



Wall Street Retreats, Ending Longest Rally Since July, as Shutdown Hits Day Seven.

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The U.S. and European stock markets closed with mixed results as investors grew cautious over the sustainability of artificial intelligence demand and awaited progress from Washington, where the federal government shutdown entered its second week. The pullback reflected renewed risk aversion across equity markets, with traders balancing substantial year-to-date gains against lingering policy uncertainty and tightening corporate profit margins.

The Dow Jones industrial average fell 91.99 points, the S&P 500 fell 26.69 points, and the Nasdaq Composite lost 153.30 points.

European bourses closed mostly higher, shrugging off political turbulence in France following the unexpected resignation of Prime Minister Sébastien Lecornu, which briefly unsettled investor sentiment.

Asian markets ended mixed, with Japan's Nikkei 225 climbing to another record close, driven by robust corporate earnings and yen weakness.

The U.S. dollar strengthened against major global currencies, reflecting relative economic stability and demand for safe-haven assets. Meanwhile, WTI crude oil slipped after the OPEC+ alliance announced plans to raise output starting in November, adding pressure to the energy sector.

Bond Yields Edge Lower as Markets Anticipate More Fed Easing

In fixed-income markets, Treasury yields ticked lower, with the 10-year note yielding 4.14%, down modestly but still above the September trough of nearly 4.0%. Investors continued to price in additional Federal Reserve rate cuts, following last month's resumption of the easing cycle aimed at supporting a cooling labor market.

Futures markets now imply one or two more cuts by year-end, and possibly two more in 2026, which would bring the federal funds rate to the 3.00%–3.25% range. The Fed's latest projections signal one fewer cut over that period, suggesting policymakers are cautiously optimistic about the progress of inflation.

This week's scheduled Fed speeches are expected to clarify views on inflation dynamics and employment trends ahead of the October 30 FOMC meeting. In our assessment, continued softness in labor and consumption data, combined with shutdown-related uncertainty, keeps the Fed on track for one or two more cuts this year, easing borrowing costs for households and businesses and supporting broader economic momentum.

Government Shutdown Hits One-Week Mark

As discussed in *"The Policy Ripple: Facing the Federal Government Shutdown: Everything Puerto Ricans Need to Know"*, short-term economic disruption is likely while the government remains closed;

however, most spending is expected to recover once funding resumes, given that furloughed federal employees typically receive back pay.

Still, this episode carries unique downside risks, including possible permanent layoffs and contract losses among businesses that are heavily dependent on the government. Historically, each week of a shutdown has trimmed quarterly GDP by roughly 0.1%–0.2%. The longer the standoff persists, the greater the economic and political fallout for both parties.

Bottom line: The fourth quarter could see a temporary slowdown, but the U.S. economy enters this period from a position of relative strength. Assuming the shutdown is resolved within weeks rather than months, activity is expected to rebound in early 2026, aided by lower interest rates and post-shutdown catch-up spending.

Read The Policy Ripple Report on the Government

Shutdown: [ThePolicyRipple.FacingtheFederalGovernmentShutdownEverythingPR.pdf](#)

Economic Data:

- **U.S. Retail Gas Price:** rose to \$3.248, down from \$3.301 last week, increasing by 1.61%.
- **U.S. Trade Balance on Goods:** fell -103.88B, down from -85.72B last month.
- **U.S. Trade Balance on Goods and Services:** fell to -78.31B, down from -59.09B last month.
- **U.S. Consumer Credit Outstanding MoM:** rose \$7.371B, up from \$5.129B last month, increasing 43.72%.
- **Canada Ivey PMI:** rose to 61.60, up from 59.80 last month, increasing 3.01%.
- **Euro Area Money Supply M3:** rose to 16.91T, down from 16.92T last month.
- **Japan Business Conditions Composite Coincident Index:** fell to 113.40, down from 114.10 last month.

Eurozone Summary:

- **Stoxx 600:** Closed at 569.27, down 0.97 points or 0.17%.
- **FTSE 100:** Closed at 9,483.58, up 4.44 or 0.05%.
- **DAX Index:** Closed at 24,385.78, up 7.49 points or 0.03%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 46,602.98, down 91.99 points or 0.20%.
- **S&P 500:** closed at 6,714.59, down 25.69 points or 0.38%.
- **Nasdaq Composite:** closed at 22,788.36, down 153.304 points or 0.67%.
- **Birling Capital Puerto Rico Stock Index:** closed at 4,155.86, up 7.85 points or 0.19%.
- **Birling Capital U.S. Bank Index:** closed at 8,154.35, up 16.89 points or 0.21%
- **U.S. Treasury 10-year note:** closed at 4.14%
- **U.S. Treasury 2-year note:** closed at 3.57%.

US Retail Gas Price, US Trade Balance on Goods, US Trade Balance on Goods & Services, US Consumer Credit Outstanding & Canada Ivey PMI

- US Retail Gas Price: Conventional Areas (I:USGRPCNW) VAL 3.092
- US Trade Balance on Goods (I:USBGSM) -103.88B
- US Trade Balance on Goods and Services (I:USBGSSM) -78.31B
- US Consumer Credit Outstanding MoM (I:USCCCO) 7.371B
- Canada Ivey PMI (I:CAIPMI) 61.60





Wall Street Recap October 7, 2025



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