

## Markets Absorb Inflation Data as Bank Stocks Weigh on Equities, even as JPMorgan Chase Reports Top Line Results.

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

The **U.S. and European stock markets closed broadly lower** on Tuesday, as **investors absorbed largely in-line inflation data** while reassessing policy and regulatory risk amid **bank earnings** and newly announced **proposals from President Donald Trump**. Despite better-than-expected results from major banks, equities—particularly financials—came under pressure as markets focused on forward-looking policy uncertainty rather than backward-looking fundamentals.

On Wall Street, the Dow Jones Industrial Average fell **398.21 points**, the S&P 500 declined **13.53 points**, and the Nasdaq Composite dropped **24.03 points**, reflecting broad-based pressure across financials and selecting large-cap stocks.

Shares of **JPMorgan Chase & Co.** declined more than **4%** after CFO Jeremy Barnum indicated that banks could push back against the administration's proposal to cap credit card interest rates at 10% for one year. **Goldman Sachs** followed lower, declining more than 1%, while consumer payment names were hit harder. **Mastercard** and **Visa** both traded down roughly 5%, reflecting concerns about revenue pressure and regulatory risk. The Financial Select Sector SPDR Fund also moved lower, underscoring broad weakness across the financial sector.

In fixed income markets, short-term Treasuries rallied modestly following the inflation report, with the 2-year yield easing toward **3.53%**, while longer-duration yields were little changed. The U.S. dollar softened slightly against a basket of major currencies. Gold prices held steady near **\$4,600 per ounce**, while oil prices climbed to a two-month high amid rising geopolitical tensions between the U.S. and Iran.

### Eurozone Markets

**European shares finished mixed** on Tuesday, as investors continued to weigh **geopolitical developments involving Iran** and the launch of a **criminal investigation into U.S. Federal Reserve Chair Jerome Powell**.

The pan-European Stoxx 600 closed nearly 0.2% lower, with major regional bourses ending the session in mixed territory.

Elsewhere, **Swiss lender UBS edged up 0.1% following a Financial Times report that CEO Sergio Ermotti is expected to step down in April 2027**. A spokesperson for the bank declined to comment.

### Inflation Update: Nowcasting and CPI Reinforce Gradual Disinflation

December inflation data broadly aligned with recent inflation nowcasting models, reinforcing the view that price pressures are easing, though unevenly.

The inflation nowcast had pointed to December CPI at 2.57% and Core CPI at 2.64%. Actual results showed modest headline firmness but stability at the core level. Headline CPI rose to 2.71% year over year, slightly above November's 2.68%, driven in part by food prices. Core CPI was unchanged at 2.60%, marginally below nowcast expectations and consistent with moderating underlying inflation momentum.

Core inflation rose just 0.2% month over month, reflecting flat core goods prices. Core goods inflation is now running at only 0.2% annually over the past three months, suggesting limited tariff pass-through to date. Services inflation firmed modestly in December, particularly shelter, following data-collection distortions in October and November. However, services inflation slowed materially through 2025, and further gradual moderation is expected in 2026.

Looking ahead, inflation nowcasting continues to signal additional easing in January. Headline CPI is projected to decline to 2.24%, with Core CPI moderating to 2.45%. PCE inflation is expected to ease to 2.38%, while Core PCE edges down to 2.64%, reinforcing the broader disinflation trend.

### **Federal Reserve: Pause Reinforced Amid Policy and Political Uncertainty**

The inflation data are unlikely to alter the Federal Reserve's stance ahead of its January meeting. Policymakers have clearly signaled a pause following recent rate cuts, and markets are pricing virtually no probability of near-term action. Continued progress on inflation, combined with subdued hiring trends, supports the case for cautious policy easing later in 2026.

Markets currently assign roughly a 20% probability to a 25-basis-point cut in March or April, with expectations rising to approximately 45% for June, following the expiration of Chair Powell's term. Recent political headlines have added complexity to the outlook, but bipartisan pushback has helped stabilize market sentiment and ease concerns about central bank independence.

Inflation data and nowcasting remain aligned in direction, confirming that disinflation is progressing but not in a straight line. Markets are now balancing improving inflation dynamics against policy risk and sector-specific headwinds, favoring selectivity, rotation, and caution rather than aggressive repricing.

### **Corporate Earnings Parade:**

- **JPMorgan Chase & Co. (JPM):** reported fourth quarter 2025 results with revenues of \$45,798 billion, up 7%; net income of \$13,025 billion, down 7%; and Earnings Per Share of \$4.63, topping estimates. The company has a Tier 1 Capital of 15.5 and a stock price target of \$338.05, and closed today at **\$311.05, down \$13.44 or 4.14%.** View of JPM Report: [JPM Overview](#)

### **Economic Update:**

- **U.S. Consumer Price Index YoY:** rose to 2.71%, compared to 2.68% last month.
- **U.S. Core Consumer Price Index YoY:** is unchanged at 2.60%, compared to 2.60% last month.
- **U.S. Inflation Rate:** rose to 2.71%, up from 2.68% last month.
- **U.S. Retail Gas Price:** fell to \$2.925, down from \$2.94 last week
- **U.S. New Single-Family Houses Sold:** fell to 737,000, down from 738,000 last month.

