

# GLOBAL MARKET SQUARE



## Markets Pull Back from Records as Tech Weakness and Energy Pressures Reassert Themselves; UBS Group AG and Banco Santander SA Lead Earnings Strength

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by Francisco Rodríguez-Castro  
[frc@birlingcapital.com](mailto:frc@birlingcapital.com)

The U.S. and European stock markets closed mostly lower, with U.S. equities stepping back from record levels amid a renewed rise in oil prices and a sharp rotation out of technology. The pullback follows a series of all-time highs and reflects a market transitioning from momentum-driven gains to a more selective, earnings-validated phase.

At the center of the shift is a reassessment of AI-driven growth expectations. Reports indicating that OpenAI fell short of internal revenue and user growth targets triggered a broad-based selloff across semiconductor and data-center-linked equities. The reaction highlights the market's sensitivity to execution risk within one of its most crowded and performance-critical themes.

Simultaneously, energy has re-emerged as the dominant macro variable. Crude prices moved higher, with West Texas Intermediate surpassing \$100 per barrel and Brent crude advancing above \$111, as uncertainty over negotiations over the Strait of Hormuz persists. The combination of stalled diplomacy and conditional proposals to reopen the passage continues to inject volatility into global energy markets, reinforcing inflation concerns and constraining equity upside.

Treasury yields edged higher in response, underscoring the market's ongoing sensitivity to inflation expectations and policy implications. The result is a more cautious tone, even as underlying fundamentals remain intact.

### U.S. Markets

U.S. equities retreated modestly, led by weakness in technology and semiconductor stocks. The S&P 500 declined 0.5%, while the Nasdaq Composite fell 0.9%. The Dow Jones Industrial Average proved more resilient, slipping just 0.06% as gains in defensive and consumer-oriented names helped offset broader weakness.

The selloff was concentrated in the semiconductor complex, with the VanEck Semiconductor ETF falling more than 2%. Key industry leaders, including Nvidia, Broadcom, Advanced Micro Devices, Intel, and Oracle, all traded lower as investors reduced exposure to high-multiple AI beneficiaries. In contrast, defensive positioning provided partial support. Coca-Cola advanced more than 3% following stronger-than-expected earnings, reinforcing the role of stable cash-flow sectors in periods of market recalibration.

The broader narrative is one of positioning ahead of a critical earnings inflection point. Five of the "Magnificent Seven"—Alphabet Inc., Amazon, Meta Platforms, Microsoft, and Apple—are set to report within days, making this one of the most consequential earnings windows of the quarter. Geopolitics continues to frame the macro backdrop. Peace negotiations between the U.S. and Iran remain uncertain, with no formal meetings currently scheduled despite discussions around a potential reopening of the Strait of Hormuz. This ambiguity is sustaining upward pressure on oil prices and reinforcing a cautious investor posture.

The market signal is increasingly clear: while earnings momentum—now reinforced by strong bank results from UBS and Santander—and economic resilience remain supportive, leadership is rotating,

valuations are being tested, and geopolitical variables—particularly energy—are reasserting themselves as key determinants of near-term direction.

## European Markets

European equities closed broadly lower, as strong corporate earnings failed to offset rising energy uncertainty following the United Arab Emirates' unexpected decision to exit OPEC. The pan-European benchmark retreated 0.7%, with most sectors and major indices finishing in negative territory, reflecting a market increasingly sensitive to geopolitical disruption and energy supply dynamics.

Despite the broader decline, earnings-driven dispersion defined the session. Shares of UBS advanced 3.6% after delivering a standout first-quarter performance, reporting \$3 billion in net profit and surpassing expectations. Strength in capital markets activity and continued inflows into its asset management division reinforced confidence in the bank's diversified revenue model.

In contrast, Deutsche Bank declined 1.9%, despite posting a record quarterly profit of €2.17 billion, ahead of forecasts. Investor focus shifted to a higher-than-expected €519 million credit loss provision tied to a single exposure—highlighting emerging credit risks, amid strong headline profitability.

Meanwhile, Banco Santander gained 1% after reporting solid results, with underlying profit reaching €3.56 billion, exceeding estimates and rising 12% year-over-year. Growth was supported by robust net interest income and continued client expansion, with eight million new customers added during the quarter.

