

# Evertec Delivers Double-Digit Revenue Growth, Wall Street Retreats as Producer Prices Surprise to the Upside and Bond Yields Slip Below 4%

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The U.S. and European stock markets closed mixed under pressure after a stronger-than-anticipated Producer Price Index (PPI) report, which reinforced concerns about persistent inflation. U.S. large-cap indices declined roughly 1% in early trading, while the small-cap benchmark underperformed, with the Russell 2000 down approximately 1.5%.

The cautious tone follows a mixed overnight session globally: Asian equities finished broadly higher, while European bourses struggled amid inflation concerns.

In cross-asset markets, the reaction has been notably defensive. U.S. Treasuries rallied, pushing the 10-year yield to close at 3.97% for the first time since November. The U.S. dollar remains range-bound against a basket of major currencies, gold is advancing on renewed safe-haven demand, and oil prices are rebounding as markets continue to price geopolitical supply risks tied to potential U.S.–Iran tensions.

## U.S. Markets

U.S. equities closed sharply lower Friday as a hotter-than-expected Producer Price Index report reignited inflation concerns and added to an already fragile market backdrop. The Dow Jones Industrial Average fell 521.28 points, while the S&P 500 declined 0.49% and the Nasdaq Composite dropped 0.92%. All three major benchmarks remain negative for February.

The inflation surprise compounded existing anxieties surrounding AI capital expenditures, private credit stress, and broader economic sensitivity to tighter financial conditions.

Technology and software shares extended their weak monthly performance. Salesforce fell 3%, while Microsoft lost 2%, weighing on large-cap indices. Zscaler plunged 13% after deferred revenue and billings missed expectations, and CoreWeave dropped 21% on disappointing guidance.

Meanwhile, Nvidia extended its post-earnings decline, falling another 3% after shedding more than 5% the prior session. Despite strong quarterly results, investors are questioning the sustainability of hyperscaler AI spending and the durability of key partnerships, contributing to a repricing across the semiconductor complex.

Financial and cyclical sectors also face pressure. Concerns tied to the collapse of U.K.-based mortgage lender Market Financial Solutions weighed on private credit-exposed names. Apollo Global Management declined 8%, Jefferies Financial Group fell 10%, and Blue Owl Capital lost 6%, as investors reassessed credit risk within alternative lending markets.

Adding to the cautious tone, Block, Inc. announced plans to lay off more than 4,000 employees—nearly half its workforce—raising concerns about growth momentum in fintech and digital payments segments.

The catalyst for the selloff was January's PPI report, which we discuss in detail below.

## Producer Prices Rise 0.5% with Services Inflation

The Producer Price Index (PPI) for final demand increased 0.5% in January, following gains of 0.4% in December and 0.2% in November. On a year-over-year basis, producer prices are up 2.9% through January 2026.

### The strength was concentrated on services:

- Final demand services rose 0.8%, the largest increase since July 2025.
- Trade margins (wholesalers and retailers) jumped 2.5%, accounting for most of the increase.
- Transportation and warehousing advanced 1.0%.

Within services, margins for professional and commercial equipment wholesaling surged 14.4%, while apparel retailing, chemicals wholesaling, and food retailing also moved higher.

### On the goods side:

- Final demand for goods fell 0.3%, driven by a 2.7% drop in energy and a 1.5% decline in food prices.
- Gasoline prices fell 5.5%, accounting for nearly 80% of the decline in goods.
- However, core goods (excluding food and energy) rose 0.7%, indicating firm underlying pricing.

The Fed-sensitive measure—PPI less foods, energy, and trade services—rose 0.3% in January, its ninth consecutive increase, and is now up 3.4% year-over-year.

Bottom line: while energy weakness masked some pressure, services inflation and firm core goods suggest pipeline pricing remains sticky, reinforcing expectations that the Federal Reserve is likely to stay on hold in the near term.

The market now faces a renewed policy dilemma: inflation progress remains uneven, yet growth-sensitive sectors are showing signs of strain. Until clearer evidence of disinflation emerges, volatility across equities, particularly in high-multiple and credit-sensitive areas, may remain elevated.

## European Markets

European markets closed Friday in mixed territory, reflecting a session defined by strong corporate earnings in select sectors, offset by renewed concerns within parts of the financial system and a steady flow of macroeconomic and political developments. The pan-European STOXX Europe 600 finished modestly higher, rising about 0.2%, though underlying performance varied meaningfully across sectors and national exchanges.

The clearest source of strength came from the insurance sector. Swiss Re reported a record \$4.8 billion profit for 2025, up 47% year-over-year, supported by disciplined underwriting, solid investment returns, and limited large-loss activity outside the first quarter. Management also announced a \$1.5 billion share buyback, reinforcing confidence in the balance sheet. The shares advanced nearly 4%, providing a stabilizing anchor for the broader market and underscoring the resilience of well-capitalized financial franchises.

Elsewhere, earnings from BASF, Holcim, IAG, and Amadeus drove rotation across industrials, materials, and travel-related equities. The overall tone from corporate Europe suggests operating performance remains steady despite softer growth expectations and a cautious macro backdrop.