### **Eurozone Summary:**

- **Stoxx 600:** closed at 610.44, down 0.51 points or 0.08%.
- **FTSE 100:** closed at 10,137.35, down 3.35 or 0.03%.
- **DAX Index:** closed at 25,420.66, up 15.32 or 0.06%.

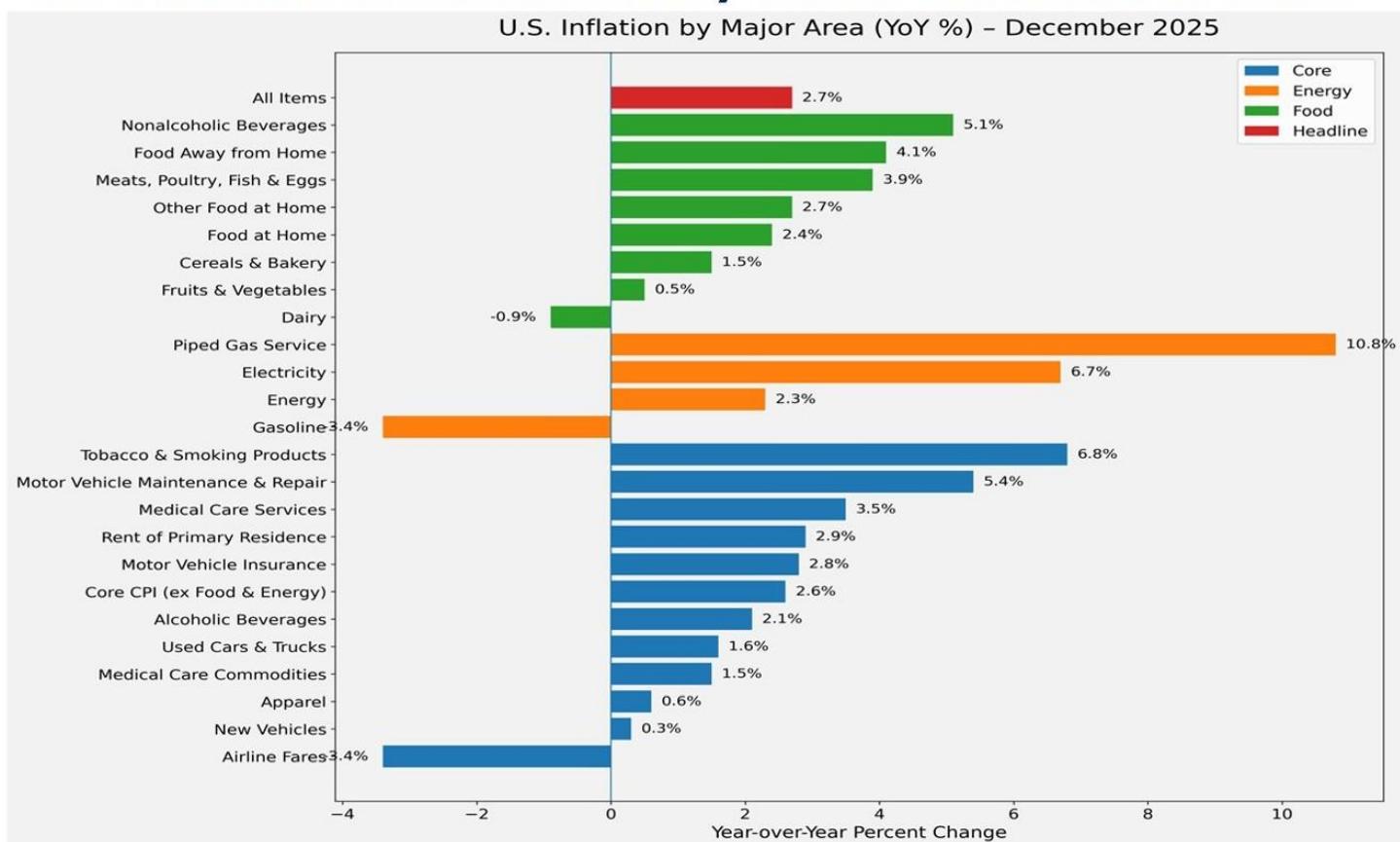
### **Wall Street Summary:**

- **Dow Jones Industrial Average:** closed at 49,191.99, down 398.21 points or 0.80%.
- **S&P 500:** closed at 6,963.74, down 13.53 points or 0.19%.
- **Nasdaq Composite:** closed at 23,709.87, down 24.03 points or 0.10%.
- **Birling Capital Puerto Rico Stock Index:** closed at 4,039.53, down 32.91 points or 0.81%.
- **Birling Capital U.S. Bank Index:** closed at 9,418.39, down 83.70 points or 0.88%.

- **U.S. Treasury 10-year note:** closed at 4.18%.
- **U.S. Treasury 2-year note:** closed at 3.53%.



## US Inflation Breakdown by Area-December 2025



# US Consumer Price Index YoY; US Core Consumer Price Index YoY; US Inflation Rate; US Retail Gas Price & US New Single Family Houses Sold

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