Outside financials, Adidas was the clear outperformer, surging nearly 9% after decisive earnings beat. Revenues rose 14% to €6.6 billion, while operating profit climbed 16% to €705 million, signaling strong brand momentum and operational execution despite a challenging macro backdrop.

The dominant macro driver, however, remains energy. The UAE's decision to exit OPEC introduces a new layer of uncertainty into global supply coordination. While the move could eventually lead to increased production capacity, near-term supply remains constrained by ongoing geopolitical tensions and the continued disruption in the Strait of Hormuz.

The net effect is a more complex oil outlook—one that reinforces elevated prices and sustains inflationary pressures across Europe's already fragile growth environment. For European markets, this dynamic presents a dual challenge: higher input costs and tighter financial conditions, both of which are now being reflected in equity valuations.

## Economic Signals: Resilience with Emerging Friction

The latest economic data continues to reinforce a narrative of underlying resilience. Durable goods orders rose 0.8% in March, outpacing expectations and signaling continued strength in business investment. Housing starts surged 10.8%, sharply exceeding forecasts and suggesting that housing activity remains responsive despite higher financing costs.

However, the inflation backdrop remains the defining constraint. Tomorrow's release of the Personal Consumption Expenditures (PCE) Index—the Fed's preferred inflation gauge—is expected to show core PCE at 3.2% year-over-year. This would underscore a critical reality: inflation has moderated but remains structurally above target.

From a strategic standpoint, this positions the Fed in a holding pattern. Policy is sufficiently restrictive to contain inflation, yet not restrictive enough to justify premature easing. The path forward increasingly depends on exogenous variables—most notably energy prices and geopolitical developments.

## Earnings Outlook: Growth Reaccelerates, Led by Energy and AI

First-quarter earnings season is tracking ahead of expectations, reinforcing the earnings-led support for equities. S&P 500 earnings are now projected to grow approximately 14% year over year in the quarter, with full-year 2026 growth expectations rising to 18.7%.

The composition of that growth is telling. Energy sector earnings expectations have surged nearly

40%, driven by elevated oil prices. At the same time, technology and materials sectors are seeing double-digit upward revisions, reflecting continued strength in AI-related investment and industrial demand.

While certain sectors—particularly consumer discretionary and staples—are facing margin pressure from higher input costs, the broader earnings landscape remains constructive. Importantly, all eleven S&P 500 sectors are still expected to deliver positive earnings growth in 2026, highlighting the breadth of the expansion.

### Policy & Rates

The Federal Open Market Committee delivered a widely expected decision, maintaining the federal funds rate within the 3.50%–3.75% range, reinforcing a policy stance defined by patience and data dependence.

The Committee noted that economic activity continues to expand at a solid pace, even as labor market conditions show signs of moderation, with job gains easing and the unemployment rate holding relatively stable. At the same time, inflation remains elevated, driven in part by the renewed increase in global energy prices—highlighting the persistent influence of geopolitical factors on the inflation trajectory.

Importantly, the Fed emphasized that developments in the Middle East are contributing to an unusually high degree of uncertainty in the economic outlook. This acknowledgment signals a growing recognition that monetary policy is increasingly influenced by exogenous, non-domestic variables—particularly energy markets and geopolitical risk.

The Committee reaffirmed its dual mandate of maximum employment and price stability, maintaining its commitment to returning inflation to the 2% target over time. However, the path forward remains conditional. Policymakers indicated they will carefully evaluate incoming data, evolving macro conditions, and the balance of risks before making further adjustments.

The voting split revealed subtle but meaningful divergence within the Committee. While the majority supported holding rates steady, one member favored an immediate rate cut, and others expressed reservations about signaling any easing bias. This dispersion underscores that while policy remains on hold, the debate around timing and direction of the next move is intensifying.

From a market perspective, the message is clear: the Fed remains anchored, but not static. Policy is restrictive enough to contain inflation pressures, yet flexible enough to respond if growth weakens or risks escalate.

### Corporate Earnings Parade:

- **UBS Group AG (UBS):** reported 1Q26 revenues of \$14,243 billion, up 13.42%, with net income of \$3,054 billion, up 80.49%, and Earnings per share of \$0.98; beating estimates. UBS has a tier 1 capital ratio of 14.70% and a Stock Price Target of \$46.80. Check our **UBS report:** [UBS Overview](#)
- **Banco Santander SA (SAN):** reported 1Q26 revenues of \$15,140 billion, up 4%, with net income of \$5,455 billion, up 60%, and Earnings per share of \$0.42; beating estimates. SAN has a tier 1 capital ratio of 14.40% and a Stock Price Target of \$11.72. Check our **SAN report:** [SAN Overview](#)

### GDPNow Update:

- The GDPNow for the first quarter was updated today and is unchanged at 1.20%.

