GLOBAL MARKET SQUARE

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Tech Weakness Drags, but Market Breadth Lifts the Nasdaq as Investors Reassess Valuations and the Fed Outlook.

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The U.S. and European stock markets closed the session under pressure on Friday, as a wave of weakness across mega-cap technology stocks weighed heavily on all three major U.S. indexes. However, the **Nasdaq closed marginally higher, while the Dow Jones and the S&P 500 fell further into the red**. Investor sentiment remains fragile, with valuations again at the center of debate and the Federal Reserve signaling that a December rate cut is far from assured.

Across U.S. markets, the outsized influence of growth and technology names created a broad drag. Futures markets now assign **a 50% probability of a December rate cut**, sharply lower from **70% earlier in the week**, after several Fed officials delivered comments leaning more hawkish than investors expected. Bond markets reflected that shift: **U.S. Treasury yields fell across the curve**, with the 10-year retreating toward **4.10%** as investors sought safety ahead of next week's inflation and employment data releases.

Overseas, the tone remained risk-off. **Asian markets closed broadly lower** following softer-than-forecast industrial production data from China, while **European equities slipped**, mirroring Wall Street's tech-driven selloff.

A November Rotation Takes Shape as Tech Stumbles

Investors are shifting away from high-growth technology stocks amid concerns about valuation resilience. The **Nasdaq has fallen roughly 5% so far this month**, putting it on pace for a second consecutive losing week despite substantial year-to-date gains of around **17%**.

Still, the long-term outlook for mega-cap Technology remains constructive. Robust earnings fueled by artificial intelligence demand continue to support these companies, and we expect AI-driven productivity improvements to benefit the broader economy in the years ahead. However, given the sector's dominance within U.S. benchmarks, we emphasize the importance of diversification.

Birling Sector Guidance (Opportunistic Tilt):

- **Overweight:** Industrials, Health Care, Consumer Discretionary
- **Underweight:** Consumer Staples, Utilities
- **Neutral:** All other sectors, including Technology

Maintaining balance between growth and value remains essential as the market navigates late-cycle uncertainty and shifting monetary policy expectations.

International Markets Head Toward Their Best Year Since 2009

International equities continue to outperform, placing the **MSCI AC World ex-U.S. Index on track for gains above 30% in 2025**, which would mark its strongest annual performance since 2009.

Europe has been a key driver, supported by **ECB rate cuts**, renewed economic stability, and **Germany's fiscal stimulus package** announced earlier this year. In emerging markets, technology-heavy regions are surging:

- **MSCI China Index:** up ~40%
- **MSCI Korea Index:** up ~90%

A **weaker U.S. dollar** has amplified returns. Excluding currency effects, international equities are still up a solid **23.7% year-to-date**, reinforcing the strength of the global rally.
Looking ahead, we maintain our overweight stance on:

- **Emerging-market equities**
- **International developed small- and mid-cap stocks**

These segments remain positioned to benefit from improving global growth, easing trade tensions, more attractive relative valuations, and continued dollar softness.

European Markets Close Sharply Lower as AI Bubble Fears Hit Tech

European stocks ended the day decisively lower, as concerns about a potential **artificial intelligence bubble** and global economic uncertainty rattled investor confidence. The **Stoxx 600 fell more than 1%**, while the **Stoxx Technology Index declined 1.4%**, echoing Thursday's Big Tech slump on Wall Street.
Among notable decliners:

- **Infineon:** –1.6%
- **SAP:** –3.2%
- **BE Semiconductor:** –1.8%

SAP also announced it will make concessions to settle an EU antitrust probe involving its flagship ERP software. Shares of **Novo Nordisk** fell **2.4%** after a shareholder vote replaced several independent board members.
Across the continent, investor attention remains fixed on the twin risks of **overextended tech valuations** and **slowing global manufacturing**, setting the tone for a cautious end to the week.

The U.S. Government Reopens

After a record 43-day shutdown, the federal government finally reopened yesterday. The breakthrough came late Sunday when eight Senate Democrats joined Republicans to pass a short-term funding bill through January 30, along with three full-year appropriations for select agencies. Their support hinged on a commitment from Senate Majority Leader John Thune (R-SD) to allow a December vote on extending expiring Affordable Care Act subsidies—a top Democratic demand throughout the Shutdown.
The agreement also strengthened protections for federal workers: reversing shutdown-related layoffs, banning mass firings through January 30, and reaffirming back pay for all furloughed employees. The House—back in session for the first time in 54 days—approved the package later in the week, with six Democrats joining most Republicans to send it to President Trump's desk.

When is the Next Brawl?

Congress now faces a crowded agenda. Lawmakers must finalize the annual defense authorization bill and navigate the next funding deadline **on January 30**. **While the new law fully funds Agriculture (including SNAP), the Legislative Branch, and Military Construction–VA for the entire fiscal year, nine major appropriations bills remain unfinished**—covering most discretionary spending. We expect progress on some, but bipartisan agreement on contentious areas such as Energy, Homeland Security, Financial Services, State, and Labor-HHS-Education will be difficult. Another partial shutdown threat looms as the deadline approaches.

Healthcare Fight Still Unresolved

The expiring ACA subsidies—central to Democrats' shutdown stance—**were not extended** in this week's deal. Instead, Democrats secured a promise for a Senate vote on their proposal by mid-December. Informal bipartisan talks continue, with Democrats pushing for a long-term extension and Republicans favoring added income-based limits. These efforts may not succeed; competing plans could come to a vote and fail.

Even if the Senate reaches an agreement, House GOP leaders have not pledged to take up the measure. The Trump administration and many Republicans remain focused on broader healthcare reforms unlikely to draw bipartisan support. With millions potentially facing higher premiums next year, healthcare policy will remain one of Washington's most intense political battles heading into the election season.

