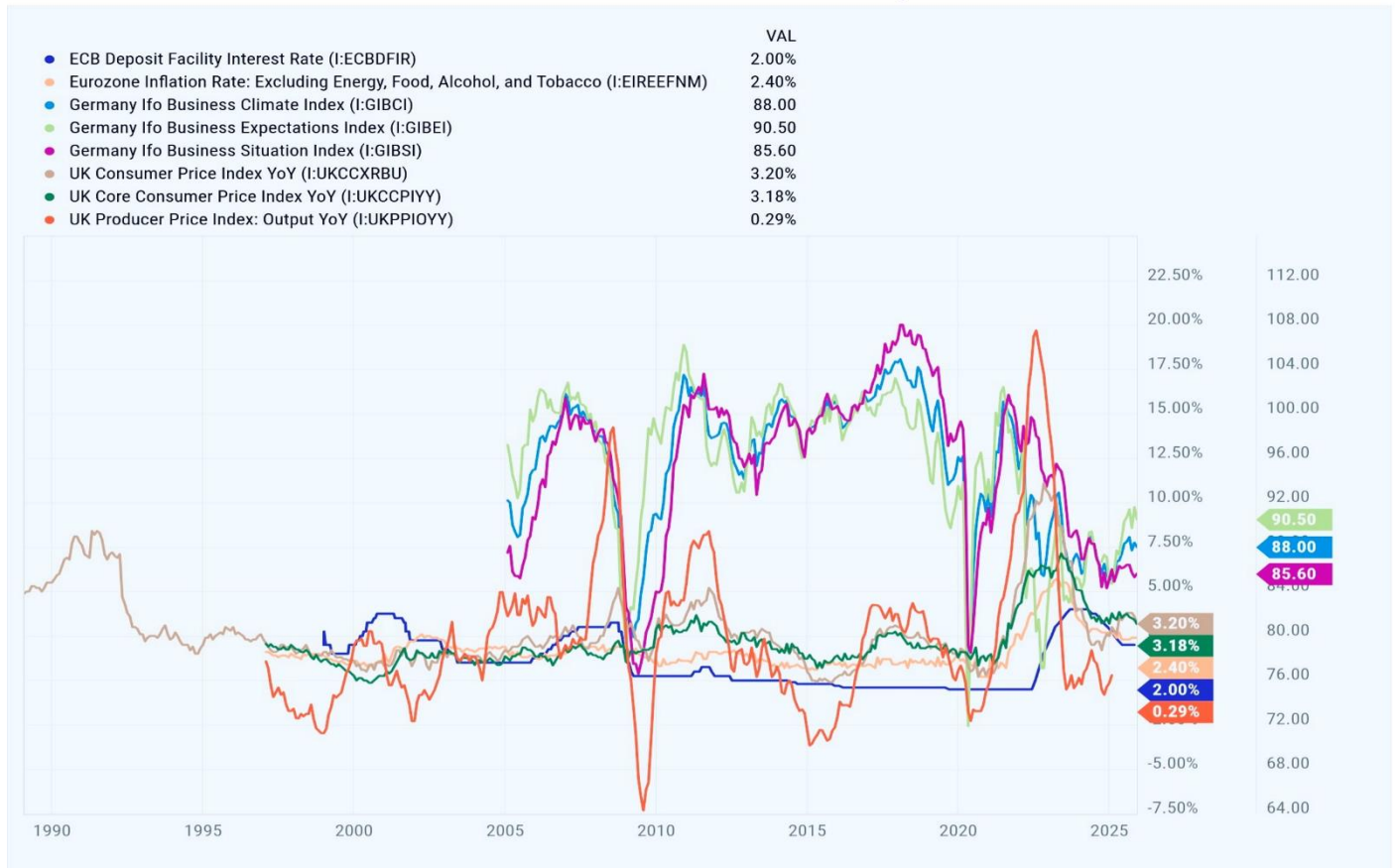
- **Dow Jones Industrial Average:** closed at 47,885.97, down 228.29 points or 0.47%.
- **S&P 500:** closed at 6,721.51, down 78.75 points or 1.16%.
- **Nasdaq Composite:** closed at 22,693.32, down 418.13 points or 1.81%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,993.37, down 24.68 points or 0.61%
- **Birling Capital U.S. Bank Index:** closed at 9,017.67, down 96.31 points or 0.48%
- **U.S. Treasury 10-year note:** closed at 4.16%.
- **U.S. Treasury 2-year note:** closed at 3.49%.

