

Disinflation Ignites Risk Appetite: Markets Advance as Big Bank Earnings Reinforce Resilience and Diplomacy Tempers Energy Risk

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The U.S. and European stock markets closed higher, as investors looked past the breakdown in U.S.–Iran negotiations and instead focused on the growing probability of renewed diplomatic engagement, softer inflation data, and resilient earnings. The advance underscores a market increasingly willing to discount geopolitical noise, provided worst-case scenarios remain contained. In the United States, equities extended gains, with the S&P 500 now trading within 1% of its 52-week high, signaling strong momentum and a strengthening risk appetite. In Europe, markets also finished higher, supported by similar expectations that negotiations could resume despite ongoing tensions. Across asset classes, declining oil prices and stable Treasury yields reinforced the view that geopolitical risk premiums are moderating.

The session reflects a critical shift: markets are no longer reacting to headlines alone but to the probability distribution of outcomes—with investors placing greater weight on de-escalation, contained inflation, and earnings durability.

U.S. Markets: Risk Appetite Strengthens as Disinflation and Tech Leadership Offset Geopolitical Noise

U.S. equities advanced decisively, with all major indices posting strong gains as investors balanced geopolitical uncertainty against improving macro and earnings signals. The S&P 500 rose 1.18% to close at 6,967.38, now less than 1% below its 52-week high. The Dow Jones Industrial Average gained 317.74 points, or 0.66%, to 48,535.99, while the Nasdaq Composite outperformed, climbing 1.96% to 23,639.08.

Technology once again led the market higher, reinforcing its role as the primary driver of index performance. Oracle surged 4.7%, extending its prior session's double-digit advance, while continued strength in AI-linked equities supported broader sentiment. The leadership concentration highlights a market still anchored in structural growth themes, even as macro uncertainty persists.

From a macro perspective, inflation data provides an additional tailwind. March's Producer Price Index came in well below expectations, reinforcing the view that pipeline inflation pressures remain contained and supporting expectations that the Federal Reserve will maintain a patient policy stance.

Geopolitics, while still central, had a diminished impact on market direction. Despite the breakdown in weekend negotiations between the United States and Iran, investor sentiment improved on indications that a second round of talks may be forthcoming. This shift in expectations contributed to a sharp reversal in energy markets, with oil prices declining meaningfully—West Texas Intermediate fell 7.87% to \$91.28 per barrel, while Brent crude declined 4.6% to \$94.79 per barrel—effectively easing inflation concerns and supporting equity valuations.

Earnings season is also beginning to influence positioning. JPMorgan Chase, Citigroup, and Wells Fargo delivered solid first-quarter results, reinforcing the financial sector's resilience. However, market reactions were more nuanced, as guidance—particularly around net interest income—introduced pockets of caution and led to selective weakness in individual names.

Ultimately, the session highlights a market that is increasingly resilient and forward-looking. Investors are acknowledging geopolitical risks but are no longer pricing immediate escalation, instead

focusing on improving inflation dynamics, strong earnings capacity, and sustained leadership from technology and AI-driven sectors.

European Markets: Diplomatic Hopes Offset Energy Supply Concerns

European equities closed higher, with the pan-European Stoxx 600 advancing by nearly 1%, as markets responded positively to signs that diplomatic engagement between the United States and Iran may resume. Gains were broad-based across major indices, reflecting a region-wide improvement in risk sentiment.

This advance came despite a significant escalation in physical supply risk, as the United States initiated a blockade of Iranian ports—an action that could materially tighten global energy flows. However, markets focused on the potential for renewed negotiations, with reports suggesting talks could resume as early as this week.

Energy markets reacted accordingly. Both Brent crude and West Texas Intermediate declined meaningfully, as the risk premium embedded in prices partially unwound amid diplomatic signals. This dynamic underscore a recurring pattern: financial markets rapidly reprice geopolitical expectations, often ahead of any confirmed change in physical supply conditions.

