

Markets Extend Gains Into Year-End as Investors Position for 2026 and U.S. Consumer Sentiment Improves.

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The U.S. and European stock markets closed higher on Friday, extending modest gains from the prior session as investors positioned portfolios ahead of the holiday period and year-end rebalancing. In the U.S., the technology-heavy **Nasdaq outperformed up 1.31%**, while the S&P 500 up 0.88% and the Dow Jones Industrial Average also finished up 0.38%. Technology, industrials, and health care led sector performance, while consumer staples and real estate lagged, reflecting a continued preference for growth and cyclically exposed sectors.

In fixed income, Treasury yields edged modestly higher across the curve. The **10-year U.S. Treasury yield closed at 4.16%**, remaining within the 4.0%–4.5% range that has defined much of the year. Historically, yields remain near their highest levels in more than 15 years, reinforcing the continued attractiveness of high-quality bonds for income-oriented investors. On a full-year basis, both major asset classes remain firmly positive, with the S&P 500 up approximately 16% year-to-date and the U.S. Aggregate Bond Index higher by roughly 4.1%.

Looking Ahead to 2026: Earnings Take Center Stage

As investors approach 2026—the fourth year of the current bull market—the central question is whether equity gains can be sustained, particularly amid elevated valuations and uneven leadership across technology and AI-related names. In our view, positive returns remain achievable, but earnings growth will need to carry a greater share of the burden.

Three themes stand out. First, earnings growth is expected to broaden. All 11 S&P 500 sectors are projected to deliver positive earnings growth in 2026, with several global equity markets potentially achieving double-digit gains. Second, valuation discipline becomes more important. Starting multiples are elevated in certain segments, especially large-cap technology and growth, limiting the scope for broad multiple expansion. That said, select areas of the market may experience valuation “catch-up” as earnings momentum improves. Third, AI remains a powerful but increasingly differentiated theme. Solid, albeit moderating, growth rates, rising debt burdens, and aggressive capital-expenditure cycles are likely to create clearer winners and losers within the AI ecosystem. Against this backdrop, diversification and active rebalancing remain critical. We continue to favor U.S. mid-caps, emerging markets, international small- and mid-cap equities, and select cyclical sectors as complements to core technology and AI exposure.

International Equities: Momentum with Selectivity

International markets delivered strong performance in 2025, with equities in Germany, France, the United Kingdom, and Japan all reaching new all-time highs. While repeating that magnitude of performance may prove challenging, the outlook for 2026 remains constructive. Economic momentum in the eurozone, improving corporate profitability in Japan, accelerating earnings growth, and relatively attractive valuations—particularly among small- and mid-cap companies—support the case for continued international exposure.

European equities extended gains on Friday, with the regional benchmark hitting a fresh record as investors digested a heavy slate of central bank decisions. The European Central Bank, Norges Bank,

and Riksbank held rates steady, while the Bank of England delivered a 25-basis-point cut. Within equalities, sportswear companies underperformed, with Puma and Adidas declining amid spillover concerns following Nike's earnings. Although Nike exceeded Wall Street estimates, weakness in China and the lingering impact of the Trump administration's tariff regime unsettled investors, pushing Nike shares sharply lower after hours and leaving the stock well below its February highs. Puma ranked among the weakest performers on the Stoxx 600. By contrast, Italian luxury automaker Ferrari advanced, supported by positive corporate commentary ahead of its 2026 Formula 1 campaign launch.

Bottom Line

With U.S. equity leadership increasingly concentrated and global earnings growth broadening, international diversification remains an essential portfolio tool. As markets transition from liquidity- and multiple-driven gains to an earnings-led environment in 2026, disciplined allocation, valuation awareness, and global balance will be key to sustaining long-term portfolio resilience

Economic Data:

- **U.S. Personal Income MoM:** fell to 0.36%, compared to 0.39% last month.
- **U.S. Personal Spending MoM:** fell to 0.31%, compared to 0.50% last month.
- **U.S. total Vehicle Sales:** rose to 15.96M, up from 15.63M last month.
- **Eurozone Consumer Confidence Indicator:** is unchanged at -14.20, compared to -14.20 last month.
- **Eurozone Economic Sentiment Indicator:** rose to 97.00, up from 96.80 last month.
- **Germany Producer Price Index YoY:** fell -2.30%, compared to -1.80% last month.
- **U.K. Retail Sales YoY:** is unchanged at 0.60%, compared to 0.60% last month.

