



Wall Street Braces for Fed Cut: Caution Dominates Trading as Investors Hold Positions Steady Ahead of Wednesday's Fed Decision.

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The **U.S. and European stock markets closed the session with mixed results** as Wall Street attempted to shake off a holding pattern ahead of tomorrow's final FOMC meeting of 2025. Investors widely expect the Federal Reserve to deliver a 25-basis-point rate cut, a move that has been priced in for weeks, shifting the real focus to the Fed's updated economic projections and its messaging on the 2026 policy path.

The **S&P 500 ended Tuesday essentially unchanged** as markets shifted into wait-and-see mode ahead of Wednesday's closely watched Federal Reserve decision. The index slipped 0.09% and held near a record, despite muted trading.

The **Nasdaq Composite managed a modest gain, rising 0.13%**, while the **Dow Jones Industrial Average fell 179 points**. Pressure on the Dow came largely from JPMorgan Chase, whose shares declined after the bank projected higher-than-expected 2026 expenses.

With the year's final FOMC meeting set for Wednesday afternoon, traders are positioning for what is widely expected to be a 25-basis-point rate cut — the third consecutive reduction following moves in September and October. **According to the CME FedWatch tool, market pricing now reflects an 87% probability of a quarter-point cut, up sharply from roughly 67% one month ago.**

Markets will focus not on the cut itself — which is fully priced in — but on how the Fed frames the 2026 rate outlook, inflation trajectory, and the pace of future easing.

Bond yields are modestly softer to begin the session, with the 10-year Treasury closing at 4.18%, reflecting the market's confidence in a near-term easing cycle.

Sector performance is split: value-oriented groups such as energy and utilities are leading early trading, while communication services and technology lag, a risk-off positioning typical ahead of major policy announcements.

Small-Business Sentiment: A Quiet but Encouraging Improvement

The **NFIB Small Business Index rose to 99 in November**, narrowly beating expectations and moving above its 30-year average of 98. The details of the report reflect stabilization beneath the surface:

- **Hiring plans climbed to 19%**, a four-point increase from October and the highest since December 2024.
- This stands in contrast to the latest **ADP report**, which showed small firms shedding more than 100,000 jobs.
- **15% of small businesses expect real sales to increase over the next three months**, the strongest reading since January.

Our view: While job creation is slowing, underlying labor-market dynamics remain broadly stable. This should support **steady, mid-cycle economic growth**, with real GDP trending near **2% in 2026** as inflation gradually cools.

The Weaker Dollar Has Powered International Returns in 2025

The **DXY U.S. Dollar Index** is down nearly **9% year-to-date**, on track for its worst annual performance since 2017. Several forces are pressuring the dollar:

- Political and fiscal uncertainty
- A narrowing interest-rate advantage versus other developed markets
- Stronger relative growth prospects abroad

For investors, this has produced a large currency tailwind: the **MSCI AC World ex-U.S. Index** is up **more than 30% in dollar terms**, but only 23% in local currencies.

Looking into 2026, we expect currency effects to play a smaller role but see continued potential for a **flat-to-lower dollar**, especially as the ECB nears the end of its easing cycle and the **Bank of Japan** is **poised for additional rate hikes**. This dynamic reinforces the strategic value of **global diversification**.

Eurozone Suffered Setback as Wearable-Tech Competition Rattles Luxury Brands

European stocks closed mostly down as global investors also await the Fed's rate decision. **A notable mover is EssilorLuxottica, parent company of Ray-Ban, which fell 5.82% following news that Google will release AI-enabled eyewear in 2026, intensifying competition in the emerging smart-glasses market.**

Central-bank attention now shifts to Europe:

- **The Swiss National Bank** announces its policy decision on Thursday
- **Bank of England and European Central Bank** follow on December 18

EU to "Simplify" Corporate Sustainability Rules

The European Union announced a political agreement to **streamline corporate sustainability reporting**, exempting most companies from detailed ESG disclosure requirements moving forward. Danish Minister for European Affairs Marie Bjerre commented: "Today we delivered on our promise to remove burdens and rules and boost EU competitiveness". The move is expected to reduce compliance costs and support a more favorable environment for small and medium-sized firms.

Geopolitics and Technology: Trump Comments Add New Layer to AI Trade Debate

Markets also absorbed new remarks from **President Donald Trump**, who said the U.S. would allow Nvidia to ship its advanced **H200 AI chips** to "approved customers" in China—**provided the U.S. government receives a 25% share of the proceeds**. The statement injects a new dimension into the ongoing AI technology and national security policy landscape.