Political messaging continues to shape the narrative. President Donald Trump indicated that the strategic objective remains twofold—reopening critical trade routes and bringing Iran back to the negotiating table—while Vice President JD Vance emphasized that progress now depends on Tehran's willingness to engage. At the same time, China's Foreign Ministry criticized the blockade, highlighting the risk of further destabilization in an already fragile geopolitical environment.

On the corporate front, European equities were supported by selective positive developments. Novo Nordisk gained following the announcement of a strategic partnership with OpenAI to accelerate drug discovery through AI-driven analytics. Meanwhile, luxury giant LVMH stabilized after initial weakness tied to earnings disappointment, while investors also digested updates from Kering, Givaudan, Sika, and Publicis Groupe.

Cross-Asset Perspective: Markets Reprice Toward Balance, Not Certainty

Across asset classes, the prevailing theme is recalibration. Treasury yields remained relatively stable, with the 10-year near 4.29% and the 2-year at 3.78%, reflecting a market that is neither pricing imminent tightening nor aggressively discounting rate cuts. The U.S. dollar softened modestly, retracing toward pre-conflict levels, consistent with easing geopolitical risk.

The interaction between inflation, earnings, and geopolitics remains the central driver of market direction. Disinflation provides critical support, earnings confirm underlying economic resilience, and diplomacy—however tentative—is reducing the probability of extreme outcomes.

Yet, this is not a fully secured securement. The market's current trajectory reflects improving conditions, but not definitive resolution. The next phase will depend on confirmation across three fronts:

- Sustained moderation in inflation, particularly in services
- Validation of earnings durability amid shifting cost structures
- Tangible progress in geopolitical de-escalation, particularly in energy corridors

Until then, markets are advancing—but with discipline—anchored by improving fundamentals.

Corporate Earnings Parade:

- **JPMorgan Chase & Co. (JPM):** reported first quarter 2026 revenues of \$50.5 billion, up 10%, net income of \$16.5 billion, up 13%, and Earnings per share of \$5.94. JPM has a Tier 1 capital ratio of 14.30% and a Stock Price Target of \$334.43. **Check our JPM Report: [JPM Overview](#)**

- **Citigroup, Inc. (C):** reported first quarter 2026 revenues of \$24.67 billion, up 14%, net income of \$5.785 billion, up 41.46%, and Earnings per share of \$3.06 Citi has a Tier 1 capital ratio of 14.50% and a Stock Price Target of \$133.00. **Check our Citi Report:** [C Overview](#)
- **Wells Fargo & Co. (WFC):** reported first quarter 2026 revenues of \$21.446 billion, up 6%, net income of \$5.253 billion, up 7%, and Earnings per share of \$1.60. WFC has a Tier 1 capital ratio of 13.40% and a Stock Price Target of \$98.62. **Check our WFC Report:** [WFC Overview](#)

Economic Data:

- **US Producer Price Index YoY:** rose to 4.00%, up from 3.40% last month.
- **US Core Producer Price Index YoY:** is at 3.80%, unchanged from last month.
- **US Retail Gas Price:** rose to \$4.254, up from \$4.126 last week, a change of 3.10%.
- **Japan Machinery Orders YoY:** fell to 13.25%, compared to 17.49% last month.

