

Wall Street Rises as Traders Look Past Mixed Inflation and Soft Sales, Betting 83% on a December Rate Cut.

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The **U.S. and European stock markets closed higher**, extending the rebound that began earlier this week as investors digested a fresh batch of delayed government data showing mixed producer inflation and slightly softer retail sales for September.

The **Dow Jones Industrial Average** led the advance, surging **664.18 points**, its strongest close in weeks. The **S&P 500** followed with a **0.91% gain**, while the **Nasdaq Composite** added **0.67%**. Bond yields continue to decline, with the **10-year U.S. Treasury at 4.01%**, near its lowest level of the year.

The U.S. dollar is weakening against major currencies, and **WTI crude trades near year-to-date lows** amid persistent oversupply concerns.

Producer Prices: Inflation Still Elevated but Slowly Moderating

The latest Producer Price Index (PPI) for September offered a nuanced picture of inflation shows the **PPI held steady at 2.72% YoY**, above expectations for a dip to 2.60%, **Energy prices rose 3.5%**, marking the most significant contribution to the headline reading and the **Core PPI**, which excludes food and energy, **slipped to 2.57%**, undershooting estimates for 2.7%.

Though the data were delayed due to the government shutdown, the trend remains consistent: headline inflation is sticky, but core pressures continue to ease.

With oil prices down roughly **5% since late September**, we see scope for headline inflation to soften further. Interest-rate markets now price an **83% likelihood of a December rate cut**, reinforcing expectations that the Federal Reserve remains on a path toward additional easing.

Retail Sales: A Mild Cooldown After Strong Gains

Retail activity moderated in September following several months of robust spending, with **Retail sales increasing 0.2%**, missing expectations for a 0.4% rise, and **Auto sales falling 0.3%**, a notable drag on the headline number.

In our assessment, consumers are easing their spending pace after an extreme stretch—particularly in autos and discretionary categories—rather than signaling a broader pullback in demand.

European Stocks Advance as Global Rebound Gains Traction

European markets closed firmly higher on Tuesday, with broad strength across sectors as global sentiment continues to improve.

The **Stoxx 600 finished up 0.9%**, supported by gains across most major indices.

Tuesday's rise follows a strong rebound in U.S. markets on Monday, driven by renewed enthusiasm around artificial intelligence and rising expectations of a Fed rate cut.

Asian markets also traded higher overnight, buoyed by Wall Street's rally.

Markets are now pricing **more than an 80% chance** of a quarter-point rate cut from the Federal Reserve in December.

GDPNow Update:

- The **GDPNow** for the third quarter was updated on November 25 to **4.00%**, up from 4.20%, a decrease of 4.76%.

Economic Data:

- **U.S. Producer Price Index YoY:** rose to 2.72%, compared to 2.70% last month.
- **U.S. Core Producer Price Index YoY:** fell to 2.57%, compared to 2.95% last month.
- **U.S. Pending Home Sales YoY:** fell -0.93%, compared to 3.89% last month.
- **Case-Shiller Composite 20 Home Price Index YoY:** fell 1.57%, compared to 1.80% last month.
- **Case-Shiller Home Price Index:** National rose to 327.13, up from 326.46 last month.
- **Richmond Fed Manufacturing Index:** fell -15.00, down from -4.00 last month.
- **U.S. Retail Gas Price:** rose to \$3.19, up from \$3.186 last week.
- **Germany Real GDP YoY:** is unchanged at 0.30%, compared to 0.30% last quarter.

Eurozone Summary:

- **Stoxx 600:** Closed at 568.01, up 5.13 points or 0.91%.
- **FTSE 100:** Closed at 9,609.53, up 74.62 or 0.78%.
- **DAX Index:** Closed at 23,464.63, up 225.45 points or 0.97%.

Wall Street Summary:

