

Stocks Finish Strong Week as Jobs Data Supports a Fed Pause and Soft-Landing Case.

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by Francisco Rodríguez-Castro
frc@birlingcapital.com

The U.S. and European equity markets closed higher, after digesting a mixed December U.S. labor report that reinforced a “slow but stable” economic narrative while dialing back expectations for near-term Federal Reserve easing.

Wall Street closed higher, supported by strength in smaller capitalization stocks. The S&P 500 advanced 0.65%, while the Dow Jones climbed 277.96 points, and the Nasdaq added 0.82%, closing a positive week.

U.S. Labor Market: Slow Hiring, Stable Employment

The December employment report delivered mixed signals. Nonfarm payrolls increased by just 50,000, falling short of expectations and following downward revisions totaling 76,000 for the prior two months. On a full-year basis, job growth in 2025 slowed materially, with payrolls rising by approximately 584,000, compared with roughly 2 million in 2024.

Reductions in federal government employment—estimated at 277,000 over the year—account for part of the deceleration, though not all of it. Despite softer hiring, the unemployment rate edged lower to 4.4% in December, providing a counterbalance to weak payroll growth.

In our assessment, the stabilization in unemployment suggests the labor market is cooling but not deteriorating. Hiring momentum remains muted, yet there is little evidence of broad-based labor stress.

Federal Reserve Outlook: Pause First, Cuts Later

The Federal Reserve has delivered rate cuts at each of its last three meetings but has clearly signaled openness to pausing in January. The December labor report is unlikely to alter that posture. Stronger-than-expected third-quarter GDP data and firm fourth-quarter tracking estimates further support a temporary pause.

That said, policymakers broadly agree that the current policy rate range of 3.5%–3.75% remains restrictive. We continue to expect one to two additional 25-basis-point cuts later this year, which would place rates in a 3%–3.5% range by year-end.

Eurozone Markets

European equities moved higher, tracking early gains in U.S. markets as investors weighed the implications of softer U.S. employment data for global monetary policy. The payroll figures reinforced expectations that the Fed is nearing the end of its tightening cycle, even if immediate easing is unlikely.

Defense stocks extended their rally for a fifth consecutive session, adding approximately 0.3%. The sector continues to benefit from renewed calls for higher U.S. defense spending and heightened geopolitical rhetoric, including ongoing discussions about Greenland.

The Path Ahead:

Markets are interpreting the latest labor data as confirmation of a cooling—but resilient—U.S. economy. With recession risks still contained, investors are shifting from aggressive rate-cut expectations toward a more measured outlook: a near-term pause from the Fed, followed by gradual easing later in the year, all against a backdrop of rising geopolitical risk premiums.

GDPNow Update:

- **The fourth-quarter GDPNow:** was updated today, falling to 5.10% from 5.40%, a 5.56% decrease.

Economic Update:

- **U.S. Nonfarm Payrolls MoM:** fell to 50,000, down from 56,000 last month and down -10.71%.
- **U.S. Unemployment Rate:** fell to 4.40%, compared to 4.50% last month.
- **U.S. Labor Force Participation Rate:** fell to 62.40%, compared to 62.50% last month.
- **U.S. Index of Consumer Sentiment:** rose to 52.90, up from 51.00 last month.
- **U.S. Housing Starts:** fell to 1.246M, down from 1.306M last month.
- **U.S. Building Permits:** fell to 1.33M, down from 1.362M last month.
- **Canada Employment Net Change:** fell to 8.20K, down from 53.60K last month.
- **Canada Unemployment Rate:** rose to 6.80% from 6.50% last month.
- **Canada Labour Force Participation Rate:** rose to 65.40%, up from 65.10% last month.
- **Eurozone Retail Trade YoY:** rose to 1.50%, up from 1.20% last month.
- **Germany Exports MoM:** fell by -2.50%, compared to 0.30% last month.
- **Germany Industrial Production Index MoM:** fell to 0.80%, compared to 2.00% last month.
- **Germany Trade Balance:** fell to 13.10B, down from 16.90B last month.
- **Japan Business Conditions Composite Coincident Index:** fell to 115.20, down from 115.90 last month.

Eurozone Summary:

- **Stoxx 600:** closed at 603.83, down 1.16 points or 0.19%.
- **FTSE 100:** closed at 10,044.69, down 3.52 or 0.04%.
- **DAX Index:** closed at 25,127.46, up 5.20 or 0.02%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 49,504.07, up 237.96 points or 0.48%.
- **S&P 500:** closed at 6,966.28, up 44.82 points or 0.65%.
- **Nasdaq Composite:** closed at 23,671.34, up 191.33 points or 0.82%.
- **Birling Capital Puerto Rico Stock Index:** closed at 4,144.44, up 71.17 points or 1.76%.
- **Birling Capital U.S. Bank Index:** closed at 9,477.66, up 27.99 points or 0.30%.
- **U.S. Treasury 10-year note:** closed at 4.18%.
- **U.S. Treasury 2-year note:** closed at 3.54%.