### Economic Data:

- **Target Federal Funds Rate Upper Limit:** is unchanged at 3.75%, compared to 3.75% yesterday.
- **U.S. Housing Starts:** rose to 1.502M, up from 1.356M last month, a 10.77% increase.

- **U.S. Building Permits:** fell to 1.372M, down from 1.538M last month and a change of -10.79%.
- **U.S. Durable Goods New Orders MoM:** fell to -1.28%, compared to -0.43% last month.
- **Japan Consumer Confidence Index:** fell to 33.30, down from 39.70 last month, a change of -16.12%.
- **Japan Industrial Production Index MoM:** fell -2.01%, compared to 4.29% last month.

**Eurozone Summary:**

- **Stoxx 600:** closed at 602.96, down 3.62 points or 0.60%.
- **FTSE 100:** closed at 10,213.11, down 119.68 points or 1.16%.
- **DAX Index:** closed at 23,954.56, down 63.70 points or 0.27%.

**Wall Street Summary:**

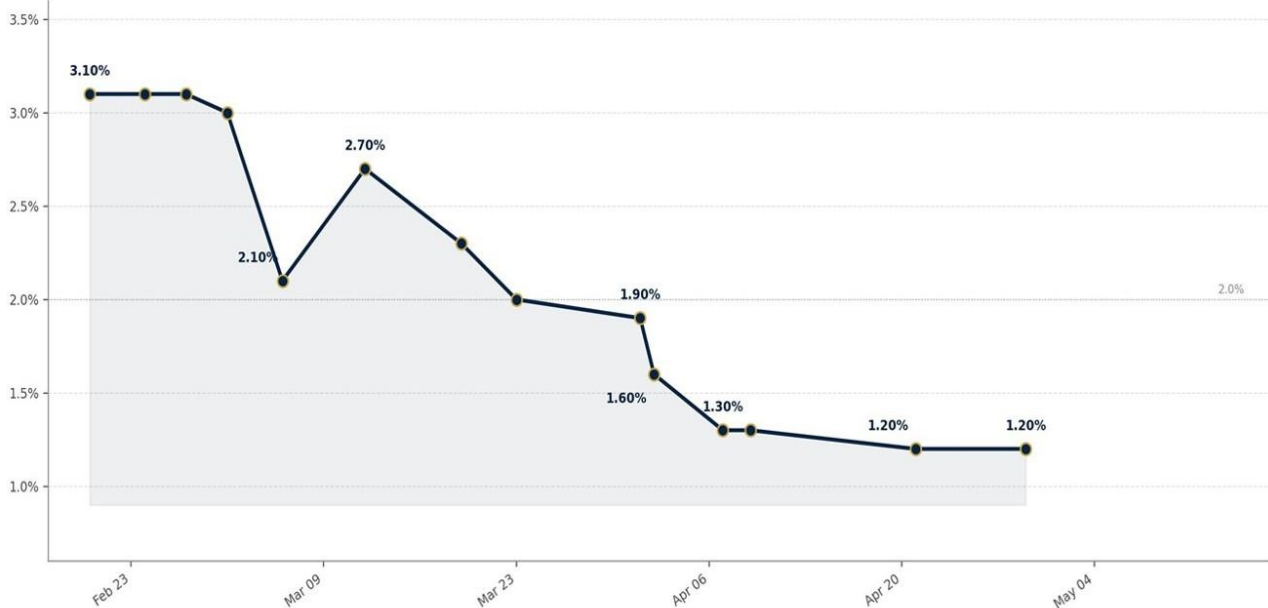
- **Dow Jones Industrial Average:** closed at 48,861.81, down 280.12 points or 0.57%
- **S&P 500:** closed at 7,135.95, down 2.85 points or 0.04%.
- **Nasdaq Composite:** closed at 24,673.24, up 9.44 points or 0.04%.
- **Birling Capital Puerto Rico Stock Index:** closed at 4,517.09, up 1.19 points or 0.03%.
- **Birling Capital U.S. Bank Index:** closed at 9,239.63, down 8.16 points or 0.72%
- **U.S. Treasury 10-year note:** closed at 4.42%.
- **U.S. Treasury 2-year note:** closed at 3.92%.



