Stocks Stall Near Record Levels as Investors Await Key Inflation Data, Europe Closes Softly Ahead of Fed Decision.

December 5, 2025

by Francisco Rodríguez-Castro
frc@birlingcapital.com

The U.S. and European stock markets ended the week mostly higher as investors were positioned ahead of next week's pivotal Federal Reserve policy decision and reacted to the delayed September PCE inflation report.

Wall Street closed within a stone's throw of all-time highs, with the major indexes little changed but still on pace for a modest weekly gain to start December. Expectations for a Fed rate cut next week continue to support sentiment, helping technology and AI stocks extend their rebound.

In corporate news, Netflix announced a **$72 billion cash-and-stock acquisition of Warner Brothers**, a transformative deal that is already raising concerns about regulatory approval. Shares of Netflix fell about 2% following the announcement, while Warner Brothers rose roughly 2%. Treasury yields ticked slightly higher, and the U.S. dollar remained steady.

Europe: Stocks Close Softly as Focus Shifts to the Fed

European markets ended the session slightly higher but struggled for direction as global investors adopted a defensive stance ahead of the Fed's December decision. Money markets now price in an **87.1% probability** of a **quarter-point rate cut**, reflecting a significant rise in expectations over the past two weeks, according to the CME FedWatch tool.
The muted close underscores Europe's sensitivity to U.S. policy signals, with regional markets essentially holding steady until the Fed provides clarity next Wednesday.

Inflation: PCE Shows Continued Cooling but Remains Above Target

The delayed release of the Federal Reserve's preferred inflation gauge—the Personal Consumption Expenditures (PCE) price index—**showed modest but meaningful progress**, reinforcing expectations for a rate cut next week.
The **U.S. PCE Price Index eased to 2.79% year-over-year, down from 2.74% last month**, while the **Core PCE Price Index declined to 2.83%, compared with 2.90% previously**. Although both remain above the Fed's 2% goal, the direction of travel continues to support a gradual disinflation narrative.

Key dynamics include:

- **Goods inflation likely firmed slightly**, reflecting lingering supply-chain adjustments.
- **Services inflation—the largest component**—continued its slow moderation, contributing to the broader cooling trend.
- **Inflation is still expected to remain above the 2% target through 2026,** stabilizing in the ***2.5%–3.0% range***, with incremental improvement expected by late 2026 rather than a rapid deceleration.

Federal Reserve: A High-Stakes Meeting Takes Shape

All attention now turns to next Wednesday's FOMC meeting, which has become one of the most debated decisions of the year. Rate expectations have swung sharply following mixed Fed

communication and softening private-sector labor data.
Bond markets now imply a **95% probability** of a December rate cut. With October and November employment data delayed until December 16 due to the government shutdown, the Fed is relying more heavily on alternative indicators, including November's decline in ADP private payrolls.

Birling Capital's outlook:

- The Fed is likely to **cut the target range to 3.50%–3.75%** next week.
- Updated 2026 projections will likely introduce a more cautious easing path.
- We expect **one to two rate cuts in 2026** before the Fed pauses to assess conditions.

Economic Data:

- **U.S. PCE Price Index YoY:** fell to 2.79%, compared to 2.74% last month.
- **U.S. Core PCE Price Index YoY:** fell to 2.83%, compared to 2.90% last month.
- **U.S. Index of Consumer Sentiment:** rose to 53.30, up from 51.00 last month.
- **U.S. Personal Income MoM:** fell to 0.36%, compared to 0.39% last month.
- **U.S. Personal Spending MoM:** fell to 0.31%, compared to 0.50% last month.
- **U.S. Consumer Credit Outstanding MoM:** fell to $363.22 Million, down from $18.05 Billion last month, decreasing by 97.99%.
- **Canada Employment Net Change:** fell to 53,600, down from 66,600 last month, down -19.52%.
- **Canada Unemployment Rate:** fell to 6.50%, compared to 6.90% last month.
- **Canada Labour Force Participation Rate:** fell to 65.10%, compared to 65.30% last month.
- **Japan Business Conditions Composite Coincident Index**: rose to 115.40, up from 114.90 last month.

