



Wall Street Sells Off Hard: Dow Plunges 871 Points, S&P 500 Slides 2.06%, Nasdaq Drops 561.06 Points.

January 20, 2026

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The U.S. and European stock markets closed sharply lower as risk-off sentiment accelerated amid renewed tariff uncertainty, heightened geopolitical tensions, and a broad repricing of growth expectations. Selling pressure intensified throughout the session, with investors rotating away from higher-beta exposure and reducing risk to the close.

In the U.S., the decline was decisive and broad-based. The Dow Jones Industrial Average fell 870.74 points, while the S&P 500 dropped 143.15 points, and the Nasdaq Composite also joined the downside, falling 561.06 points as technology and momentum-sensitive areas absorbed the heaviest pressure. The move reinforced a clear shift in market tone: investors are demanding a higher risk premium amid policy-driven uncertainty and an increasingly headline-dependent trading environment.

In fixed income, U.S. Treasury yields finished the session at 4.30% on the 10-year and 3.60% on the 2-year, leaving the curve still inverted and reinforcing the market's ongoing debate between inflation persistence and slowing growth risk. The rate backdrop continues to matter when volatility rises, and uncertainty grows, equity valuations—particularly in long-duration growth sectors—tend to face the greatest pressure as discount rates and risk premia reprice quickly.

Despite today's sharp decline, it is important to maintain a long-term perspective. Market volatility is not a defect of investing—it is a feature. Corrections and pullbacks are part of the cycle, even in strong years. For disciplined investors, periods like these often create opportunity, not just discomfort, particularly when fundamentals remain intact, and earnings visibility stays constructive.

Looking ahead, markets will remain highly sensitive to policy headlines, inflation expectations, and corporate earnings guidance. While uncertainty has increased, our base case remains that the economy is entering this phase from a position of strength, and that investors should stay focused on quality, diversification, and long-term objectives rather than short-term noise.

From a macro standpoint, with the European Union accounting for roughly 19% of U.S. imports and exports in 2025, the implementation of tariffs—especially if layered on top of existing duties—would likely place modest downward pressure on U.S. and European growth, while adding upward pressure on U.S. goods prices. A retaliatory response from Europe would be likely, further complicating the growth outlook by reducing demand for U.S. exports and intensifying cross-border uncertainty.

Adding to global volatility, long-term Japanese government bond yields surged after reports that Japan may suspend a 2-year tax on food and fuel, fueling concerns about fiscal deterioration. The 30-year Japanese Government Bond yield jumped nearly 0.3% to 3.87%, a sharp move for the world's most closely watched sovereign market.

Despite the escalation in rhetoric, de-escalation remains possible, particularly as global leaders gather this week in Davos for the World Economic Forum. Importantly, markets are entering this period from a position of relative strength: economic activity has been resilient, and corporate fundamentals remain supportive. Analysts continue to project approximately 15% earnings growth for the S&P 500 in 2026, reinforcing our view that earnings momentum can continue to provide a floor for equities even amid headline-driven volatility.

Looking through the short-term noise, it is important to maintain perspective. Volatility is a normal feature of equity markets. In 2025 alone, the S&P 500 experienced a 19% peak-to-trough decline in April yet still ended the year up more than 16% in price terms. Historically, the market typically experiences multiple 5% pullbacks per year and at least one 10% pullback yet has delivered more than 10% annualized returns over the past 30 years, including dividends—underscoring the value of discipline and long-term positioning.

Earnings season is also gaining momentum. Fourth-quarter results began with several large U.S. banks reporting mostly solid outcomes, and the calendar remains active this week, with Netflix reporting after today's close and Johnson & Johnson reporting tomorrow morning. With roughly 7% of S&P 500 companies having reported so far, consensus estimates call for approximately 7% earnings growth in Q4, bringing full-year 2025 earnings growth to over 11%, with continued strength expected into 2026.

European Markets

European stocks also closed lower as President Trump's tariff threats revived trade-war concerns across the region. The proposed tariffs would reportedly target Denmark, Norway, Sweden, France, Germany, the U.K., the Netherlands, and Finland, raising fears of renewed pressure on trade, industrial output, and corporate earnings.

Germany's export-driven market led the decline, with the DAX Index closing down nearly 1.1%, while the MDAX (German mid-caps) fell 1.8%. In France, the CAC 40 ended 0.6% lower, as investors weighed additional reports that President Trump could impose 200% tariffs on French wine and champagne, intensifying pressure on luxury and beverage names. LVMH fell 2.1%, while Remy Cointreau finished modestly lower.

In currencies, the euro strengthened, rising 0.7% versus the U.S. dollar to \$1.173, and gaining 0.5% versus the British pound, trading near 0.87 euros per pound, as markets repositioned amid shifting policy expectations.

Economic Update:

- **Canada Consumer Price Index YoY:** rose to 2.36% from 2.22% last month.
- **Eurozone Inflation Rate: Excluding Energy, Food, Alcohol, and Tobacco:** fell to 2.30% from 2.40% last month.
- **Germany Producer Price Index YoY:** fell to -2.50%, compared to -2.30% last month.
- **ZEW Indicator of Economic Sentiment for Germany:** rose to 59.60, up from 45.80 last month.
- **UK ILO Unemployment Rate: Aged 16-64:** is unchanged at 5.20%, compared to 5.20% last month.
- **China Real GDP YoY:** fell to 4.50%, compared to 4.80% last quarter.