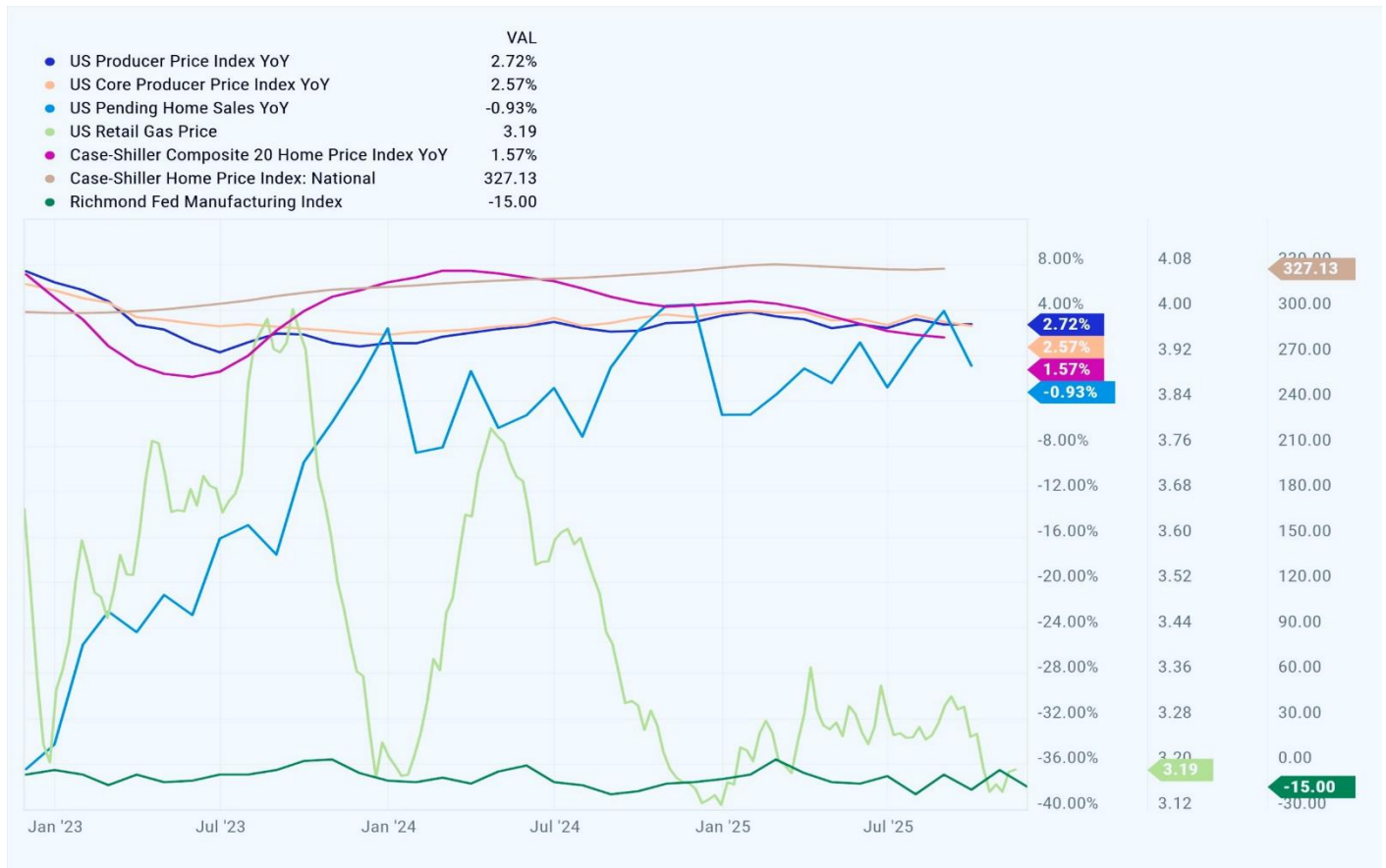
- **Dow Jones Industrial Average:** closed at 47,112.45, up 664.18 points or 1.43%.
- **S&P 500:** closed at 6,765.88, up 60.76 points or 0.91%.
- **Nasdaq Composite:** closed at 23,025.59, up 153.58 points or 0.67%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,733.81, down 61.20 points or 1.62%.
- **Birling Capital U.S. Bank Index:** closed at 8,289.26, up 118.37 points or 1.45%.
- **U.S. Treasury 10-year note:** closed at 4.01%.
- **U.S. Treasury 2-year note:** closed at 3.43%.

GDPNow

Third Quarter 2025

Date	GDPNow 3Q25	Change
7/31/2025	2.30%	Initial Forecast
8/1/2025	2.10%	-8.70%
8/5/2025	2.50%	19.05%
8/7/2025	2.50%	19.05%
8/15/2025	2.50%	0.00%
8/19/2025	2.30%	-8.00%
8/26/2025	2.20%	-4.35%
8/29/2025	3.50%	59.09%
9/2/2025	3.00%	-14.29%
9/4/2025	3.00%	0.00%
9/10/2025	3.10%	3.33%
9/16/2025	3.40%	9.68%
9/17/2025	3.30%	-2.94%
9/26/2025	3.90%	18.18%
10/1/2025	3.80%	-2.56%
10/7/2025	3.80%	0.00%
10/17/2025	3.90%	2.63%
10/27/2025	3.90%	0.00%
11/3/2025	4.00%	2.56%
11/17/2025	4.10%	2.50%
11/19/2025	4.10%	0.00%
11/21/2025	4.20%	2.44%
11/25/2025	4.00%	-4.76%

US Producer Price Index YoY; US Core Producer Price Index YoY; US Pending Home Sales YoY; US Retail Gas Price; Case-Shiller Composite 20 Home Price Index YoY; Case-Shiller Home Price Index: National & Richmond Fed Manufacturing Index



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