# GDPNow First Quarter 2026

**Atlanta Fed GDPNow — Q1 2026 Real GDP Nowcast**

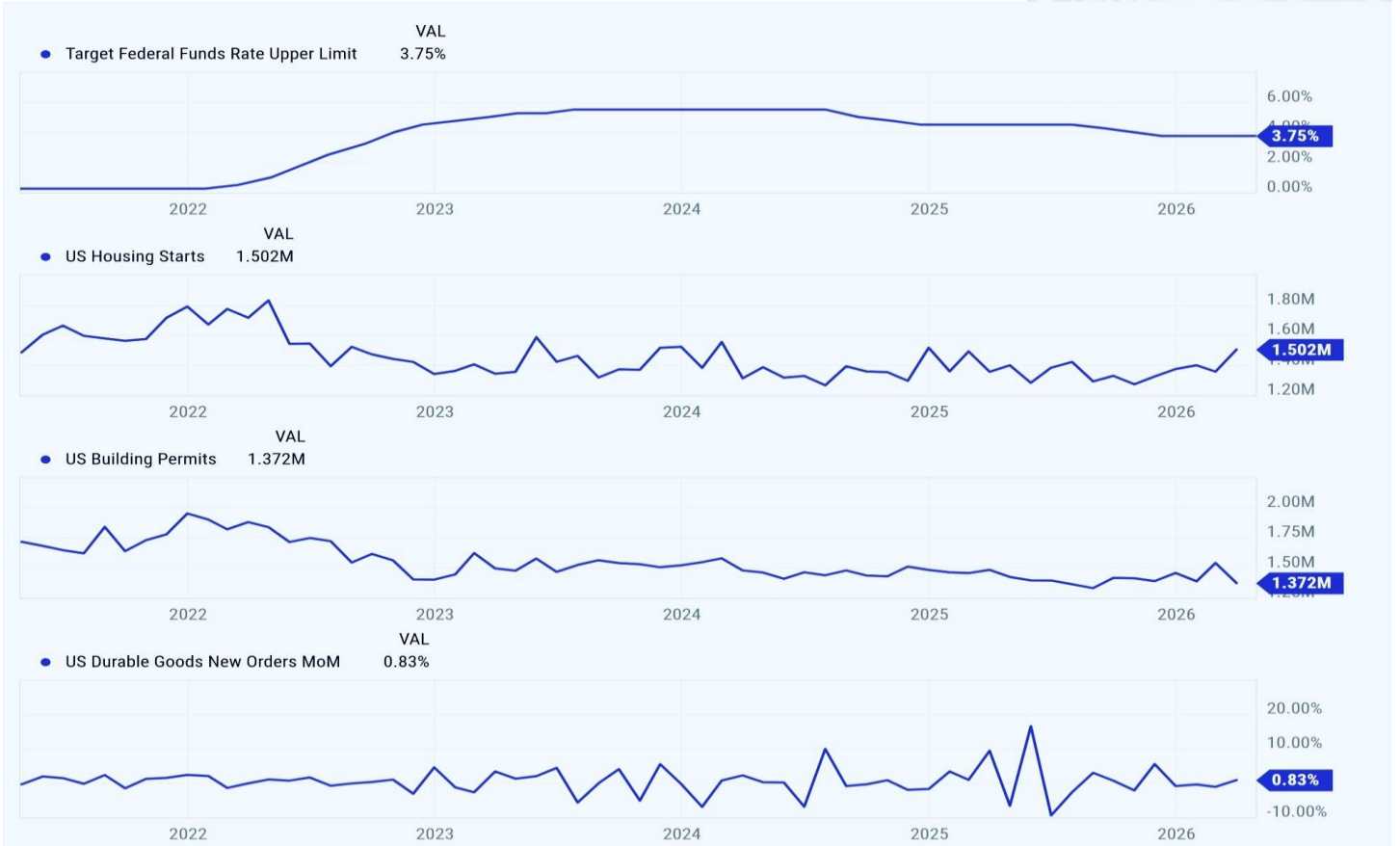
Forecast path: Feb 20 - Apr 29, 2026 | Initial estimate: 3.10% → Latest: 1.20%



