

ADP Employment Declines Boost Fed Cut Assumptions, Lifting Wall Street; European Markets End Mixed.

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The U.S. and European stock markets closed mixed on Wednesday as investors assessed softer-than-expected U.S. labor data and improving economic signals from Europe. However, Wall Street saw the Dow climb more than 400 points on Wednesday as a weaker-than-expected ADP employment report boosted expectations for a Federal Reserve rate cut next week. The Dow Jones Industrial Average jumped 408.68 points, while the S&P 500 gained 0.30% and the Nasdaq Composite added 0.17%.

ADP reported that private payrolls fell by 32,000 in November, a sharp contrast to economists' expectations for a 40,000 increase.

ADP Jobs Growth Falls into Contraction, Keeping Markets Defensive

Wall Street closed mixed after the November ADP employment report showed a 32,000 decline in private payrolls, well short of expectations for a 40,000 increase. The weakness was concentrated in small businesses, which shed 120,000 jobs, underscoring a broader cooling in labor demand. Most sectors opened flat to slightly higher, but technology lagged after reports that Microsoft lowered its AI software sales quota, adding fresh pressure to an already fragile segment. Bitcoin stabilized after posting its steepest one-day decline since March, while Tuesday's rebound in mega-cap tech—led again by Nvidia—helped cushion downside momentum.

With the official BLS payroll delayed due to the government shutdown, the ADP reading becomes one of the last labor indicators before next week's Federal Reserve meeting. Futures now price in a 90% probability of a Fed rate cut.

Europe: Equities Edge Higher as Inditex Surges

European equities advanced modestly on Wednesday, building on the positive tone seen across global markets. The rebound followed a solid session on Wall Street and broad overnight gains across Asia-Pacific markets.

The eurozone's composite PMI jumped to 52.8, the highest level since May 2023, reinforcing signs of strengthening economic activity.

One of the day's highlights came from Spain, where Inditex, the parent company of Zara, reported robust nine-month results, including a 10.6% increase in currency-adjusted sales from November 1 to December 1 compared with last year. Shares soared more than 10%, boosted by strong autumn and winter demand.

Asia-Pacific: Japan Leads Regional Gains

Asian markets delivered a mixed performance overnight.

- Japan's Nikkei gained more than 1%, supported by improving global sentiment.
- Chinese equities mainly remained lower, pressured by ongoing growth concerns.

Bonds: Yields Drift Lower Ahead of Fed Decision

U.S. Treasury yields moved slightly lower at the open, with the 10-year at 4.06% and the 2-year near 3.48%, as traders' position ahead of next week's highly anticipated Fed meeting.

Key Market Themes

1. ADP Softness Strengthens Case for a December Fed Rate Cut

The negative private-payrolls print adds to evidence of slowing labor demand. While ADP is not a reliable predictor of official payrolls, in the absence of BLS data, it carries greater weight. Markets now expect a near-certain rate cut next week.

Job openings remain well below 2022–2023 peaks, pointing to slower hiring in 2026. Even so, a still-resilient economic backdrop should help limit layoffs and maintain a stable labor market despite softer growth.

2. Corporate Earnings Momentum Expected to Extend Into 2026

The S&P 500 is on pace for 11.1% earnings growth in 2025, following 10.4% growth in 2024.

Tech and Communication Services continue to lead, with:

- Information Technology: +22% expected earnings growth
- Communication Services: nearly +17%

In 2026, all 11 sectors are expected to post positive earnings growth, with cyclicals such as Industrials, Consumer Discretionary, and Materials poised to deliver 11%+ profit growth.

Economic Data:

- **ADP Employment Change:** fell to -31,000, down from 47,000 last month.
- **ADP Median Pay YoY:** fell to 4.40%, compared to 4.50% last month.
- **U.S. ISM Services PMI:** rose to 52.40, up from 50.00 last month, increasing 4.80%.
- **U.S. ISM Services Employment Index:** rose to 48.20, up from 47.20 last month, rose to 2.12%.
- **U.S. ISM Services New Orders Index:** rose to 56.20, up from 50.40 last month.
- **U.S. ISM Services Prices Paid Index:** rose to 70.00, up from 69.40 last month.
- **U.S. Export Prices YoY:** rose to 3.37%, compared to 2.41% last month.
- **U.S. Import Prices YoY:** is at 0.00%, compared to -0.56% last month.