Eurozone Summary:

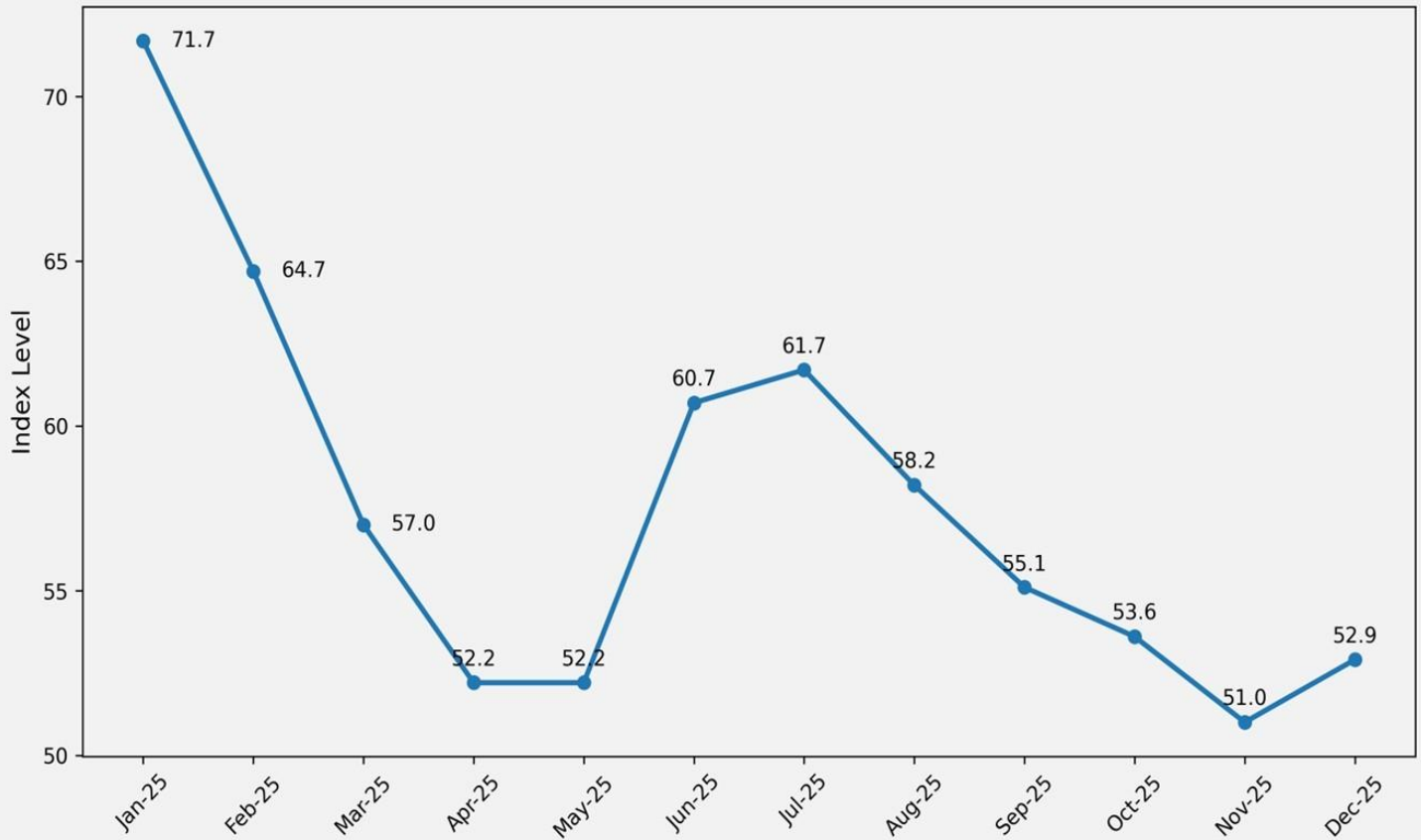
- **Stoxx 600:** Closed at 587.50, up 2.15 points or 0.37%.
- **FTSE 100:** Closed at 9,897.42, up 59.65 or 0.61%.
- **DAX Index:** Closed at 24,288.40, up 88.90 points or 0.37%.