Source: Federal Reserve Bank of Atlanta | Birling Capital Advisors, LLC | birlingcapital.com

As of April 29, 2026

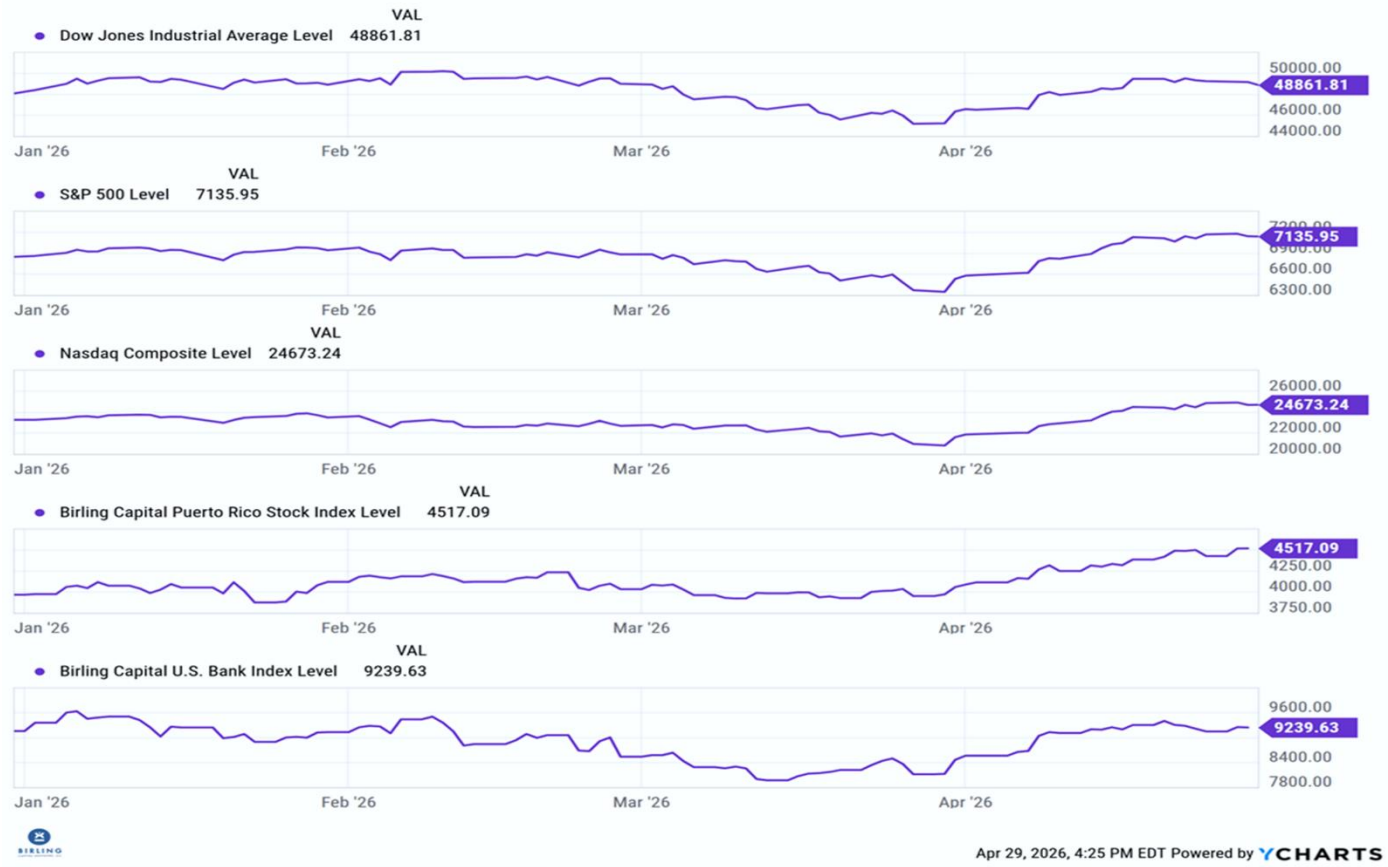
# Target Federal Funds Rate Upper Limit; US Housing Starts; US Building Permits & US Durable Goods New Orders MoM





# Wall Street Recap

## April 29, 2026



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