Economic Data:

The Shutdown impacted the first four reports below

- **U.S. Retail and Food Services Sales (Excluding Motor Vehicle and Part Dealers) MoM**
- **U.S. Retail and Food Services Sales MoM**
- **U.S. Business Inventories MoM**
- **U.S. Wholesalers Inventories MoM**
- **Continental US Working Natural Gas in Underground Storage WoW:** rose to 45.00B, up from 33.00B last week.
- **Natural Gas Storage Change:** rose to 45.00B, up from 33.00B last week.
- **Canada Manufacturing Shipments:** rose to 72.06B, up from 69.75B last month.
- **Canada Manufacturing Shipments MoM:** rose to 3.31%, compared to -1.10% last month.
- **Canada Wholesale Sales MoM:** fell to 0.76%, compared to -3.03% last month.

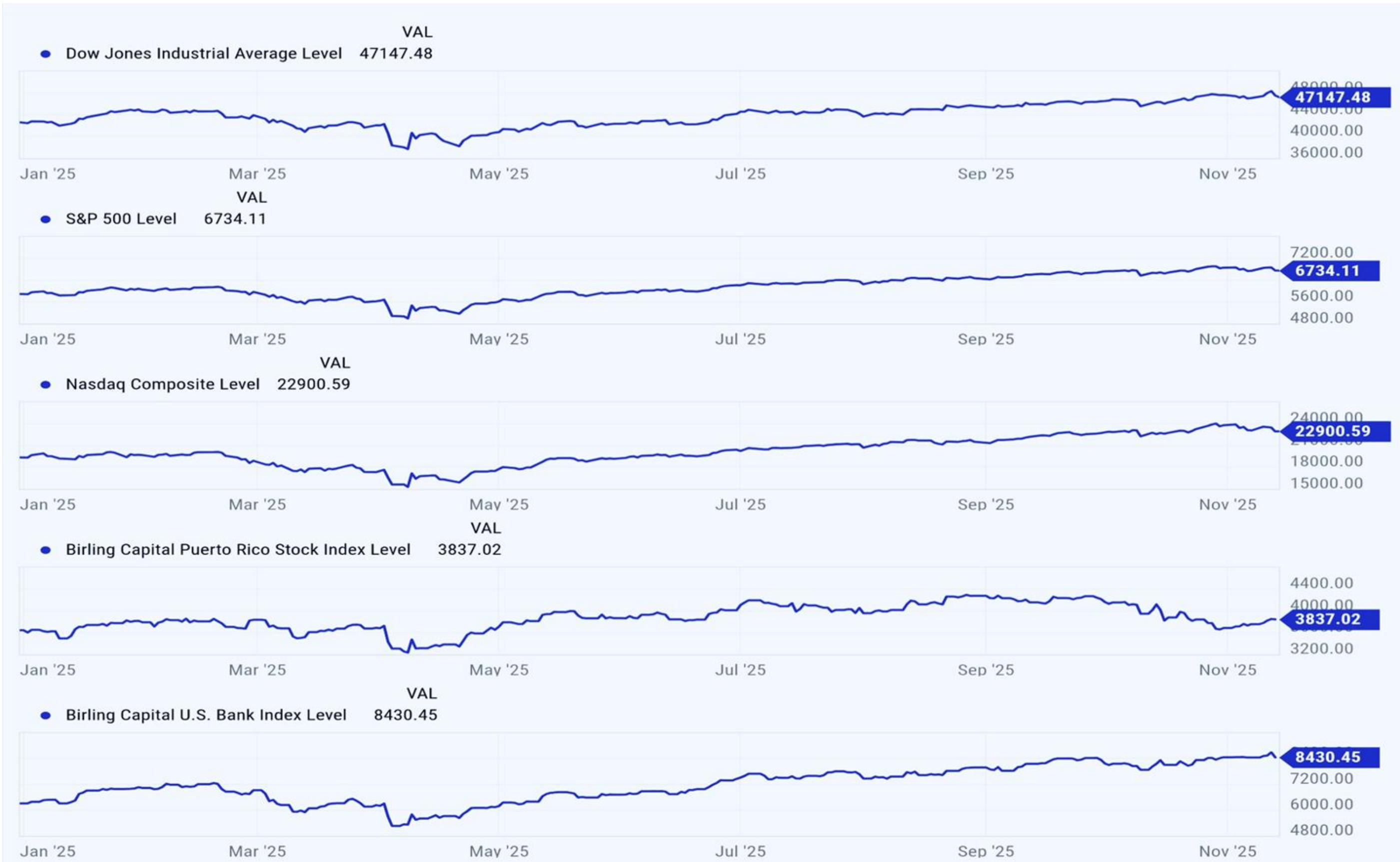
Eurozone Summary:

- **Stoxx 600:** Closed at 574.81, down 5.86 points or 1.01%.
- **FTSE 100:** Closed at 9,698.37, down 109.31 or 1.11%.
- **DAX Index:** Closed at 23,876.55, down 165.67 points or 0.69%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 47,147.48, down 309.74 points or 0.65%.
- **S&P 500:** closed at 6,734.11, down 3.38 points or 0.05%.
- **Nasdaq Composite:** closed at 22,900.58, up 30.23 points or 0.13%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,837.02, down 7.25 points or 0.19%.
- **Birling Capital U.S. Bank Index:** closed at 8,430.45, down 234.77 points or 2.71%.
- **U.S. Treasury 10-year note:** closed at 4.14%.
- **U.S. Treasury 2-year note:** closed at 3.62%.

The Economic Cycle: US GDP, US Index of Consumer Sentiment, US Inflation Rate, Effective Federal Funds Rate & Birling PR Stock Index



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