

Markets Turn Defensive Ahead of PCE Report as Labor Data Signals Cooling Momentum.

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The U.S. and European stock markets closed Thursday's session on the defensive, with major indices mixed following a fresh round of labor-market data.

Communication services and utilities are showing relative strength, while health care and materials lag in early trade. Treasury yields continue to drift upward, with the **10-year U.S. Treasury closing at 4.11%**, reflecting a market still calibrating expectations for the Federal Reserve's next policy move.

With evidence of a cooling labor market accumulating, Wall Street is increasingly confident that the Federal Reserve will deliver a quarter-point rate cut at its December 10 meeting — the final policy decision of the year. Market expectations have surged, with traders now assigning an 87% probability to a cut next Wednesday, a dramatic jump from levels seen just weeks earlier, according to the CME FedWatch tool.

Globally, sentiment was somewhat firmer: **Asia closed higher overnight**, and **European markets are also advancing**, supported by stronger corporate earnings. The **U.S. dollar is little changed**, while **WTI crude is slipping** as U.S.-Russia diplomatic talks failed to produce meaningful progress.

Europe: Inditex Leads Gains While Autos Deliver Mixed Signals

European equities extended momentum on Thursday with strong sector rotations and company-specific catalysts driving performance.

Inditex, the parent of Zara, topped the Stoxx 600 after reporting robust nine-month earnings on Wednesday. The stock surged **10% in the prior session** and continued its ascent, rising **another 2.4%** today.

At the other end of the index, **Hugo Boss** slipped **0.6%**, following Wednesday's steep **10% decline** after the company cut its earnings guidance.

In autos, **Volvo Cars** reported a **10% year-on-year drop in November sales**, delivering 60,244 vehicles. Growth was concentrated exclusively in fully electric models—an “encouraging” sign, according to Chief Commercial Officer Erik Severinson, despite sluggish U.S. demand following the phase-out of EV tax credits.

Stellantis, the parent of Jeep, advanced **3.7%**, extending yesterday's rally after **UBS upgraded the stock to Buy**, citing confidence in an “American comeback.” UBS forecasts Stellantis will recover **~120 basis points of U.S. market share in 2026** and benefit from a multi-year restructuring boost.

Labor Market: Cooling Without Cracking

Initial jobless claims declined to **191,000**, well below expectations for 221,000—another sign that the labor market is easing at the edges but remains fundamentally resilient. Continuing claims held roughly steady at **1.94 million**, also coming in better than forecast. Layoff announcements, according to Challenger, Gray & Christmas, slowed sharply to **71,000 in November**, down from 153,000 in October.

Taken together, these figures point toward a job market that is gradually normalizing rather than deteriorating. The unemployment rate remains low at **4.4%**. In contrast, **job openings at 7.2 million**

remain only slightly below the **7.6 million unemployed**, suggesting that wage growth should continue to outpace inflation—supporting real purchasing power and consumer spending into the year.

Inflation Nowcasting Summary: September to December 2025

The Inflation Nowcasting Forecast for September through December 2025 shows inflation continuing to moderate gradually as the year draws to a close. The only month with official data released so far is September, when **CPI came in at 3.01%** and **Core CPI at 3.05%**, both still above the Federal Reserve's target but continuing their steady downward trajectory.

From October through December, the forecasted paths for CPI and Core CPI point to a gradual cooling trend, with readings stabilizing in the **2.9% range**, reflecting easing price pressures without signaling a disruptive slowdown.

Meanwhile, the forecast for **PCE and Core PCE**—which run lower than CPI—highlights an even more moderate inflation profile. **Core PCE, the Federal Reserve's preferred inflation metric, will be officially released tomorrow, December 5 (12/5).** The nowcast suggests Core PCE will remain near the **2.8%–2.9% band**, consistent with a measured decline in inflation momentum.

Taken together, the indicators suggest **orderly disinflation**, reduced volatility, and an inflation landscape increasingly aligned with the Fed's long-term objective as the economy moves into 2026.

Economic Data:

- **U.S. Initial Claims for Unemployment Insurance:** fell to 216,000, down from 222,000 last week, a change of -2.70%.
- **U.S. Durable Goods New Orders MoM:** rose by 2.88%, compared to -2.80% last month.
- **U.S. Trade Balance on Goods:** is at -85.61B, up from -103.72B last month.
- **30-Year Mortgage Rate:** fell to 6.23% from 6.26% last week.
- **Canada Ivey PMI:** fell to 51.70, down from 52.40 last month, a change of -1.34%.
- **Eurozone Retail Trade YoY:** fell by 1.00%, compared to 1.60% last month.