Wall Street Summary:

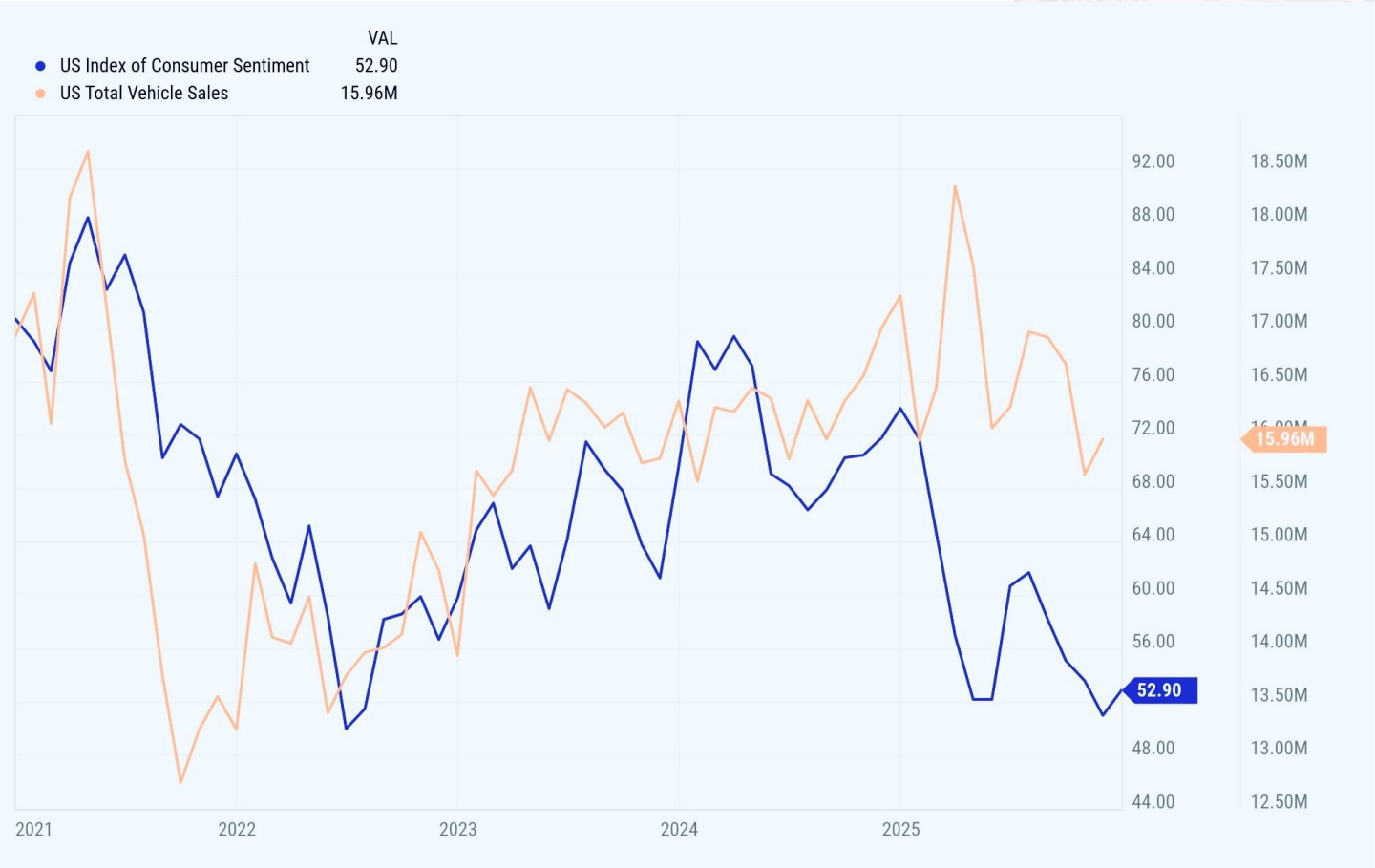
- **Dow Jones Industrial Average:** closed at 48,134.89, up 183.04 points or 0.38%.
- **S&P 500:** closed at 6,834.50, up 59.74 points or 0.88%.
- **Nasdaq Composite:** closed at 23,307.62, up 301.26 points or 1.31%.
- **Birling Capital Puerto Rico Stock Index:** closed at 4,053.98, up 11.15 points or 0.28%
- **Birling Capital U.S. Bank Index:** closed at 8,965.87, down 25.05 points or 0.28%
- **U.S. Treasury 10-year note:** closed at 4.16%.
- **U.S. Treasury 2-year note:** closed at 3.48%.