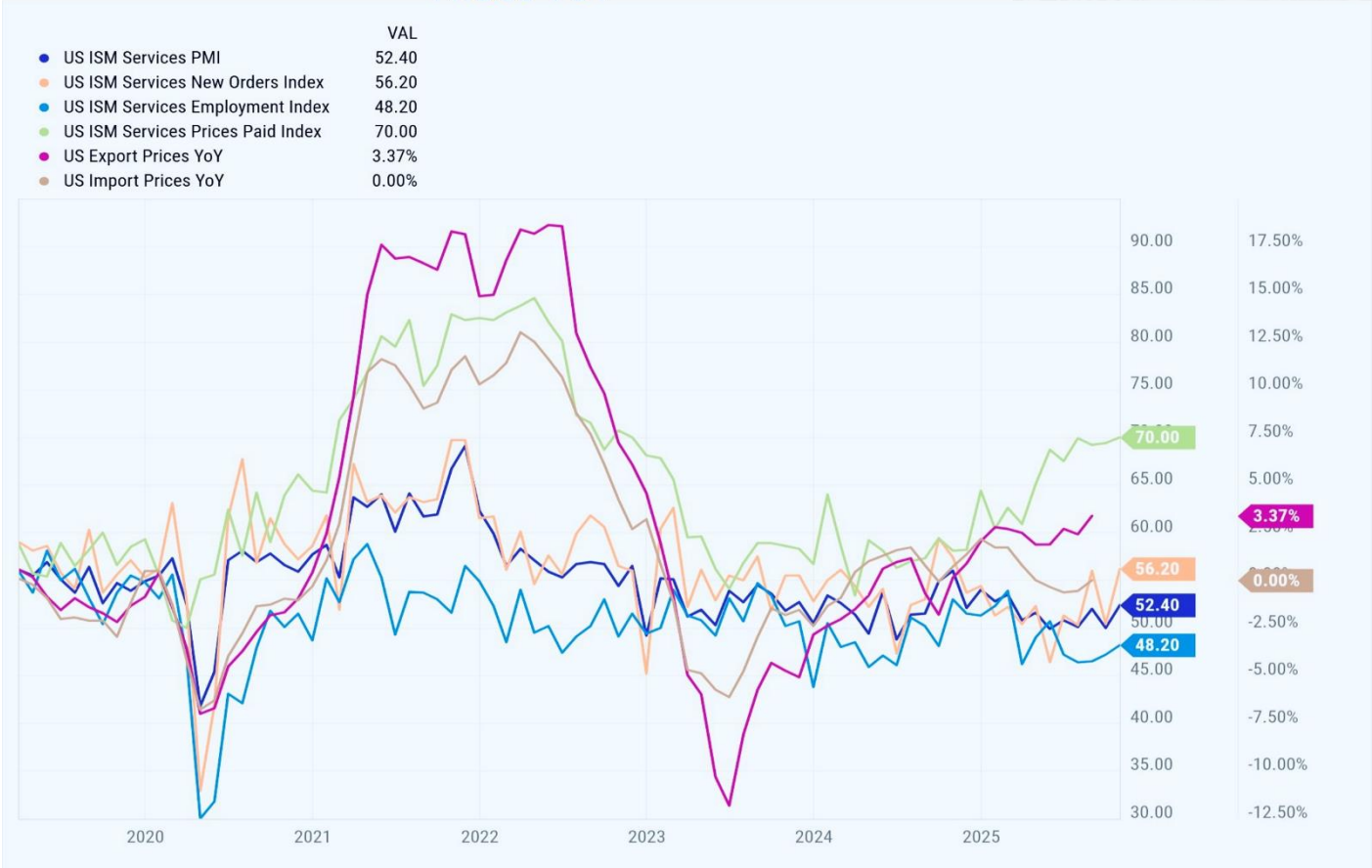
Eurozone Summary:

- **Stoxx 600:** Closed at 576.13, up 0.48 points or 0.08%.
- **FTSE 100:** Closed at 9,692.07, down 9.73 or 0.10%.
- **DAX Index:** Closed at 23,682.45, down 28.41 points or 0.12%.

