Dow Rallies 400 Points for First-Ever Close Above 47,000 as Inflation Cools and Rate-Cut Bets Deepen and Global Stocks Gain.

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The U.S. and European stock markets closed higher as cooler-than-expected inflation data reinforced confidence that the Federal Reserve can stay on its rate-cutting path. The **Dow Jones Industrial Average surged 472.51 points** to 47,207.12, marking its **first-ever close above 47,000. The S&P 500** gained **0.79% to 6,791.69,** and the **Nasdaq Composite** advanced **1.15% to 23,204.87, with all three major indexes finishing at record levels.**

Gains were strongest in communication services and technology, while energy and materials lagged. **Bond yields slipped, with the 10-year Treasury yield at 4.02%**, as investors cheered signs of moderating inflation. Overseas, the S&P Global eurozone flash PMI for October rose to 52.2, its highest level since May 2023, signaling accelerating business activity.

President Donald Trump announced the suspension of trade negotiations with Canada after the Ontario government aired an anti-tariff advertisement, intensifying cross-border tensions. Treasury yields moved lower, with the 10-year U.S. Treasury note trading near 4.00%. Overseas, European markets were mixed as the S&P Global eurozone flash composite PMI for October rose to **52.2**, surpassing forecasts and marking the strongest reading since May 2023. The U.S. dollar strengthened against major currencies as investors assessed the implications for monetary policy.

European stocks end higher after soft U.S. inflation report — European equities reversed early losses to close higher Friday as cooler-than-expected U.S. inflation and strong corporate earnings lifted sentiment. The **Stoxx 600** rose **0.2%**, while **London's FTSE 100** gained **0.7%**, extending its record high. U.S. CPI came in at **3.0%** versus expectations of 3.1%, reinforcing bets on another **Fed rate cut** next week.

Earnings lift key names — **Saab** jumped **6.1%** after raising 2025 sales guidance, while **NatWest** beat profit forecasts with £2.18 billion in 3Q earnings and raised its full-year outlook. **ENI**, **Sanofi**, **Volvo Group**, and **Porsche** also reported steady results, boosting regional confidence.

Trade and policy in focus — The **EU and U.S.** unveiled coordinated **Russia sanctions**, while **President Trump** ended trade talks with Canada following an Ontario ad criticizing tariffs. In Asia, **South Korea's Kospi** hit a record high as optimism over renewed U.S.–China dialogue supported regional markets.

Inflation Cools More Than Expected

The **Consumer Price Index (CPI)** rose **3.0% year-over-year** in September, slightly below expectations for **3.1%**, signaling a slower pace of price increases. On a monthly basis, higher **gasoline prices**—up 4.1%—were the largest contributor to the gain. The **core CPI**, excluding food and energy, also came in at **3.0%**, down from last month's 3.1% reading. Notably, **rents and shelter costs** eased to **3.5%**, a sharp improvement from **4.9%** a year earlier, helping to restrain overall inflation pressures.
In our view, the report strengthens the case for the **Federal Reserve** to proceed with a second

consecutive **rate cut next week**, as policymakers balance easing inflation with a cooling labor market. While tariffs are expected to temporarily push up some prices, we believe these increases will be short-lived and unlikely to reverse the broader disinflation trend.

U.S. Index of Consumer Sentiment

The U.S. Index of Consumer Sentiment dropped sharply from 71.7 in January to 53.6 in October 2025, underscoring rising economic anxiety as households face persistent price pressures, high borrowing costs, and political uncertainty.

After a midyear rebound to 61.7 in July—driven by lower gas prices and strong markets—confidence weakened again as tariffs, housing costs, and the government shutdown reignited concerns about growth and stability. The decline from 61.7 to 53.6 in just three months highlights how fragile consumer psychology has become.

Despite inflation cooling to 3.0%, real income growth remains uneven, and consumers are tightening spending. This erosion in sentiment, a leading indicator of consumption trends, suggests softer retail sales and service activity into Q4.

From Birling Capital's perspective, the October figure signals caution, not collapse. With the Fed expected to cut rates again, easing financial conditions could stabilize confidence in early 2026—provided job markets hold and fiscal policy uncertainty fades.

In short: consumers are weary, but not broken; inflation fatigue and policy chaos—not economic fundamentals—are driving this year's pessimism.

PMI Data Signals Strong Start to Q4

The **S&P Global Flash U.S. Services PMI** rose to **55.2** in October, topping expectations for 54.2 as new domestic orders offset weaker exports. The **Manufacturing PMI** climbed to **52.2**, just below forecasts but still reflecting expansion. Together, the readings suggest steady momentum entering the fourth quarter, with both sectors above the key **50.0** threshold that separates growth from contraction.

We interpret these figures as consistent with moderate, broad-based economic growth—supporting consumer spending and employment while allowing the Fed to remain flexible in its policy path.