U.S. Index of Consumer Sentiment YTD 2025

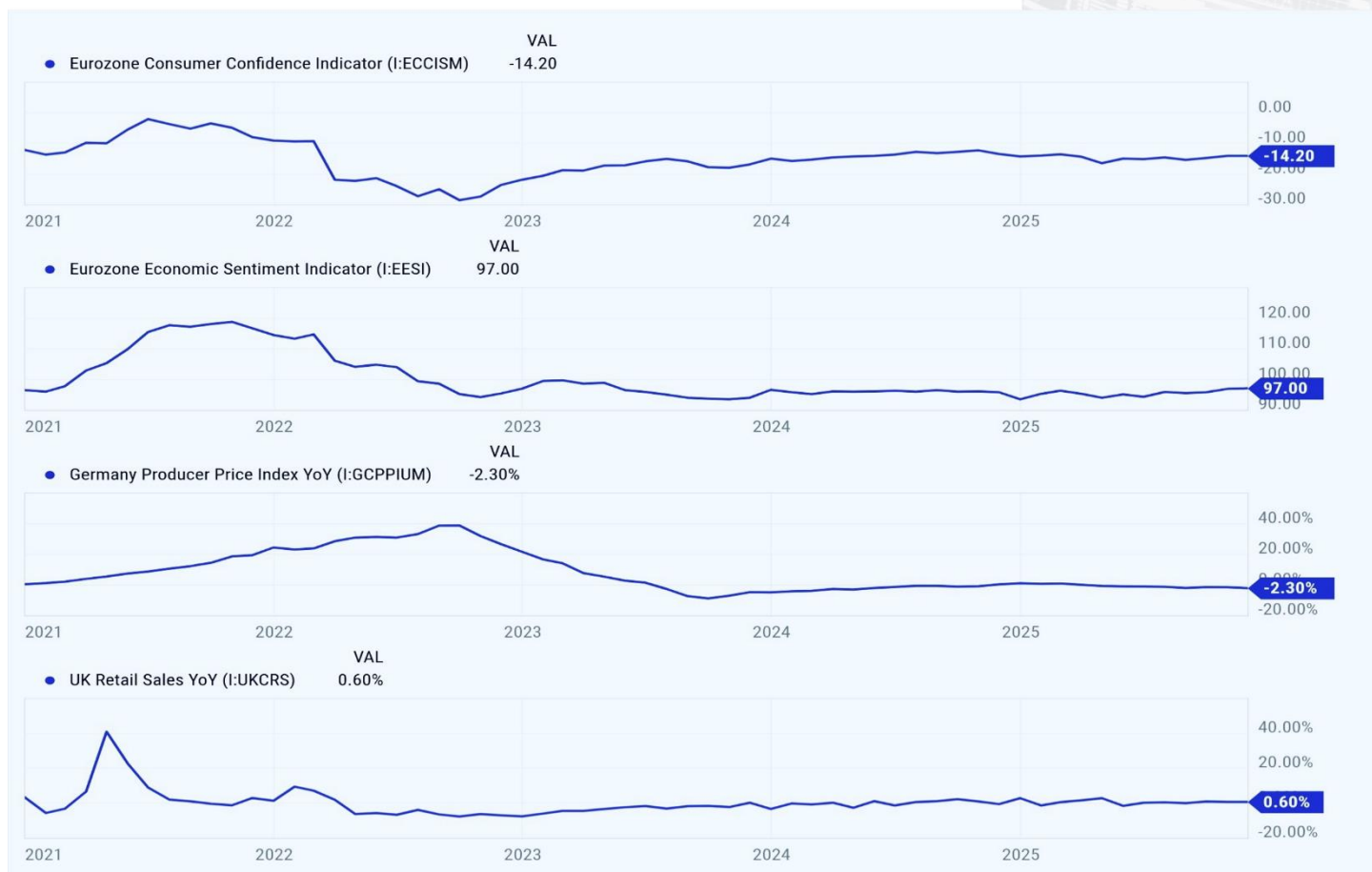
U.S. Consumer Sentiment Index - 2025



US Index of Consumer Sentiment & US Total Vehicle Sales



Eurozone Consumer Confidence Indicator; Eurozone Economic Sentiment Indicator; Germany Producer Index YoY & UK Retail Sales YoY



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