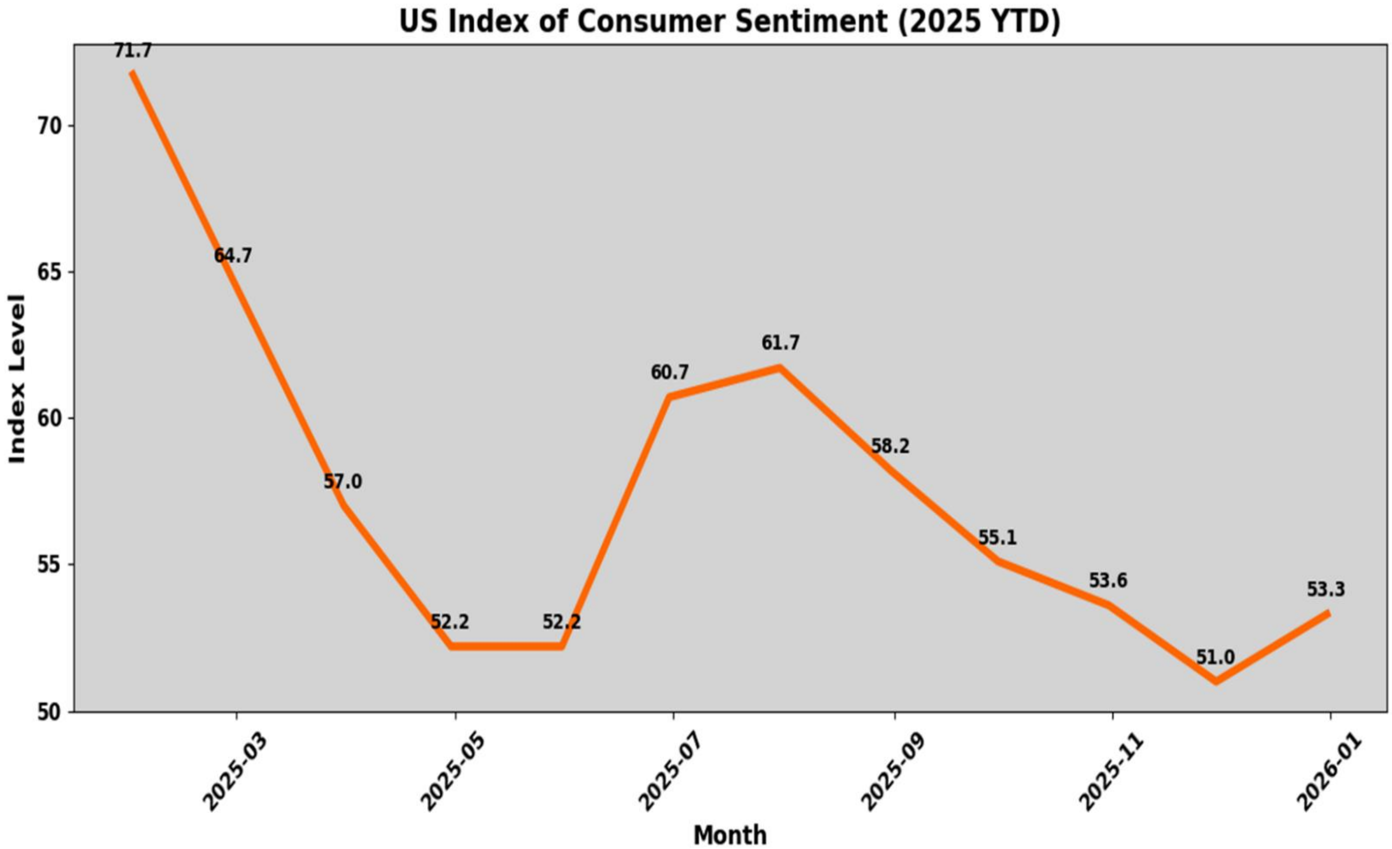
Eurozone Summary:

- **Stoxx 600:** Closed at 578.77, down 0.07 points or 0.01%.
- **FTSE 100:** Closed at 9,667.01, down 43.86 or 0.45%.
- **DAX Index:** Closed at 24,028.14, up 146.11 points or 0.61%.