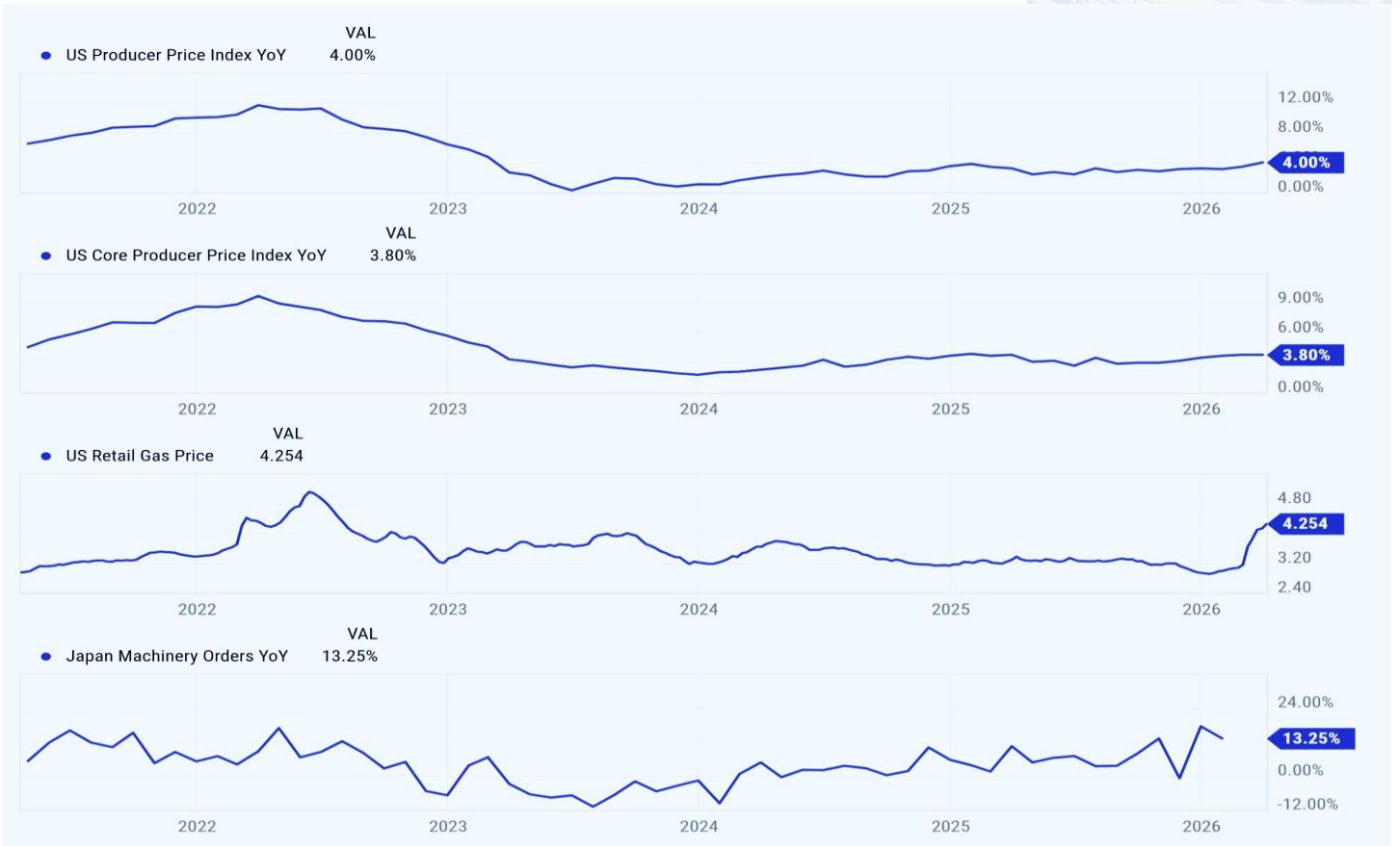
Eurozone Summary:

- **Stoxx 600:** closed at 619.95, up 6.07 points or 0.99%.
- **FTSE 100:** closed at 10,609.06, up 26.10 points or 0.258%.
- **DAX Index:** closed at 24,044.22, up 301.78 points or 1.27%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 48,535.99, up 317.74 points or 0.66%
- **S&P 500:** closed at 6,967.38, up 81.14 points or 1.18%.
- **Nasdaq Composite:** closed at 23,639.08, up 455.34 points or 1.96%.
- **Birling Capital Puerto Rico Stock Index:** closed at 4,313.40, up 67.19 points or 1.58%.
- **Birling Capital U.S. Bank Index:** closed at 9,194.80, up 88.88 points or 0.98%
- **U.S. Treasury 10-year note:** closed at 4.26%.
- **U.S. Treasury 2-year note:** closed at 3.76%.

US Producer Price Index YoY; US Core Producer Price Index YoY; US Retail Gas Price & Japan Machinery Orders YoY





Wall Street Recap

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