

GLOBAL MARKET SQUARE



Global Markets Rebound as Fed Decision Looms; US Retail Sales Rise, GDP Now at -2.1%, and Inflation Trends.

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The US and European stock markets began the week higher, building on Friday's strong rebound as investors react to an encouraging uptick in retail sales for February. Consumer spending showed resilience, rising 0.2% for the month after a 0.9% decline in January.

With the Federal Reserve's interest rate decision looming, markets remain cautious. Investors expect the Fed to maintain rates within the current 4.25% to 4.5% range. The broader sentiment is also shaped by last week's avoidance of a government shutdown and anticipation of potential trade policy developments in early April. After recent market turbulence—including a 10% correction in the S&P 500 since mid-February—investors appear to be in a holding pattern, waiting for further clarity from policymakers.

The Fed's Next Move: All Eyes on the Dot Plot

The Federal Reserve's March FOMC meeting, set for Tuesday and Wednesday, will be a focal point for markets. While the consensus expects no change in interest rates, attention will be squarely on the Fed's updated economic projections and the "dot plot", which maps policymakers' expectations for future rate movements.

In December, the Fed's median projection suggested two rate cuts in 2025, but market expectations have shifted toward the possibility of three reductions. Additionally, the central bank had forecast 2.1% GDP growth for 2025, but softer economic data in recent weeks may prompt a downward revision. Fed Chair Jerome Powell will likely strike a careful balance—acknowledging economic strength and improving inflation trends while emphasizing the need for policy flexibility given lingering uncertainties.

2025 Investment Strategy: The Case for Diversification

After two years of stock market gains largely fueled by mega-cap technology and AI-driven growth, 2025 has highlighted the importance of diversification. Market volatility and ongoing policy uncertainty—especially regarding tariffs and fiscal policy—have kept investors on edge. However, specific market areas have remained resilient, including defensive and cyclical sectors, fixed income, and selecting international markets.

This reinforces the value of a diversified portfolio. So far this year, a balanced 60-40 portfolio has demonstrated downside protection relative to the S&P 500. For long-term investors, periods of volatility create opportunities—whether through rebalancing, allocating high-quality investments, or broadening exposure across asset classes. While market pullbacks can be unsettling, they often serve as strategic entry points for those focused on sustainable portfolio growth.

GDPNow:

- The GDPNow for the first quarter of 2025 published by the Federal Reserve Bank of Atlanta was updated today, March 17, falling to -2.10%, down from -1.60%, and decreasing 31.25%.

Economic Data Update:

- **US Retail and Food Services Sales MoM:** rose to 0.20%, compared to -1.24% last month.
- **US Retail and Food Services Sales (Excluding Motor Vehicle and Part Dealers) MoM:** rose to 0.33%, compared to -0.64% last month.
- **NAHB/Wells Fargo US Housing Market Index:** fell to 39.00, down from 42.00 last month, decreasing -7.14%.
- **US Business Inventories MoM:** rose to 0.32%, compared to -0.20% last month.
- **US Wholesalers Inventories MoM:** rose to 0.80%, compared to -0.40% last month.
- **US Retail Gas Price:** fell to \$3.197, down from \$3.206 last week, down -0.28%.

Eurozone Summary:

- **Stoxx 600:** Closed at 550.94, up 4.34 points or 0.79%.
- **FTSE 100:** Closed at 8,680.29, up 47.96 points or 0.56%.
- **DAX Index:** Closed at 23,154.57, up 167.75 points or 0.73%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 41,841.63, up 353.45 points or 0.85%.
- **S&P 500:** closed at 5,675.12, up 36.19 points or 0.65%.
- **Nasdaq Composite:** closed at 17,808.66, up 54.58 points or 0.31%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,604.98, up 93.25 points or 2.66%.
- **Birling Capital US Bank Index:** closed at 6,041.23, up 181.16 points or 3.09%.
- **US Treasury 10-year note:** closed at 4.31%.
- **US Treasury 2-year note:** closed at 4.06%.



