GLOBAL MARKET SQUARE

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UBS Earnings Surge 74.10%, Fed Cuts Rates 25 Basis Points, May Pause for Now, and as Wall Street Turns Negative.

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The **U.S. and European stock markets retreated from record levels on Wednesday after Federal Reserve Chair Jerome Powell** suggested the central bank **may not cut rates again this year**, cooling an early rally that had pushed major indexes to fresh intraday highs.
The **Dow Jones Industrial Average fell 73072 points** after climbing as much as 334 points earlier in the day. The **S&P 500** slipped 0.18%, while the **Nasdaq Composite** gained **130.98**, both giving back portions of their intraday advances. **All three benchmarks had touched new all-time highs before** Powell's remarks tempered enthusiasm.
In a w**idely anticipated move**, the **Federal Reserve cut interest rates by 25 basi**s **points**, the second such reduction this year, **lowering the benchmark range to 3.75%–4.00%**. The decision marked a turning point. After nearly two years of navigating persistent inflation and tightening credit conditions, the Fed's latest move signals that the central bank is now leaning toward sustaining growth rather than restraining it.

The Fed's Policy Pivot: The Decision and Powell's Message

At the conclusion of its two-day meeting, **the Federal Reserve cut the federal funds rate by 25 basis points, setting the target range at 3.75% to 4.00%, the second reduction of 202**5. Markets had widely expected the move and were already pricing in another quarter-point cut in December.
However, Powell's comments immediately shifted expectations:
"**There were strongly differing views about how to proceed in December", Powell told reporters. "A further reduction in the policy rate at the December meeting is not a foregone conclusion — far from it".**
Powell's remark indicated a lack of consensus on how quickly to proceed with further easing. This contrasted with previous market expectations for continual rate cuts. He clarified that, while inflation is moderating and the labor market is softening, the Committee remains cautious and needs more evidence before considering more aggressive rate reductions, especially given ongoing global uncertainties.
Bond yields rose as traders scaled back bets on further easing, with the **10-year Treasury closing at 4.08%.** The U.S. dollar firmed modestly, and WTI crude oil reversed earlier gains as risk sentiment cooled.
For the Fed, today's action completes a subtle but significant policy pivot — from defending against inflation to defending the longevity of growth. For investors, it reopens a familiar but welcome chapter: a world where liquidity returns, borrowing costs fall, and capital once again begins to move with purpose.
The Federal Open Market Committee's (FOMC) decision signals that the central bank now views inflation as **"moderating",** allowing for a recalibration of policy toward sustaining growth.

Eurozone and Global Trade Developments

European stocks ended Wednesday lower, though some shares were buoyed by earnings, as investors awaited the conclusion of the U.S. Federal Reserve's meeting.

This week's Asia-Pacific Economic Cooperation (APEC) conference brought a flurry of activity. This week's **APEC conference saw the U.S. and South Korea cut industrial goods tariffs to 15% and announce $350 billion in U.S. investments plus $100 billion in LNG purchase**s from South Korea. Earth elements essential for semiconductors, electric vehicles, and clean-energy technologies.
President Trump is scheduled to meet China's President Xi Jinping tomorrow, a high-stakes meeting.

Corporate Earnings Surging

Earnings season continued to impress this week, headlined by **UBS Group AG (UBS),** which delivered another strong quarter and underscored the resilience of global financial institutions in a moderating-rate environment. Today, **UBS reported 3Q 2025 revenues that rose 3.48% and net income that rose 74.10%**; and earnings per share of $0.76, topping analyst estimates.
Robust results set a positive tone, with technology giants and broad-based earnings driving the week.
With 44% of S&P 500 companies having reported, 82% have exceeded analyst expectations, producing an average upside surprise of 6.6%. The performance marks one of the strongest earnings beats in the past three years and highlights how U.S. corporations continue to deliver despite higher capital costs.
Earnings growth remains broad, spanning eight of eleven sectors, led by technology, financials, and materials. This signals a shift away from the previous market leadership of the "Magnificent 7" toward a more balanced corporate strength.
After today's close, major tech firms report, followed by Amazon and Apple. Broad participation strengthens the case for diversification and selective sector rotation as earnings become the key driver of equity returns.