Economic Data:

- **US Job Openings:** Total Nonfarm: rose to 7.67 million, up from 7.658 million last month and up 0.16%.
- **US Productivity:** rose to 3.30%, compared to -1.80% last quarter.
- **US Retail Gas Price:** fell to \$3.11, down from \$3.19 last week.
- **Germany Trade Balance:** rose to 14.70 billion, down from 14.90 billion last month.
- **Germany Exports MoM:** fell to 0.10%, compared to 1.50% last month.

- **China Inflation Rate:** rose to 0.20%, compared to -0.30% last month.
- **China Producer Price Index YoY:** is at -2.10%, compared to -2.30% last month.

Eurozone Summary:

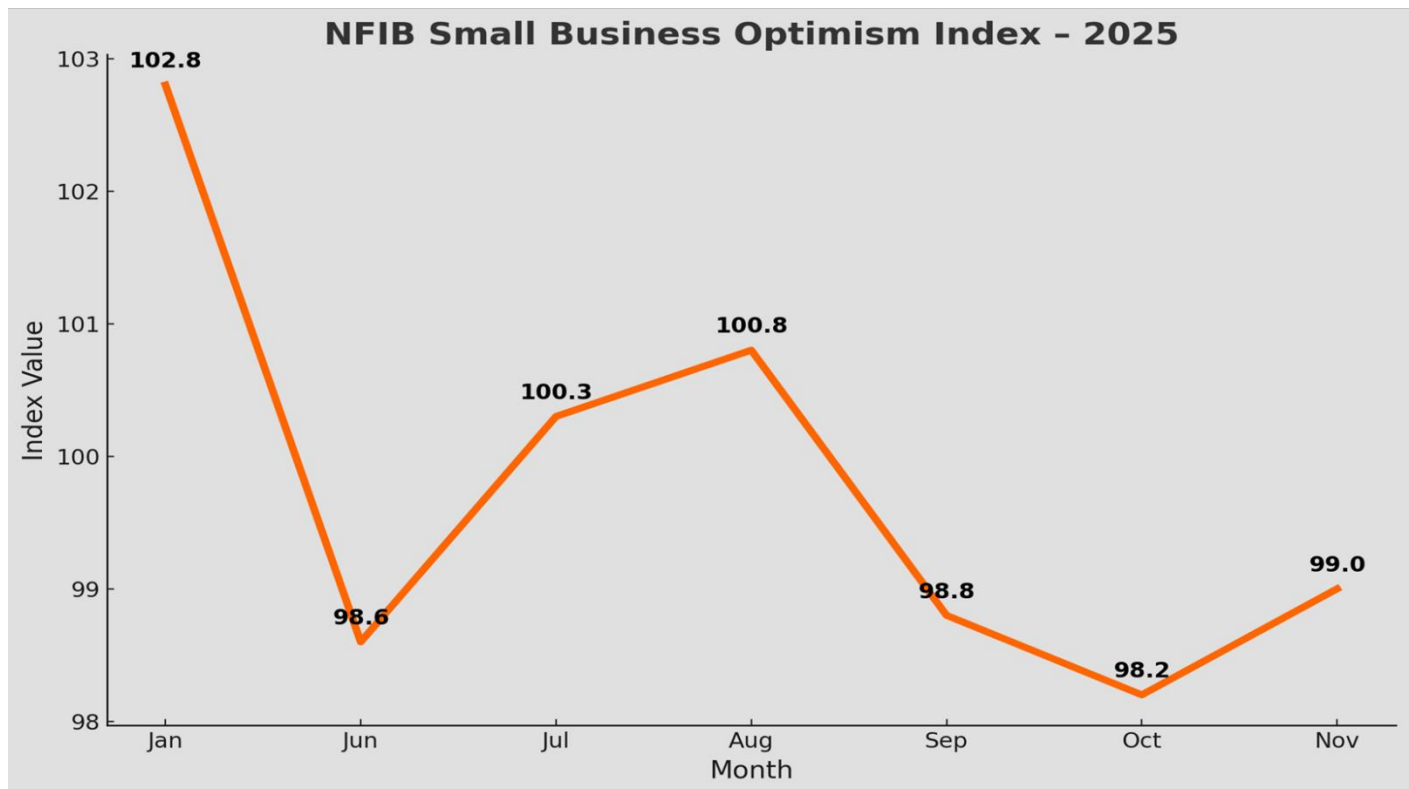
- **Stoxx 600:** Closed at 577.77, down 0.59 points or 0.10%.
- **FTSE 100:** Closed at 9,642.01, down 3.08 or 0.03%.
- **DAX Index:** Closed at 24,162.65, up 116.64 points or 0.49%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 47,560.29, down 179.03 points or 0.38%.
- **S&P 500:** closed at 6,840.51, down 6.00 points or 0.09%.
- **Nasdaq Composite:** closed at 23,576.48, up 30.58 points or 0.13%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,843.92, down 2.52 points or 0.31%.
- **Birling Capital U.S. Bank Index:** closed at 8,876.78, up 48.60 points or 0.55%
- **U.S. Treasury 10-year note:** closed at 4.18%.
- **U.S. Treasury 2-year note:** closed at 3.61%.