In contrast, financial stocks in the United Kingdom introduced volatility. Barclays declined 4.5% following reports of approximately £600 million in exposure to troubled mortgage lender Market Financial Solutions, which recently entered insolvency proceedings. Banco Santander was also cited as having exposure and edged lower. While the situation appears contained, it has renewed investor sensitivity toward credit quality in segments of U.K. property finance.

On the macro front, investors digested inflation releases from Germany, France, and Spain, along with unemployment data from Germany and France and updated U.K. housing figures. These data

points inform expectations for the European Central Bank's policy trajectory, as markets assess whether price pressures are easing sufficiently to allow for policy flexibility later in the year. Political developments in the U.K. added another layer of complexity. In a closely watched parliamentary by-election in Greater Manchester, the Green Party overturned a significant Labour majority, with Reform UK finishing second and Labour slipping to third. While localized, the result signals voter fragmentation and introduces incremental uncertainty into the domestic political landscape.

Overall, European equities are navigating a backdrop of solid corporate execution and disciplined capital allocation, counterbalanced by selective financial stress and evolving political dynamics. The environment remains constructive but increasingly selective, favoring companies with strong balance sheets, earnings visibility, and capital-return discipline.

### Fixed Income: A Strong February for Treasuries

Despite today's inflation surprise, February has been constructive for bondholders. The 10-year Treasury yield has declined roughly 25 basis points over the month, its strongest monthly rally in approximately one year.

Several forces have supported the bid for duration:

- Safe-haven flows amid Middle East geopolitical tensions
- Equity-market volatility tied to AI-sector repricing
- Institutional confidence in Fed independence following the nomination of Kevin Warsh as incoming Chair

However, we see limited room for yields to compress meaningfully from current levels. Two structural constraints remain:

1. **Policy Expectations:** Without material economic deterioration, markets are unlikely to price significantly more near-term rate cuts.
2. **Supply Dynamics:** Elevated fiscal deficits and sustained Treasury issuance may exert upward pressure on yields over time, particularly if the Fed's balance sheet strategy shifts under new leadership.

We continue to expect the 10-year U.S. Treasury yield to trade broadly within a 4.0%–4.5% range in 2026, even as it closed below 4% today.

### Commodities & Currency

- **Gold:** Advancing as investors hedge inflation and geopolitical uncertainty.
- **Oil:** Rebounding on supply-risk premiums tied to Middle East tensions.
- **U.S. Dollar:** Trading sideways, reflecting balanced growth and rate differentials across major economies.

### Strategic View

The market reaction underscores a familiar 2026 theme: inflation progress is uneven, and policy flexibility remains constrained. While bond markets have enjoyed a constructive February, equity markets are sensitive to any signal that disinflation may stall.

Until clearer evidence emerges that pipeline pricing pressures are moderating, volatility across risk assets is likely to persist. The environment favors disciplined asset allocation, selective equity exposure, and active duration management in fixed-income portfolios.

## Corporate Earnings Parade:

- **EVERTEC, Inc. (EVTC)** reported its fiscal fourth quarter 2026 with revenues of \$244.8 million, up 13.1%, and net income of \$35.6 million, down 11.2%, surpassing estimates, with earnings per share of \$0.93 and a stock price target of \$28.27. Full Year 2025 revenues reached \$931.8 million, up 10.9%, and net income of \$141.6 million, up 25.7%.
- **Evertec's outlook for Latin America remains constructive heading into 2026.** CEO Morgan Schuessler described the regional pipeline as healthy, with recently secured mandates—such as Banco de Chile and Grupo Aval in Colombia—already contributing to results and expected to support organic growth next year. The broader opportunity reflects continued banking modernization and payments digitization across the region. The acquisition of Dimensa in Brazil is viewed as strategically attractive, providing entry into new verticals, such as insurance, while expanding cross-selling opportunities and strengthening Evertec's product capabilities. While the near-term focus will be on integrating Dimensa, management indicated that M&A will remain part of the growth strategy. With low leverage, Evertec retains the flexibility to pursue additional acquisitions to support expansion into 2026.  
**View our report on Evertec: [EVTC Overview](#)**

## GDPNow:

- The GDPNow for the first quarter of 2026 was updated today, falling to 3.00% from 3.10%, a decrease of 3.23%.

## Economic Data:

- **Canada Real GDP QoQ:** fell to -0.60%, compared to 2.39% last quarter.
- **Germany Consumer Price Index YoY:** fell to 1.90%, down from 2.10% last month.
- **Japan Housing Starts YoY:** is at -0.42%, compared to -1.33% last month.

## Eurozone Summary:

- **Stoxx 600:** closed at 633.85, up 0.67 points or 0.11%.
- **FTSE 100:** closed at 10,910.55, up 63.85 points or 0.59%.
- **DAX Index:** closed at 25,284.26, down 4.76 points or 0.02%.