Eurozone Summary:

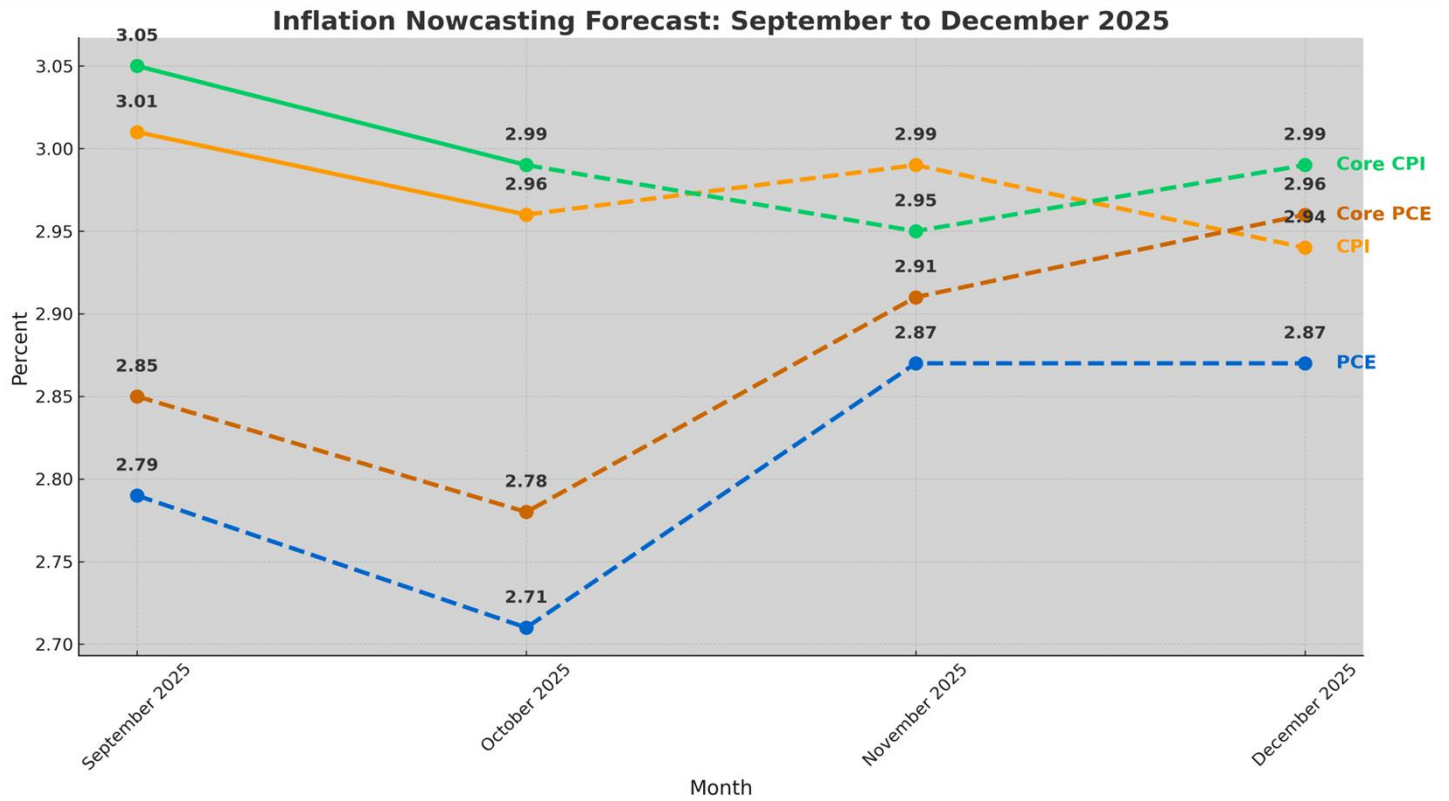
- **Stoxx 600:** Closed at 578.84, up 2.63 points or 0.45%.
- **FTSE 100:** Closed at 9,710.87, up 18.80 or 0.19%.
- **DAX Index:** Closed at 23,882.03, up 184.32 points or 0.79%.