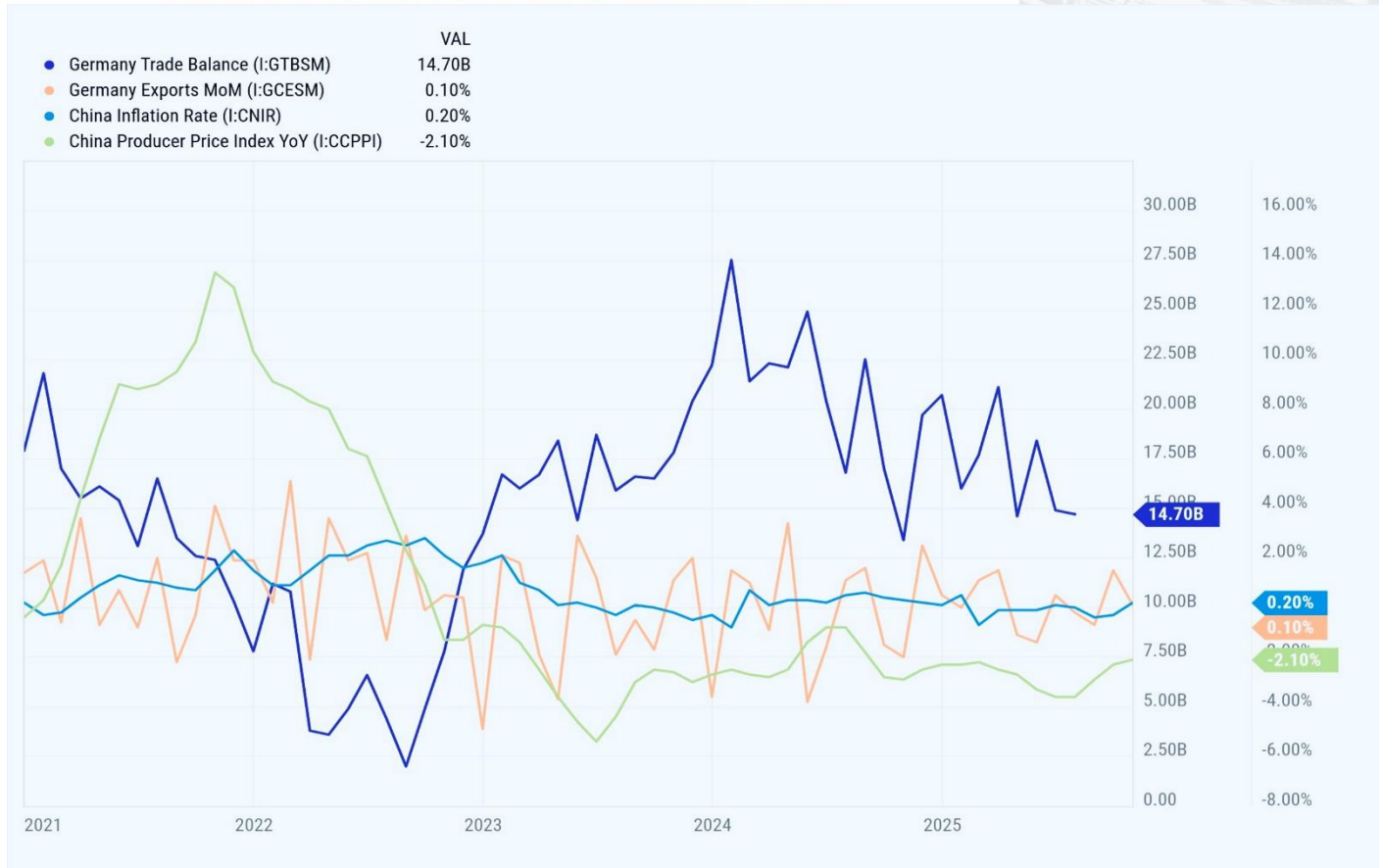
NFIB Small Business Optimism Index January-November 2025