## Wall Street Summary:

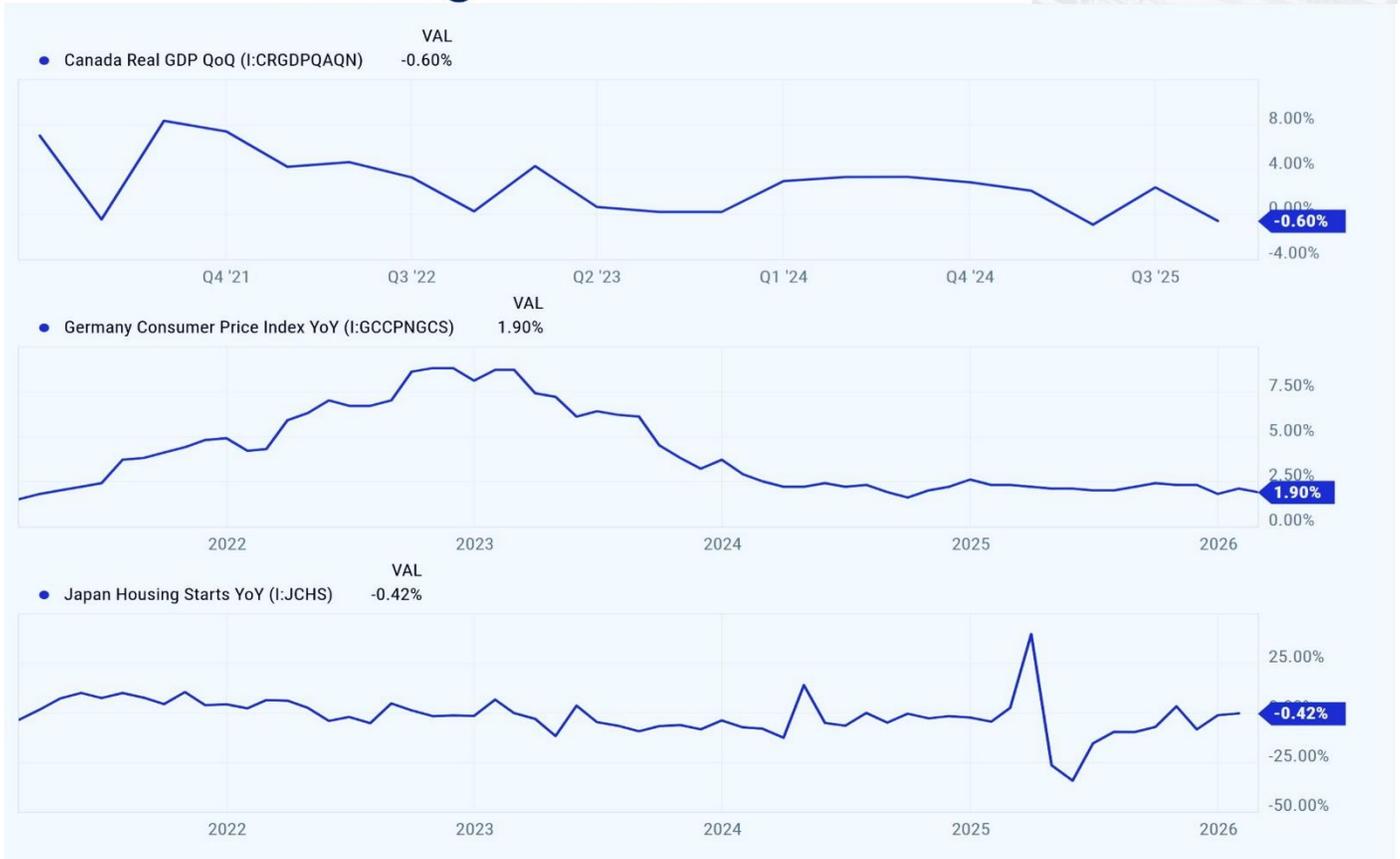
- **Dow Jones Industrial Average:** closed at 48,977.92, down 521.28 points or 1.05%.
- **S&P 500:** closed at 6,878.88, down 29.98 points or 0.43%.
- **Nasdaq Composite:** closed at 22,668.21, down 210.17 points or 0.92%.
- **Birling Capital Puerto Rico Stock Index:** closed at 4,095.69, up 24.07 Points or 0.59%
- **Birling Capital U.S. Bank Index:** closed at 8,998.76, up 91.88 Points or 1.09%.
- **U.S. Treasury 10-year note:** closed at 3.97%.
- **U.S. Treasury 2-year note:** closed at 3.38%.

# GDPNow

## First Quarter 2026

<b>Date</b>	<b>GDPNow 1Q26</b>	<b>Change</b>
<b>2/20/2026</b>	<b>3.10%</b>	<b>Initial Forecast</b>
<b>2/24/2026</b>	<b>3.10%</b>	<b>0.00%</b>
<b>2/27/2026</b>	<b>3.00%</b>	<b>-3.23%</b>

# Canada Real GDP QoQ; Germany Consumer Price Index YoY & Japan Housing Starts YoY



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