Outlook & Strategic Implications

The **Fed's action today cements the transition from a defensive to an accommodative policy posture**, signaling a renewed focus on sustaining growth rather than curbing inflation. This shift carries several strategic implications:

- **Fixed Income:** Falling yields open the door for longer-duration exposure. Investors should consider extending duration to capture potential capital appreciation as the rate environment stabilizes.
- **Equities:** Lower borrowing costs favor capital-intensive sectors such as housing, industrials, and infrastructure — all positioned to benefit from easier financing conditions.
- **Emerging Markets & Puerto Rico:** With global liquidity improving, capital flows toward higher-yielding geographies should accelerate. Puerto Rico, in particular, stands to benefit through enhanced access to private financing for infrastructure and tourism projects.

Bottom Line: A New Equilibrium Takes Shape

The **Federal Reserve's 25-basis-point rate cut today marks not just an adjustment, but a turning point**. As policy shifts toward support, global trade finds new energy, and earnings broaden beyond the technology giants, the financial landscape is entering a phase defined less by restraint and more by renewal.
In this **new phase of easing policy, i**nvestors should think not in terms of bold pivots but of purposeful balance. **The optimal stance is a selectively diversified portfolio—one that blends high-quality bonds with growth equities, real assets, and global exposure.**
Falling rates favor longer-duration bonds and companies with strong cash flows, while lower borrowing costs breathe life into industrial, infrastructure, and technology sectors. Liquidity returning to markets creates opportunity, but discernment remains key.
This is the time to reassess, rebalance, and reposition portfolios toward stability and compounding growth—anchored by discipline, guided by opportunity, and aligned with the coming cycle of lower rates and renewed expansion.

As liquidity returns and confidence builds, those principles will separate the reactive from the prepared, and the speculative from the strategic.

Corporate Earnings Parade:

- **UBS Group AG (UBS):** reported 3Q25 revenues of $12,76 billion, up 3.48%, net income of $2.5 billion, up 74.10% and earnings per share of $0.76, topping estimates. UBS has a Tier 1 Capital Ratio of 14.80% and a stock price objective of $41.16. View Our Report: UBS Overview

Economic Data:

- **U.S. Pending Home Sales YoY:** rose to 3.75%, compared to 0.84% last month.
- **Target Federal Funds Rate Upper Limit:** fell to 4.00%, compared to 4.25% yesterday.
- **Target Federal Funds Rate Lower Limit:** fell to 3.75%, compared to 4.00% yesterday.