Inflation Nowcasting

October to December 2025



ECB Deposit Facility Interest Rate; Eurozone Inflation Rate: Excluding Energy, Food, Alcohol and Tobacco; Germany Ifo Business Climate Index; Germany Ifo Business Expectations Index; Germany Ifo Business Situation Index; UK Consumer Price Index YoY; UK Core Consumer Price Index YoY & UK Producer Price Index: Output YoY

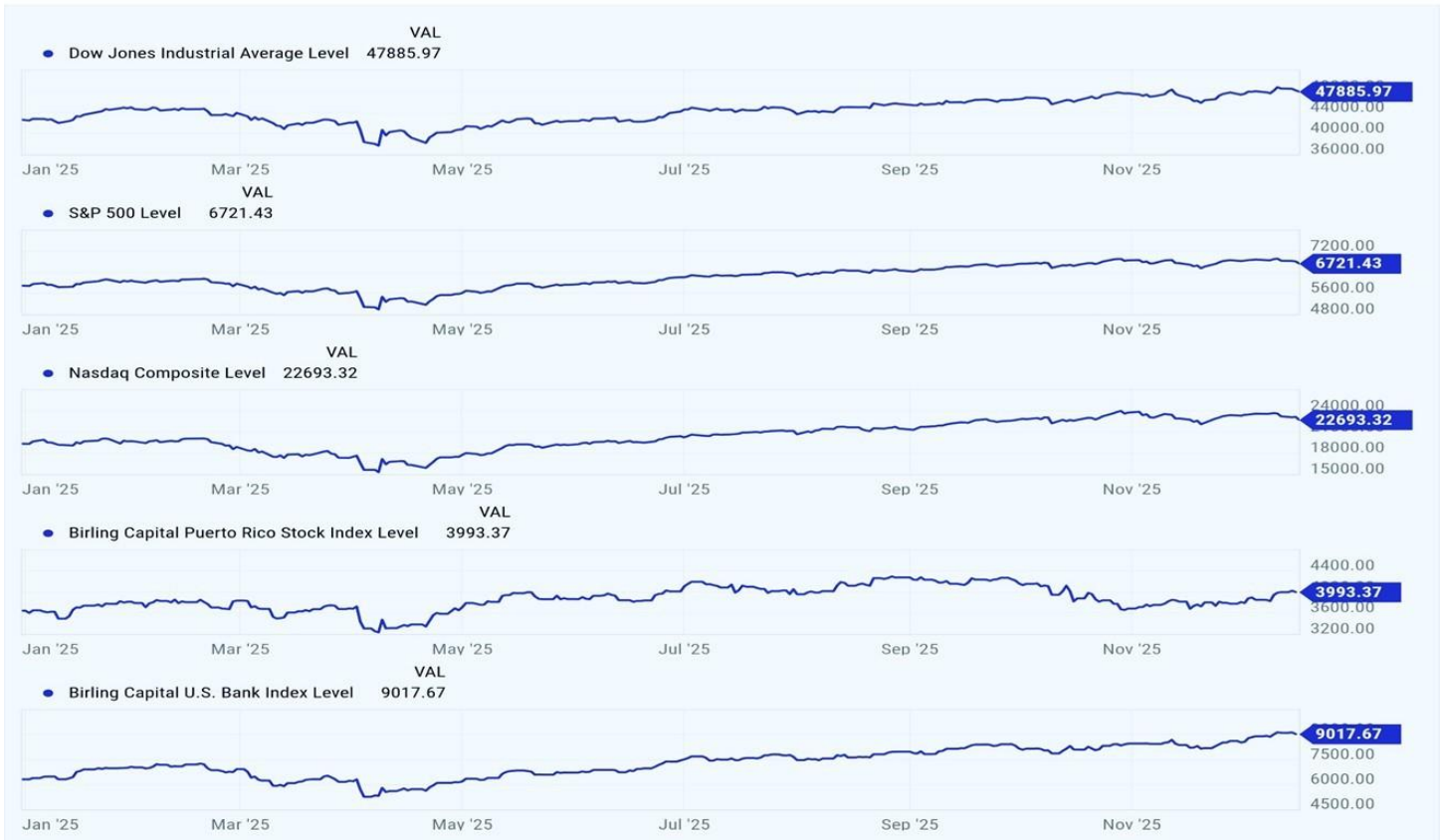




Wall Street Recap

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