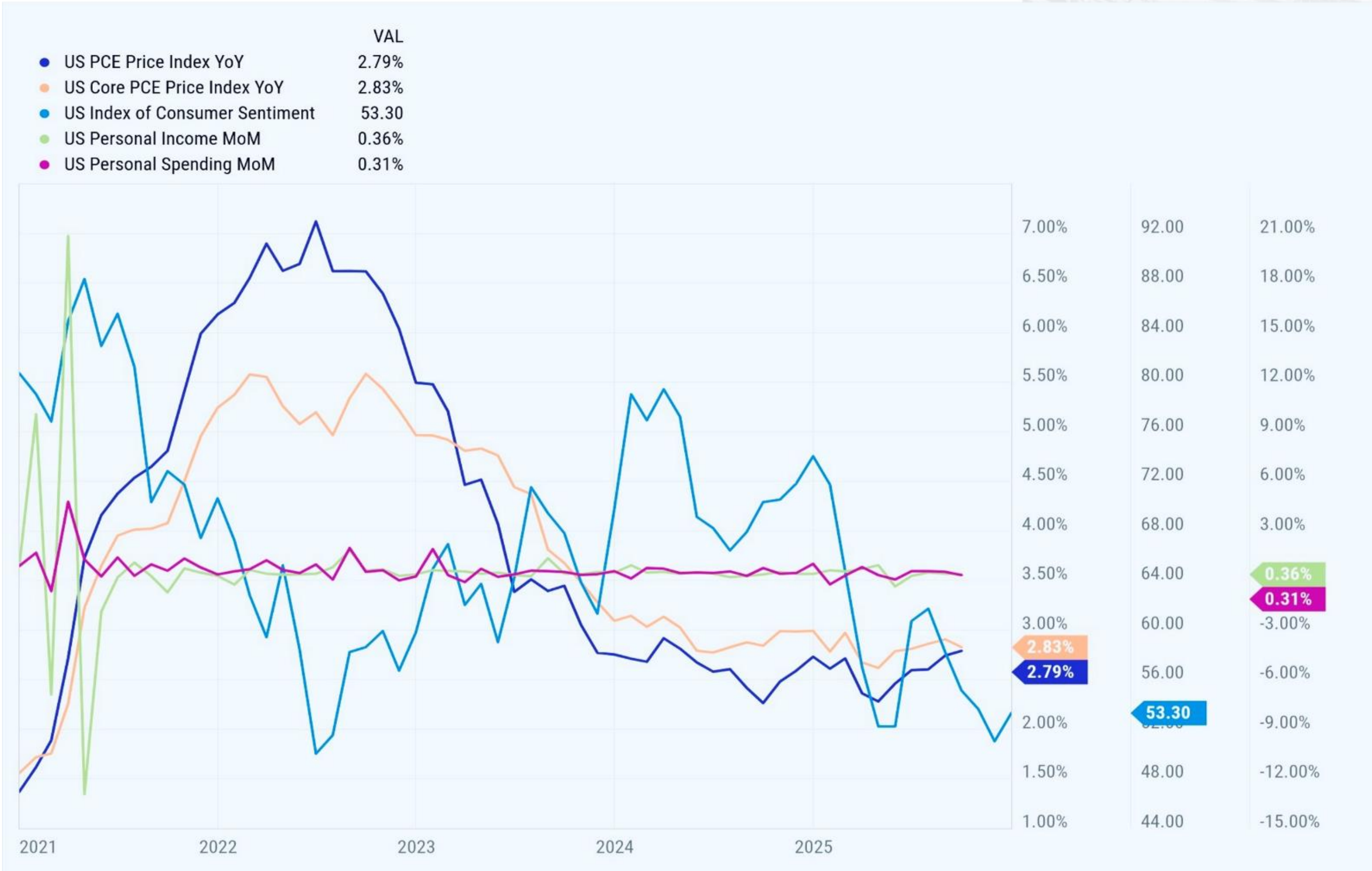
Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 47,954.99, up 104.05 points or 0.22%.
- **S&P 500:** closed at 6,870.40, up 13.28 points or 0.19%.
- **Nasdaq Composite:** closed at 23,578.13, up 72.99 points or 0.31%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,889.58, up 15.75 points or 0.41%
- **Birling Capital U.S. Bank Index:** closed at 8,828.18, up 61.28 points or 0.70%
- **U.S. Treasury 10-year note:** closed at 4.14%.
- **U.S. Treasury 2-year note:** closed at 3.56%.

U.S. Index of Consumer Sentiment YTD 2025



US PCE Price Index YoY; US Core PCE Price Index YoY; US Index of Consumer Sentiment; US Personal Income MoM & US Personal Spending MoM



Canada Employment Net Change; Canada Unemployment Rate & Canada Labour Force Participation Rate