Confidence Without Excess: Markets Rotate Toward Fundamentals Across the U.S. and Europe

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The U.S. and European stock markets closed modestly higher, as investors positioned cautiously ahead of a dense slate of U.S. labor and inflation data later this week. Early-week gains were led by technology and growth-oriented sectors, reflecting selective risk appetite rather than broad momentum. Treasury yields moved higher, with the 10-year U.S. yield hovering near 4.22%, signaling markets remain sensitive to incoming macro confirmation rather than anticipating an imminent policy shift.

Markets & Macro Pulse

Equities opened the week on firmer footing, supported by resilient earnings expectations and steady liquidity conditions. In international markets, Asia finished higher overnight, led by Japan, where the Nikkei reached a new all-time high. The rally reflects renewed investor confidence following the weekend elections, which reduced political uncertainty and delivered a decisive parliamentary outcome, reinforcing policy continuity and the credibility of reform. European markets tracked modestly higher, while currency markets remained broadly stable.

In commodities, WTI crude edged higher as Russian oil shipments to India slowed, a development tied to evolving trade dynamics between the U.S. and India. While near-term price action reflects supply adjustments, energy markets remain range-bound, with geopolitical risk balanced by ample global inventories.

Labor Market: Stabilization, Not Acceleration

Attention now turns to the January employment report, expected to show payroll growth of approximately 80,000 jobs. If realized, this would mark the strongest monthly gain in four months and exceed the 2025 monthly average of roughly 50,000. The unemployment rate is expected to remain steady at 4.4%.

The broader signal remains one of stabilization rather than overheating: hiring is modest, layoffs are contained, and labor participation trends are holding. This environment supports the view that monetary policy flexibility is increasing. If inflation continues to cool, the labor backdrop should allow room for one to two rate cuts later this year without undermining economic momentum.

Inflation Watch: Gradual Cooling Continues

January inflation dynamics continue to point to a controlled, orderly disinflation process. Birling Capital uses the inflation nowcasting model that estimates headline CPI at 2.36% year over year for January, with core CPI at 2.45%, representing a meaningful step down from the prior 2.92% reading. These estimates reinforce the view that inflation pressures are easing steadily rather than reaccelerating.

Recent progress has been driven primarily by continued normalization in services inflation, reflecting moderating wage pressures, improved labor market balance, and slower rent and shelter pass-throughs. At the same time, goods inflation has firmed modestly, in part due to tariff-related price adjustments implemented in mid-2025. These increases appear to be largely one-time level effects rather than the start of a renewed inflation cycle.

Looking ahead, tariff-related distortions are expected to fade around midyear as price increases roll out of year-over-year comparisons. If this trajectory holds, inflation should continue converging toward the Federal Reserve's target range without requiring restrictive policy to remain in place for an extended period.
The inflation backdrop supports a gradual, data-dependent policy pivot rather than an abrupt easing cycle. With inflation cooling, labor stabilizing, and financial conditions orderly, the case for one to two rate cuts later in 2026 remains intact—conditional on continued confirmation rather than assumption.

Eurozone Summary | Financials in Focus as Markets Advance Selectively

European equities moved higher, led by continental markets, as investors rotated toward growth- and export-oriented sectors while remaining discriminating within financials. The Stoxx 600 closed up 0.70%, reflecting broad participation across industrials, technology, and cyclicals. Germany outperformed, with the DAX rising 1.19%, supported by strong earnings momentum and global trade exposure.
By contrast, the U.K.'s FTSE 100 lagged, up just 0.16%, weighed down by bank-specific volatility despite an otherwise constructive regional backdrop. The underperformance was driven largely by a sharp selloff in NatWest Group, highlighting how European markets are advancing—but not indiscriminately.
Shares of NatWest fell nearly 9% after the bank announced a £2.7 billion ($3.7 billion) agreement to acquire Evelyn Partners, one of the U.K.'s largest wealth management firms. While the transaction will more than double NatWest's assets under management to £127 billion (from £59 billion) and accelerate its shift toward fee-based advisory and wealth services, investors reacted negatively to near-term execution risk, integration costs, and valuation discipline.
Strategically, the deal aligns with a broader European banking theme. After a strong 2025—marked by solid organic growth, improved asset quality, and excess capital—many European lenders are now pivoting toward capital-light, recurring-revenue businesses to offset declining net interest income as rate cuts approach. In that context, NatWest's move is directionally consistent with where the sector is heading, even if the market questions the timing and pricing.
Market signal: Europe's equity gains reflect confidence in earnings durability and selective growth, but NatWest's reaction underscores a key message: investors reward strategy only when it's paired with execution clarity. The rally is real, but discipline remains the defining feature of this market regime.