GDPNow**Fourth Quarter 2025**

Date	GDPNow 4Q25	Change
12/23/2025	3.00%	Initial Forecast
1/5/2026	2.70%	-10.00%
1/8/2026	5.40%	100.00%
1/9/2026	5.10%	-5.56%

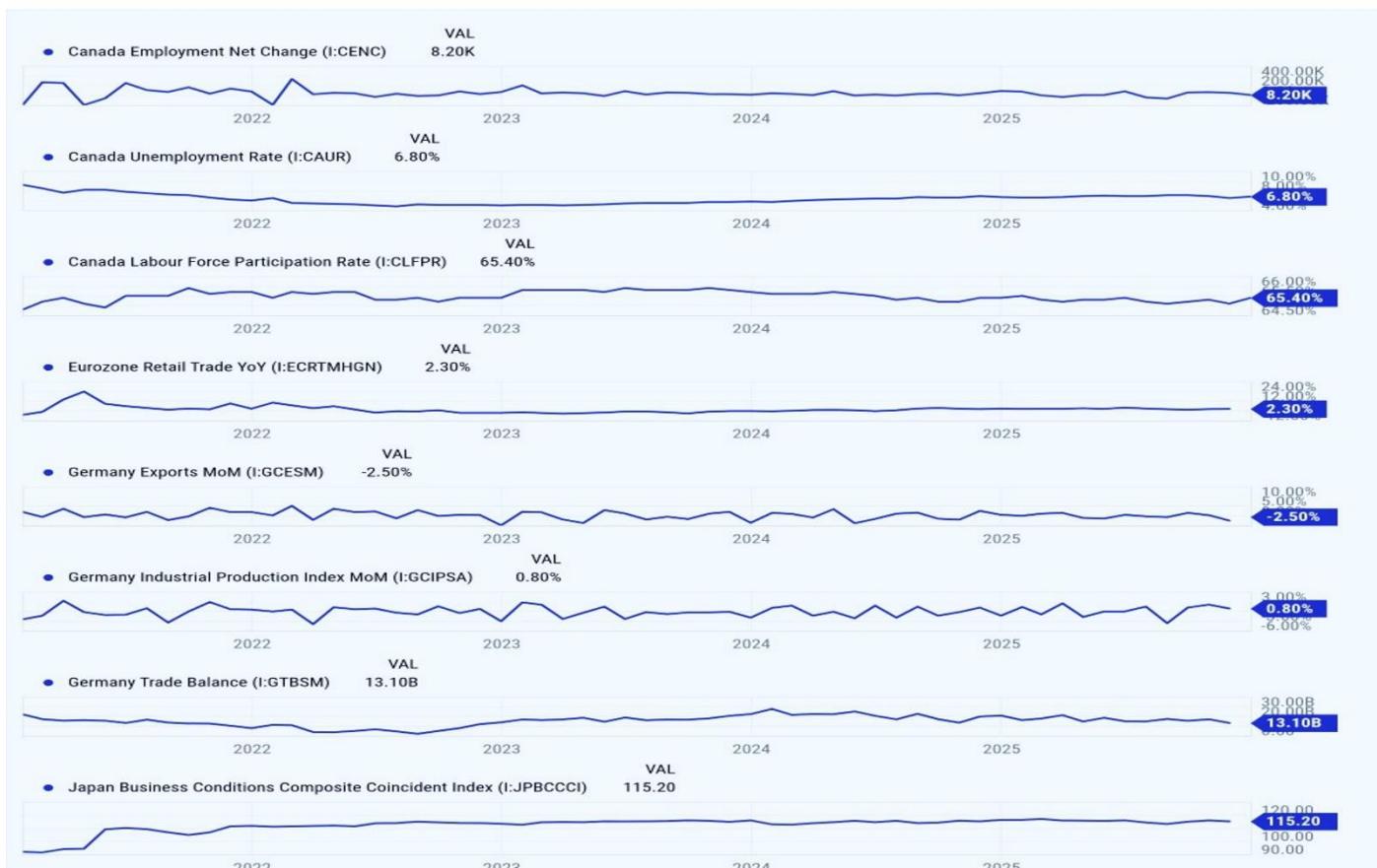
US Index of Consumer Sentiment; US Housing Starts & US Building Permits



US Nonfarm Payrolls MoM; US Unemployment Rate & US Labor Force Participation Rate



Canada Employment Net Change; Canada Unemployment Rate; Canada Labour Force Participation Rate; Eurozone Retail Trade YoY; Germany Exports MoM; Germany Industrial Production Index MoM; Germany Trade Balance & Japan Business Conditions Composite Coincident Index



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