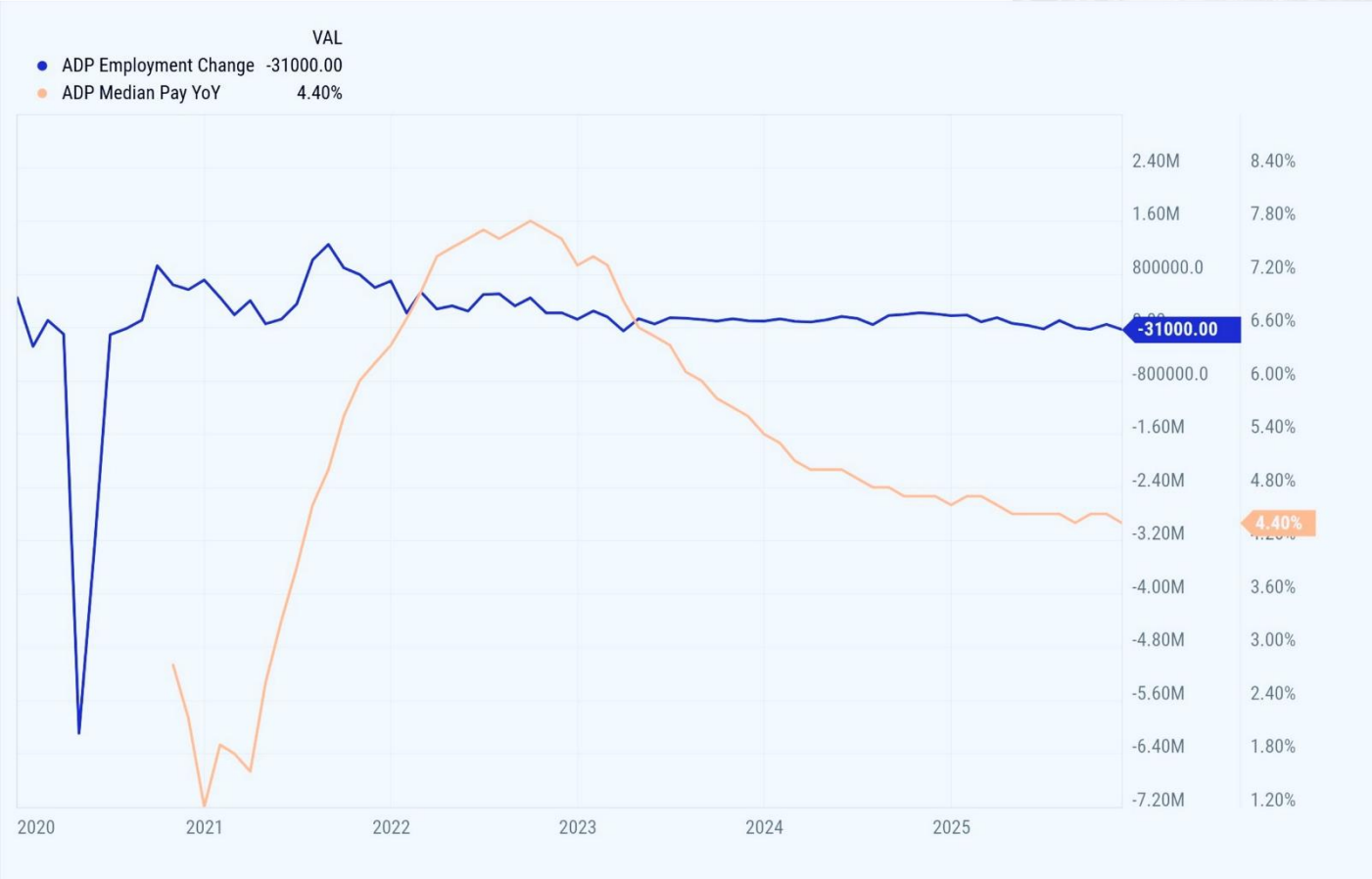
Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 47,882.90, up 408.44 points or 0.86%.
- **S&P 500:** closed at 6,849.72, up 20.35 points or 0.30%.
- **Nasdaq Composite:** closed at 23,454.09, up 40.41 points or 0.17%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,785.73, down 17.60 points or 0.43%.
- **Birling Capital U.S. Bank Index:** closed at 8,547.66, rose 36.04 points or 0.42%.
- **U.S. Treasury 10-year note:** closed at 4.06%.
- **U.S. Treasury 2-year note:** closed at 3.49%.