Economic Data:

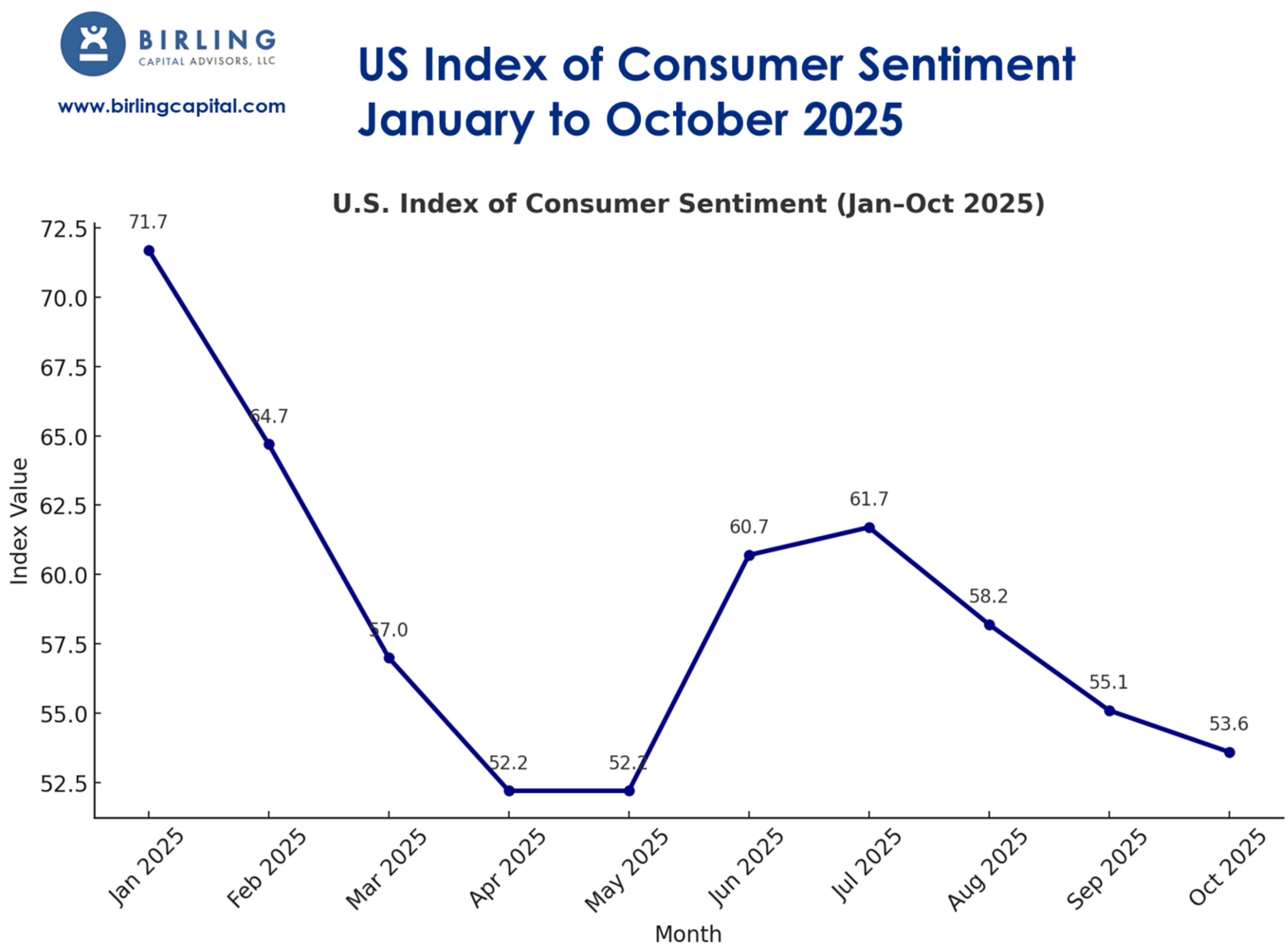
- **U.S. Consumer Price Index YoY:** rose to 3.01%, compared to 2.92% last month.
- **U.S. Core Consumer Price Index YoY:** fell to 3.03%, compared to 3.11% last month.
- **U.S. Inflation Rate:** is at 3.01%, up from 2.92% last month.
- **U.S. Index of Consumer Sentiment:** fell to 53.60, down from 55.10 last month, decreasing by 2.72%.
- **U.S. New Single-Family Houses Sold:** rose to 800,000, up from 664,000 last month, increasing 20.48%.
- **U.K. Retail Sales YoY:** rose to 1.50%, compared to 0.70% last month.
- **Japan Business Conditions Composite Coincident Index:** fell to 112.80, down from 114.10 last month.