US Job Openings: Total Nonfarm; US Productivity & US Retail Gas Price



Germany Trade Balance; Germany Exports MoM; China Inflation Rate & China Producer Price Index YoY

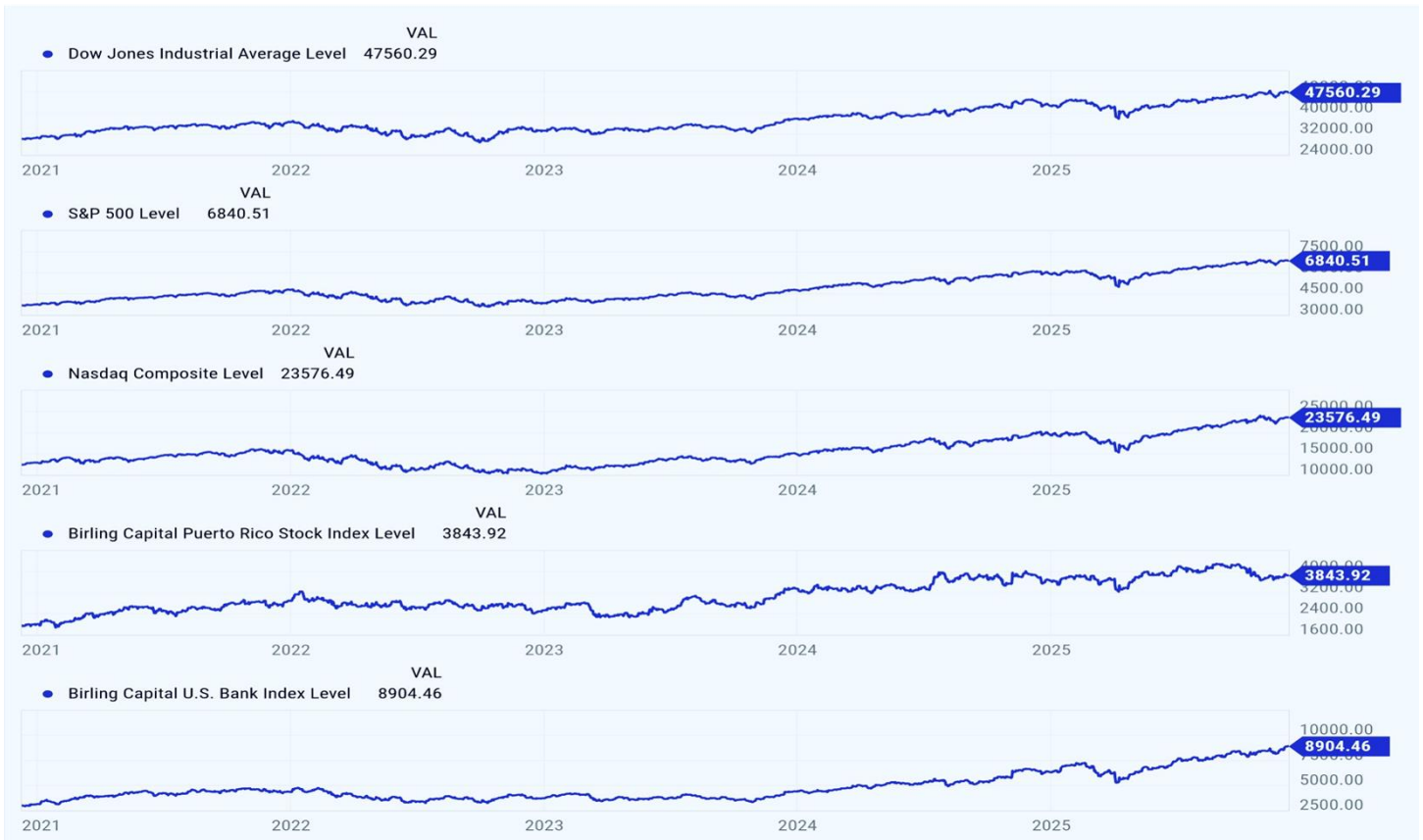




Wall Street Recap

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