

Stock Fall as Earnings Momentum Offsets Risk-Off Signals as Markets Digest Rates, Capex, and Global Crosscurrents

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The U.S. and European stock markets closed lower on Wednesday, as investors balanced a risk-off tone at the open with resilient underlying earnings momentum. Early weakness was concentrated in consumer discretionary and communication services, while防守ives and select cyclicals offered partial offset. Treasury yields eased, the U.S. dollar firmed against major peers, and commodities softened amid easing geopolitical supply concerns.

Markets & Macro Pulse

Equities opened lower on Thursday as risk appetite cooled. The 10-year U.S. Treasury yield drifted down to 4.27%, reflecting modest demand for duration. Asian markets finished lower overnight—led by South Korea's tech-heavy Kospi—while European equities also traded softer after the ECB held its policy rate at 2.0%, in line with expectations. The dollar advanced broadly. In energy, WTI crude moved lower after the U.S. and Iran agreed to talks scheduled for Friday, reducing near-term supply anxiety.

Earnings: Strong Results, Capex Questions

Fourth-quarter earnings season continues to deliver upside surprises. Alphabet exceeded estimates after the close, underscoring durable AI-driven demand. However, shares traded lower today after management raised 2026 capital expenditure guidance to \$175–\$185 billion, well above consensus expectations of about \$115 billion, reviving debate over the timing and magnitude of returns from elevated AI investment.

Across the broader market, results remain constructive:

- **55%** of S&P 500 companies have reported.
- **79%** have beaten estimates.
- **Average upside surprise: 8.2%.**
- **2025 earnings** growth has been revised up to 11.4% (from 7.2% at quarter-end).
- **8 of 11 sectors** are expected to post higher earnings.

Looking ahead, profit growth is projected to accelerate through 2026 (~14%). With valuations elevated relative to history, sustained earnings growth remains the primary catalyst for further equity gains. We continue to favor a globally diversified equity overweight, emphasizing U.S. large- and mid-caps, developed international small- and mid-caps, and selective emerging markets.

Labor Market Check

Initial jobless claims edged higher to 231,000, above expectations for roughly flat readings near 210,000. Weekly data can be noisy; the year-to-date average (~211,000) remains below last year's 226,000. Continuing claims rose to 1.84 million, in line with forecasts. Job openings declined to 6.5 million, while the unemployment rate holds at 4.4%—consistent with a low-hiring, low-firing backdrop that supports gradual inflation moderation.

Europe Markets: Central Banks on Hold with Earnings on Reality Check

European equity markets closed lower, as investors digested a dense slate of corporate earnings alongside steady-handed central banks. Both the Bank of England and the European Central Bank held policy rates unchanged, as expected, reinforcing a cautious macro backdrop but offering little near-term catalyst for risk appetite.

Earnings dominated the session, with results from BBVA, BNP Paribas, Vinci, BMW, Siemens Healthineers, Anglo American, Danske Bank, ArcelorMittal, A.P. Moller-Maersk, and Vestas Wind Systems underscoring the unevenness of the European earnings recovery across sectors.

In autos, Volvo Cars delivered one of the sharpest disappointments of the day. Fourth-quarter operating income, excluding items affecting comparability, plunged 68% year over year to SEK 1.8 billion (approximately \$200 million), sending shares down 22.5% amid margin pressure and demand uncertainty.

Energy stocks also struggled. Shell reported fourth-quarter adjusted earnings of \$3.26 billion, below consensus expectations of \$3.53 billion, amid weaker crude prices. Shares finished 3.4% lower, reinforcing the sensitivity of European energy names to both commodity pricing and capital discipline concerns.

Europe's session reflected a market caught between stable monetary policy and a more demanding earnings reality. With growth signals mixed and guidance increasingly cautious, investors remain selective, favoring balance-sheet strength and visibility over broad-based risk exposure.

Corporate Earnings Parade:

- **Bristol Myers Squibb Co. (BMY):** reported fourth quarter 2025 revenues of \$12,502 billion, up 1%; net income of \$1,085 billion, down 1%; and earnings per share of \$0.53. BMY has a stock price objective of \$58.04. Full Year 2025 results were revenues of \$48,184 billion, net income of \$7,055 billion, with earnings per share of \$3.46. View our report on BMY: [BMY Overview](#)

Economic Data:

- **U.S. Initial Claims for Unemployment Insurance:** rose to 231,000, up from 209,000 last week and up 10.53%.
- **U.S. Productivity:** rose to 4.90%, compared to 4.10% last quarter.
- **U.S. Unit Labor Costs: Nonfarm Business QoQ:** is at -1.90%, compared to -2.90% last quarter.
- **30-Year Mortgage Rate:** rose to 6.10%, compared to 6.09% last week.
- **Eurozone Retail Trade YoY:** fell to 1.30%, compared to 2.40% last month.

Eurozone Summary:

- **Stoxx 600:** closed at 611.65, down 6.47 points or 1.05%.
- **FTSE 100:** closed at 10,309.22, down 93.12 or 0.90%.
- **DAX Index:** closed at 24,491.06, down 111.98 or 0.46%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 48,908.72, down 592.58 points or 1.20%.
- **S&P 500:** closed at 6,798.40, down 84.32 points or 1.23%.
- **Nasdaq Composite:** closed at 22,540.58, down 363.99 points or 1.59%.
- **Birling Capital Puerto Rico Stock Index:** closed at 4,173.85, down 17.37 points, or 0.41%.
- **Birling Capital U.S. Bank Index:** closed at 9,262.67, down 16.45 points or 0.18%
- **U.S. Treasury 10-year note:** closed at 4.27%.
- **U.S. Treasury 2-year note:** closed at 3.47%.

US Initial Claims for Unemployment Insurance; US Productivity; US Unit Labor Costs: Nonfarm Business QoQ; 30 Year Mortgage Rate & Eurozone Retail Trade YoY

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