US ISM Services PMI; US ISM Services New Orders Index; US ISM Services Employment Index; US ISM Services Prices Paid Index; US Export Prices YoY & US Import Prices YoY



ADP Employment Change & ADP Median Pay YoY

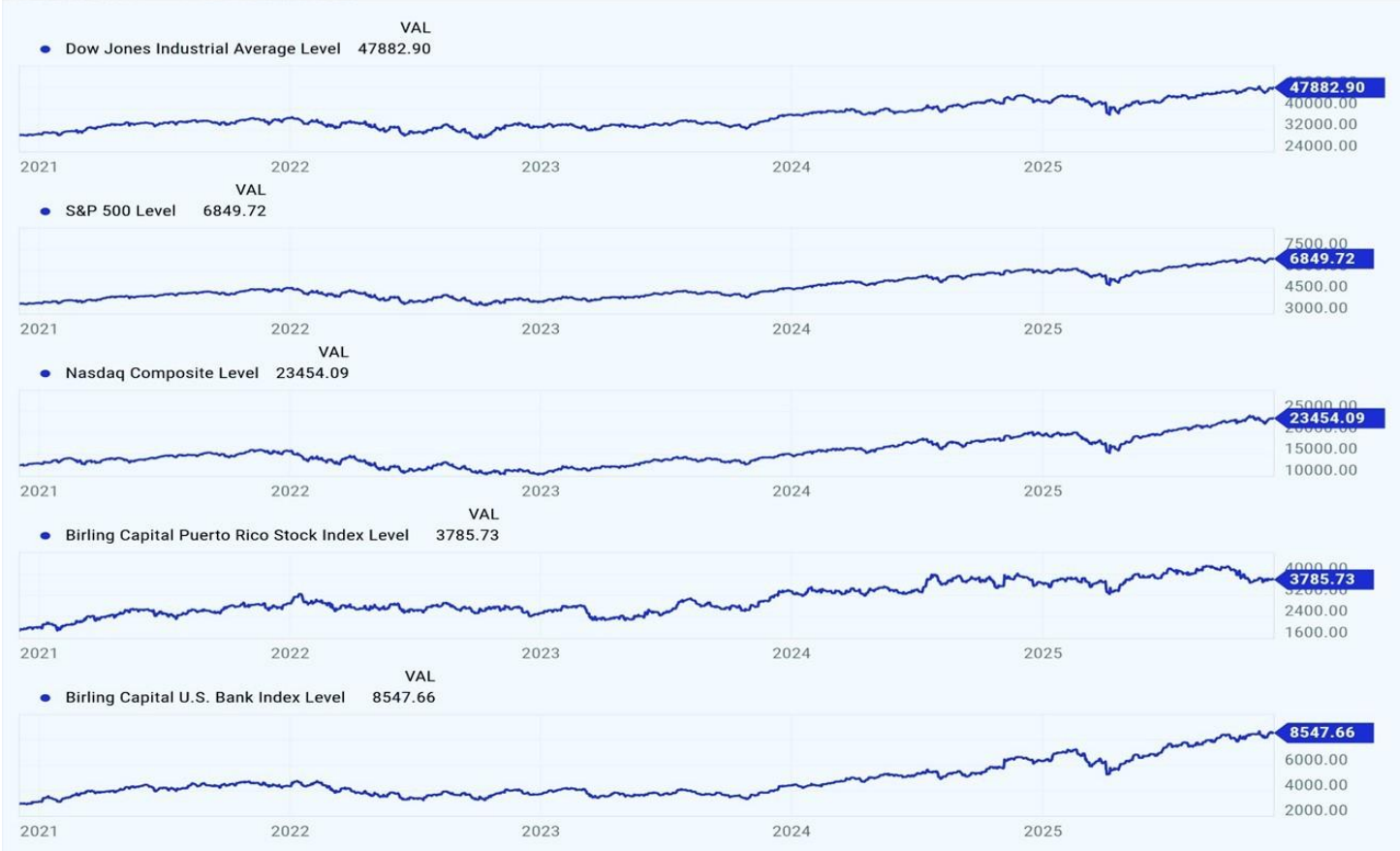




Wall Street Recap

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