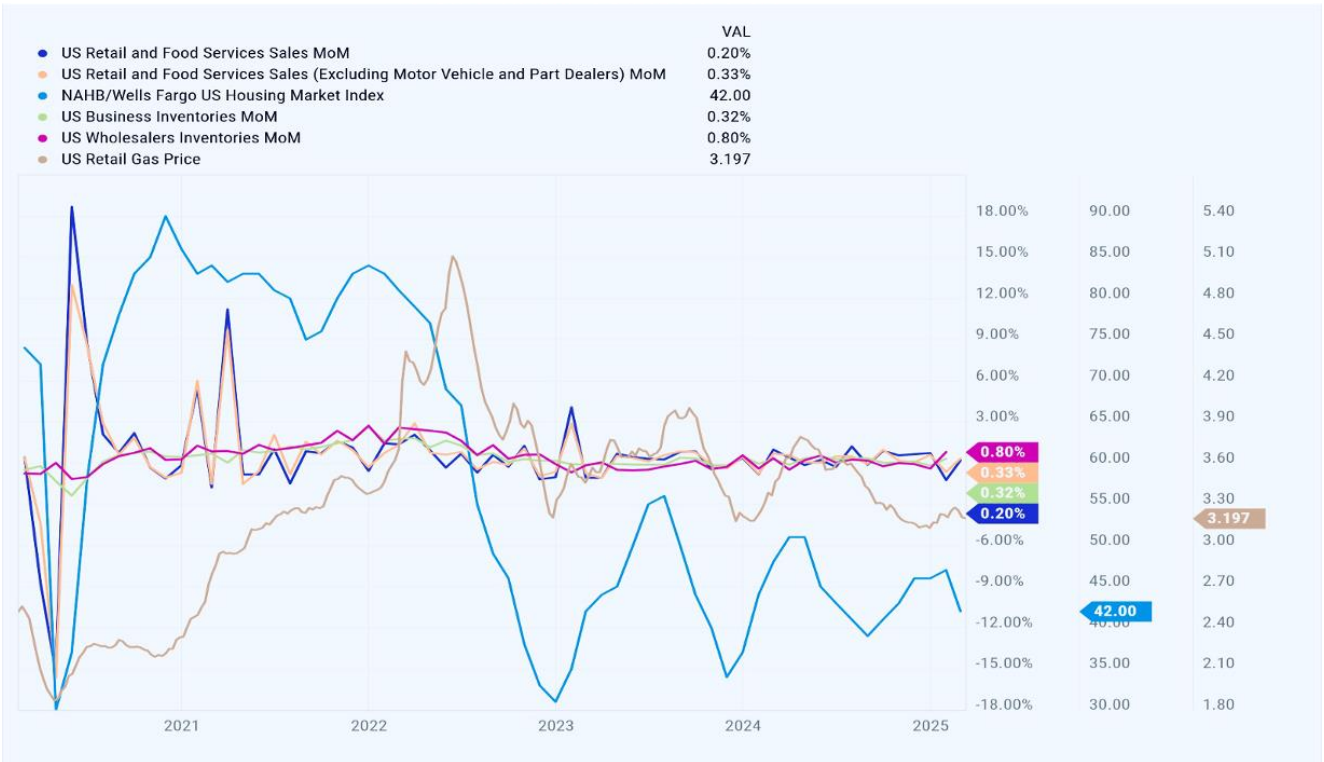
GDPNow

Forecast for the First Quarter 2025

Date	GDPNow 1Q25	Change
1/31/25	2.90%	Initial Forecast
2/3/25	3.90%	34.48%
2/5/25	2.90%	-25.64%
2/7/25	2.90%	0.00%
2/14/25	2.30%	-20.69%
2/19/25	2.30%	0.00%
2/28/25	-1.50%	-165.22%
3/3/25	-2.80%	-86.67%
3/6/25	-2.40%	14.29%
3/7/25	-1.60%	-33.33%
3/17/25	-2.10%	31.25%



US Retail & Food Service Sales, NAHB/Wells Fargo US Housing Markets, US Business Inventories, US Wholesalers Inventories & US Retail Gas Price





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