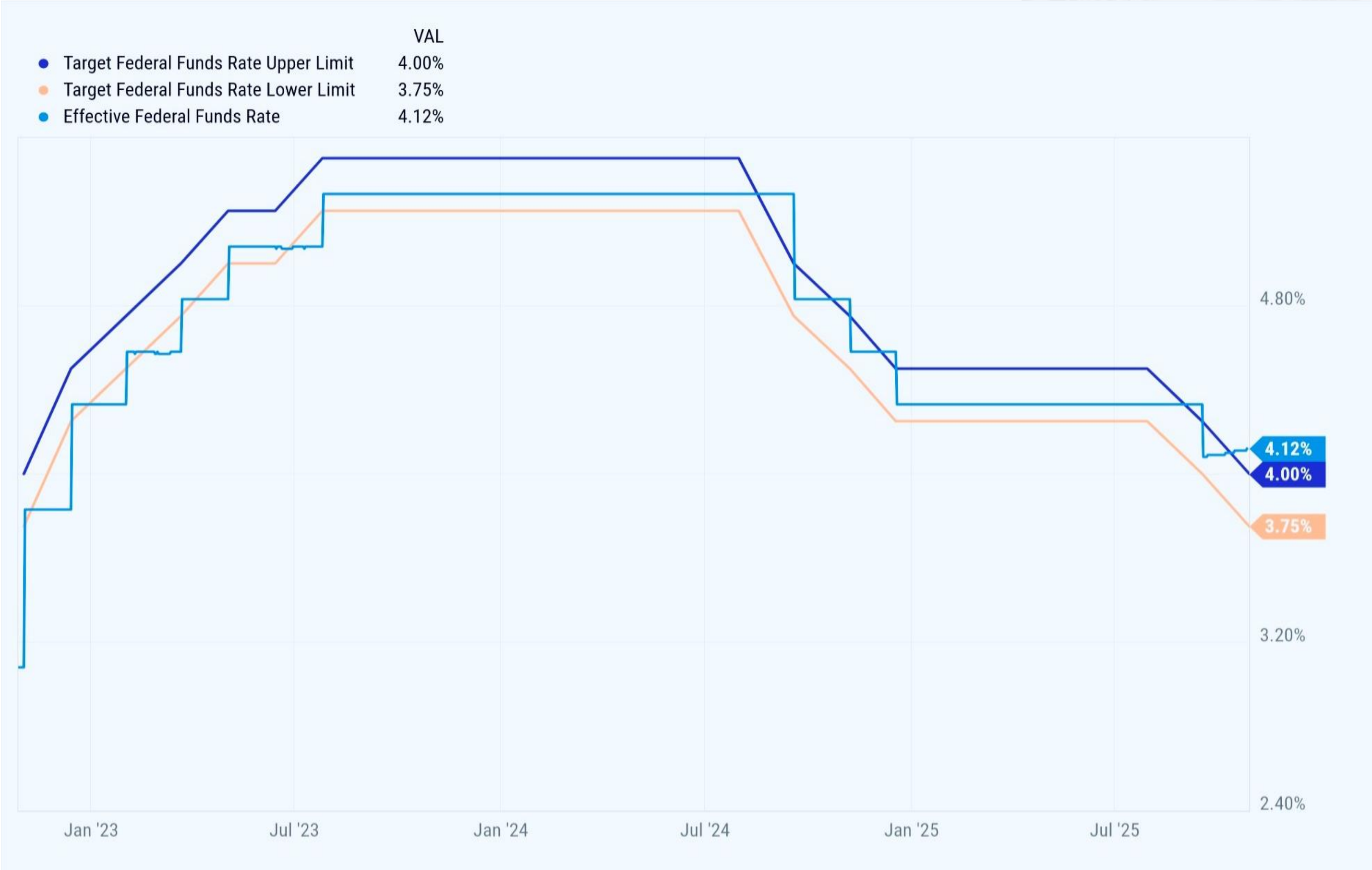
Eurozone Summary:

- **Stoxx 600:** Closed at 575.40, down 0.36 points or 0.063%.
- **FTSE 100:** Closed at 9,756.14, up 59.40 points or 0.61%.
- **DAX Index:** Closed at 24,124.21, down 154.42 points or 0.64%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 47,632.00, down 74.37 points or 0.16%.
- **S&P 500:** closed at 6,890.59, down 0.30 points or 0.00%.
- **Nasdaq Composite:** closed at 23,958.47, up 130.98 points or 0.55%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,770.33, down 1.65 points or 0.04%.
- **Birling Capital U.S. Bank Index:** closed at 8,406.24, up 1.55 points or 0.02%.
- **U.S. Treasury 10-year note:** closed at 4.08%.
- **U.S. Treasury 2-year note:** closed at 3.59%.

Target Federal Funds Rate Upper Limit; Target Federal Funds Rate Lower Limit & Effective Federal Funds Rate




VAL
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36000.00
Jan '25
Mar '25
May '25
Jul '25
Sep '25
VAL
S&P 500 Level 6890.59
6890.59
5600.00
4800.00
VAL
Nasdaq Composite Level 23958.47
23958.47
18000.00
15000.00
VAL
Birling Capital Puerto Rico Stock Index Level 3770.33
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3770.33
3200.00
VAL
Birling Capital U.S. Bank Index Level 8406.24
8406.24
7200.00
6000.00
4800.00