Eurozone Summary:

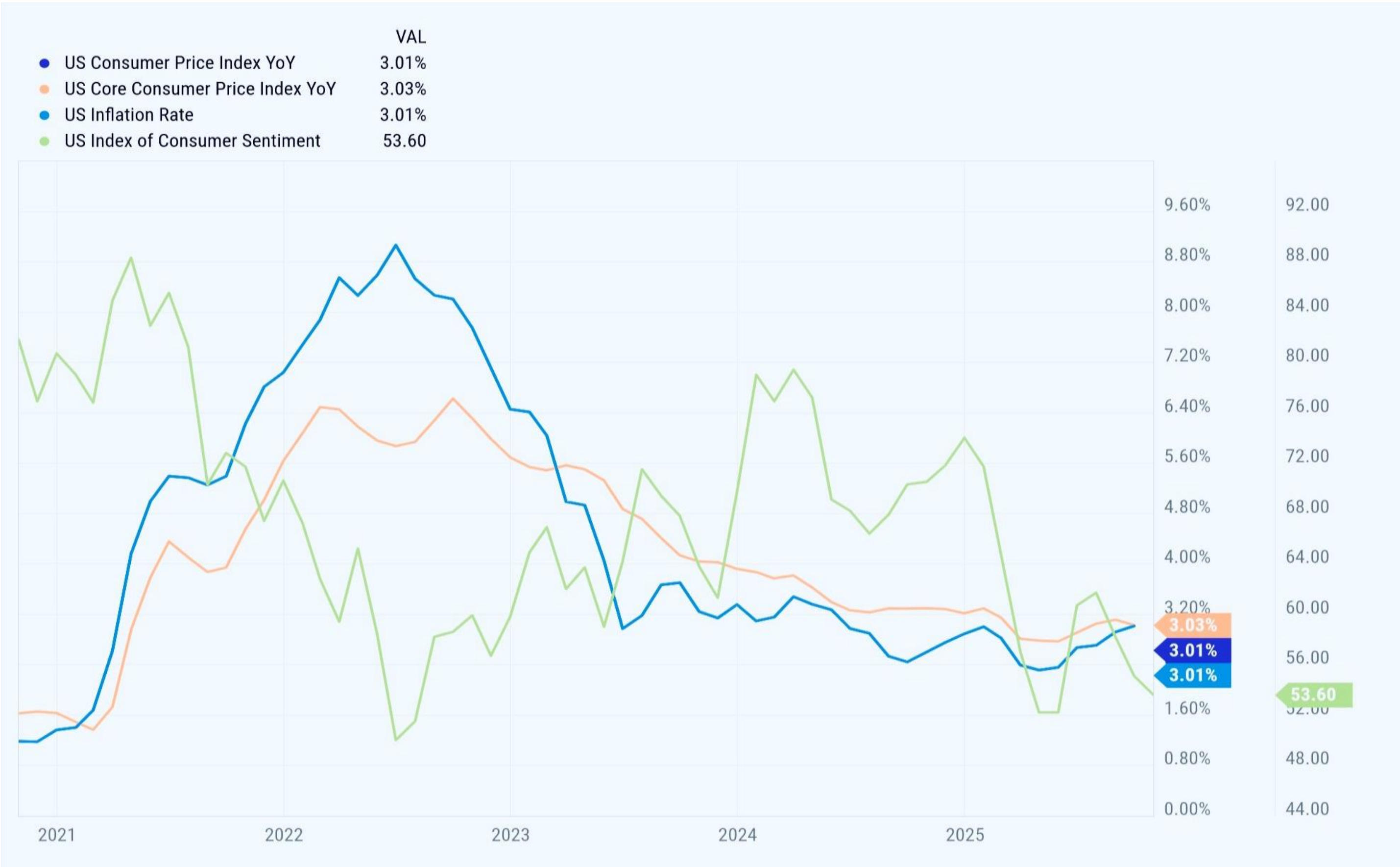
- **Stoxx 600:** Closed at 575.43, up 1.00 points or 0.17%.
- **FTSE 100:** Closed at 9,645.62, up 67.05 points or 0.70%.
- **DAX Index:** Closed at 24,239.89, up 32.10 points or 0.13%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 47,207.12, up 472.51 points or 1.01%.
- **S&P 500:** closed at 6,791.69, up 53.25 points or 0.79%.
- **Nasdaq Composite:** closed at 23,204.87, up 263.06 points or 1.15%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,810.40, down 45.17 points or 1.17%.
- **Birling Capital U.S. Bank Index:** closed at 8,100.88, up 55.66 points or 0.69%.
- **U.S. Treasury 10-year note:** closed at 4.02%.
- **U.S. Treasury 2-year note:** closed at 3.48%.



US Consumer Price Index YoY; US Core Consumer Price Index YoY; US Inflation Rate & US Index of Consumer Sentiment



US New Single Family Houses Sold; UK Retail Sales YoY & Japan Business Conditions Composite Coincident Index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Dow Jones Industrial Average Level 47207.12
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Jan '25
Mar '25
May '25
Jul '25
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Birling Capital U.S. Bank Index Level 8100.88
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