Wall Street Summary:

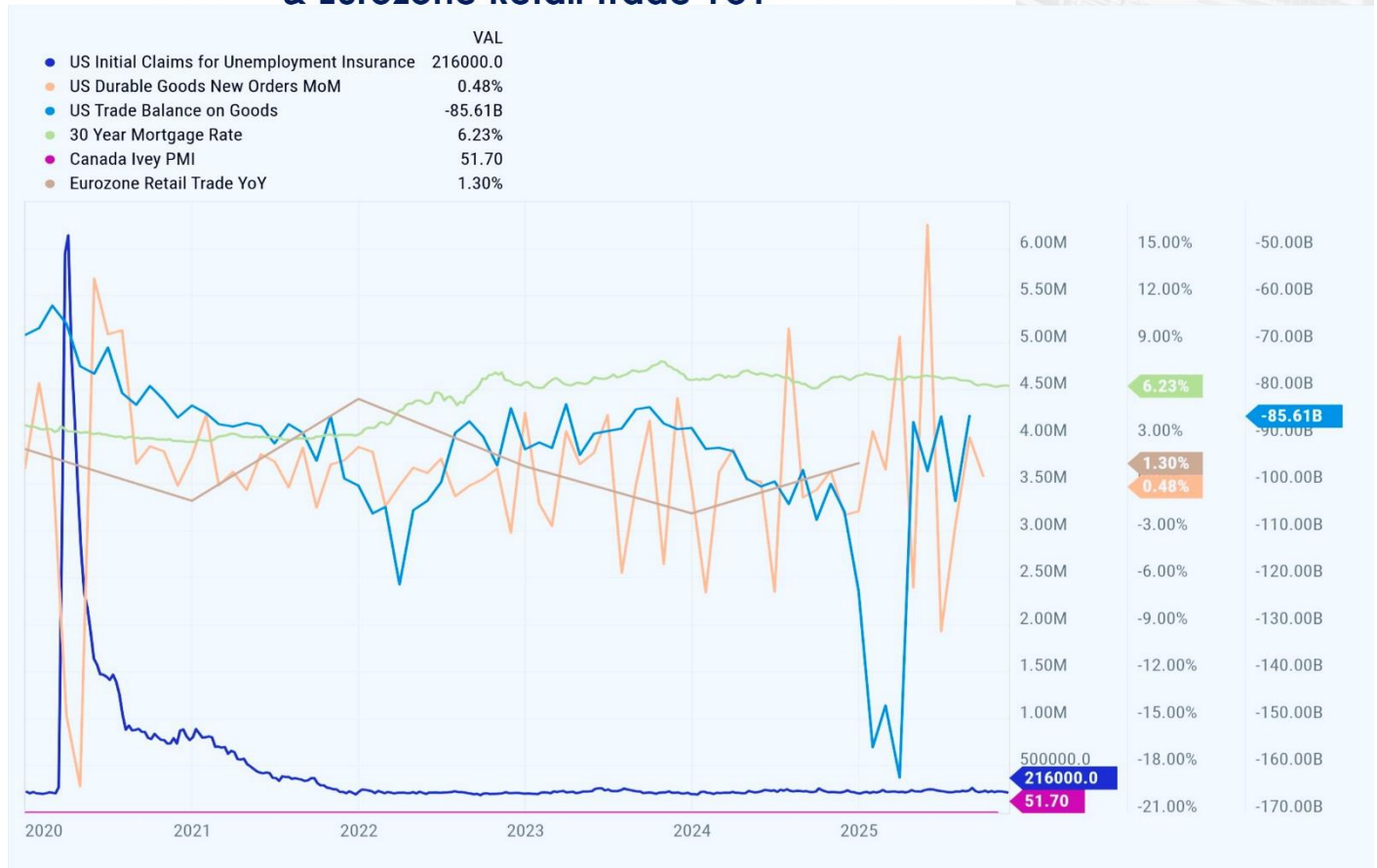
- **Dow Jones Industrial Average:** closed at 47,857.94, down 31.96 points or 0.07%.
- **S&P 500:** closed at 6,857.12, up 7.40 points or 0.11%.
- **Nasdaq Composite:** closed at 23,505.13, up 51.04 points or 0.22%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,873.84, up 88.10 points or 2.33%.
- **Birling Capital U.S. Bank Index:** closed at 8,766.91, up 219.24 points or 2.56%.
- **U.S. Treasury 10-year note:** closed at 4.11%.
- **U.S. Treasury 2-year note:** closed at 3.52%.

Inflation Nowcasting

September to December 2025



US Initial Claims for Unemployment Insurance; US Durable Goods New Orders MoM; US Trade Balance on Goods; 30 Year Mortgage Rate; Canada Ivey PMI & Eurozone Retail Trade YoY



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