Strategic Takeaway | Wall Street and Europe

Markets on both sides of the Atlantic are not pricing exuberance—they are pricing confirmation. In the U.S., resilient earnings, a stabilizing labor market, and gradually easing inflation are supporting selective risk-taking without triggering excess. In Europe, improving earnings visibility and capital strength are driving gains, but with clear differentiation across sectors and geographies.
This is a data-dependent market regime. Investors are rewarding fundamentals, balance-sheet strength, and execution—not headlines or momentum alone. With key labor and inflation data ahead, the coming week will help determine whether confidence broadens across regions and sectors or remains targeted as markets move deeper into 2026.

Puerto Rico Financial Sector Leaders

Fundamentals are asserting leadership, and Value creation is measurable. The combined market capitalization of BPOP, FBP, OFG, and EVTC increased from $15.217 billion on December 31, 2025, to $16.842 billion on February 9, 2026, generating $1.625 billion in net value creation +10.67% in just five weeks.

1. Popular, Inc. (BPOP): Total return 2025: +32.38%, Performance as of 2/9/2026: +18.83%
Popular continues to anchor Puerto Rico's financial system through scale and earnings strength.
Full-Year 2025 Net income: $833.2 million (+36%)

Market Metrics (as of 2/9/2026)

- Share price: $147.31
- Market capitalization: $9.681 billion
- Price target: $145.70

2. First BanCorp (FBP): Total return 2025: +11.51%, Performance as of 2/9/2026: +11.72.%
First BanCorp reflects disciplined execution and consistent earnings growth.
Full-Year 2025 Net income: $344.9 million (+15.45%)

Market Metrics (as of 2/9/2026)

- Share price: $23.16
- Market capitalization: $3.627 billion
- Price target: $24.00

3. OFG Bancorp (OFG): Total return 2025: –3.17%, Performance as of 2/9/2026: 2.12%
OFG remains profitable and stable in a selective market.
Full-Year 2025 Net income: $206.8 million

Market Metrics (as of 2/9/2026)

- Share price: $41.85
- Market capitalization: $1.81 billion
- Price target: $47.60

4. Evertec, Inc. (EVTC): Total return 2025: –15.76%, Performance as of 2/9/2026: –7.30%
Evertec continues investing in fintech infrastructure and regional expansion, prioritizing long-term platform development.

Market Metrics (as of 2/9/2026)

- Share price: $26.95
- Market capitalization: $1.724 billion
- Price target: $32.80

Eurozone Summary:

- **Stoxx 600:** closed at 621.41, up 4.29 points or 0.70%.
- **FTSE 100:** closed at 10,386.23, up 16.48 or 0.16%.
- **DAX Index:** closed at 25,014.87, up 293.41 or 1.19%.

Wall Street Summary:

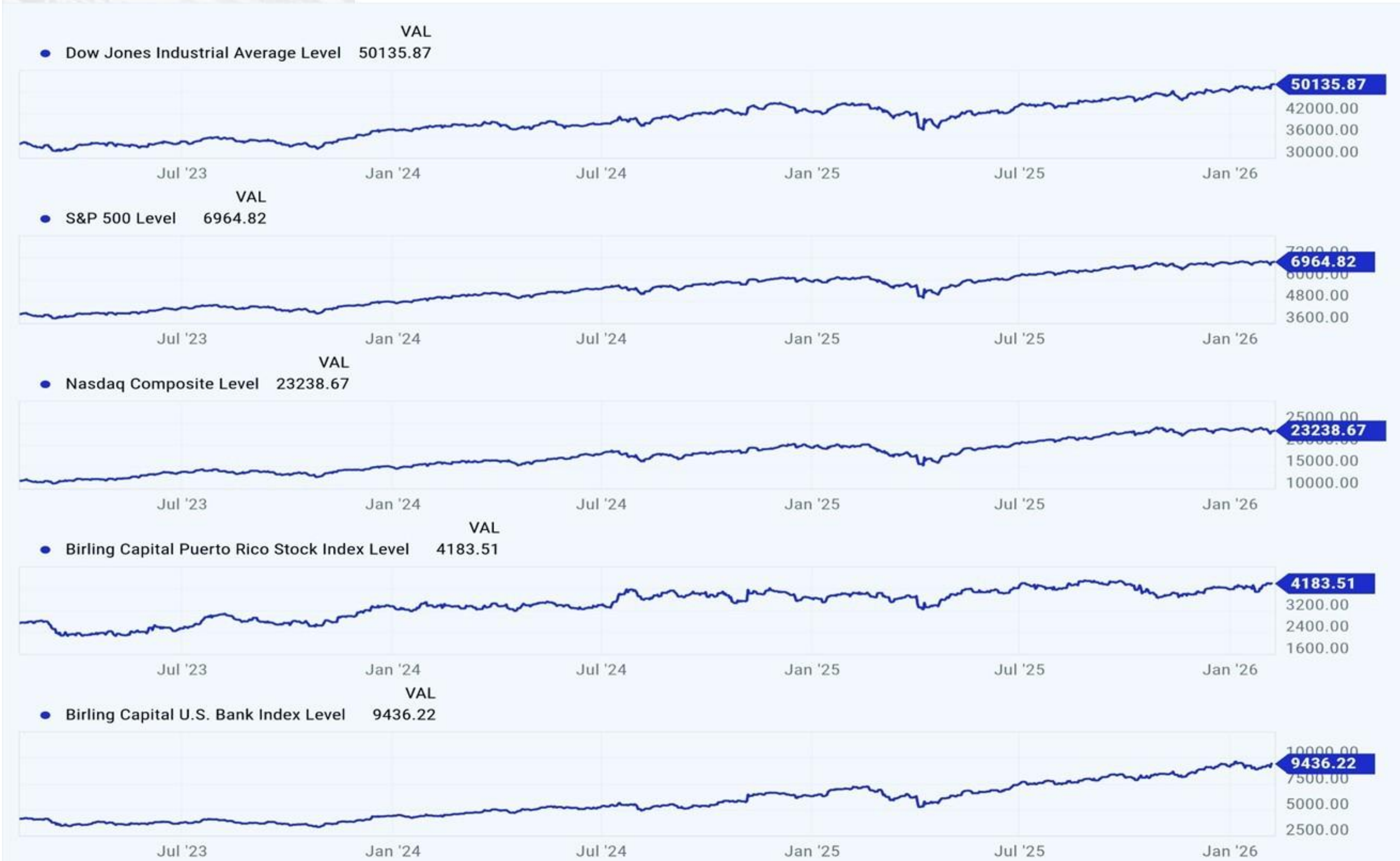
- **Dow Jones Industrial Average:** closed at 50,135.87, up 20.20 points or 0.04%.
- **S&P 500:** closed at 6,964.82, up 32.52 points or 0.47%.
- **Nasdaq Composite:** closed at 23,238.67, up 207.45 points or 0.90%.
- **Birling Capital Puerto Rico Stock Index:** closed at 4,183.51, up 24.42 points, or 0.51%.
- **Birling Capital U.S. Bank Index:** closed at 9,436.22, up 335.33 points or 3.68%
- **U.S. Treasury 10-year note:** closed at 4.22%.
- **U.S. Treasury 2-year note:** closed at 3.48%.

Inflation Nowcasting

January 2026

Inflation Nowcasting	CPI Forecast	Core CPI Forecast	Updated
January	2.36%	2.45%	2.9.26

Popular, Firstbank, Evertec, & Oriental YTD Returns as of 2/9/2026



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VAL
Birling Capital U.S. Bank Index Level 9436.22
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