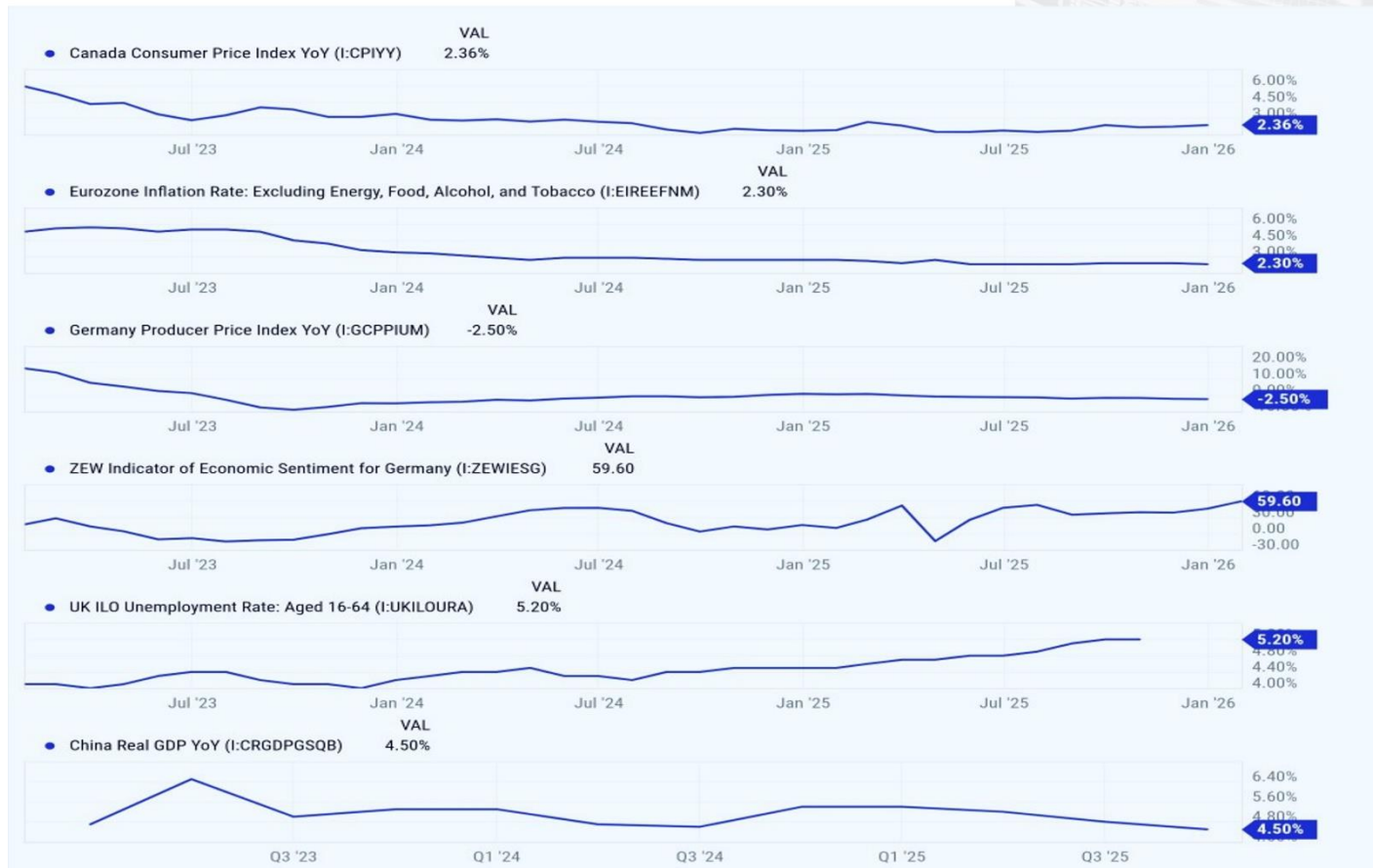
Eurozone Summary:

- **Stoxx 600:** closed at 602.80, down 4.26 points or 0.70%.
- **FTSE 100:** closed at 10,125.78, down 68.57 or 0.67%.
- **DAX Index:** closed at 24,703.12, down 255.94 or 1.03%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 48,488.59, down 870.74 points or 1.76%.
- **S&P 500:** closed at 6,796.86, down 143.15 points or 2.06%.
- **Nasdaq Composite:** closed at 22,954.32, down 561.06 points or 2.31%.
- **Birling Capital Puerto Rico Stock Index:** closed at 4,050.16, down 41.20 points or 1.01%.
- **Birling Capital U.S. Bank Index:** closed at 9,239.64, down 18.55 points or 0.30%.
- **U.S. Treasury 10-year note:** closed at 4.30%.
- **U.S. Treasury 2-year note:** closed at 3.60%.

Canada Consumer Price Index YoY; Eurozone Inflation Rate: Excluding Energy, Food, Alcohol, and Tobacco; Germany Producer Price Index YoY; ZEW Indicator of Economic Sentiment for Germany; UK ILO Unemployment Rate: Aged 16-64 & China Real GDP YoY





Dow Jones, S&P 500, Nasdaq Composite YTD Returns as of 1/20/26

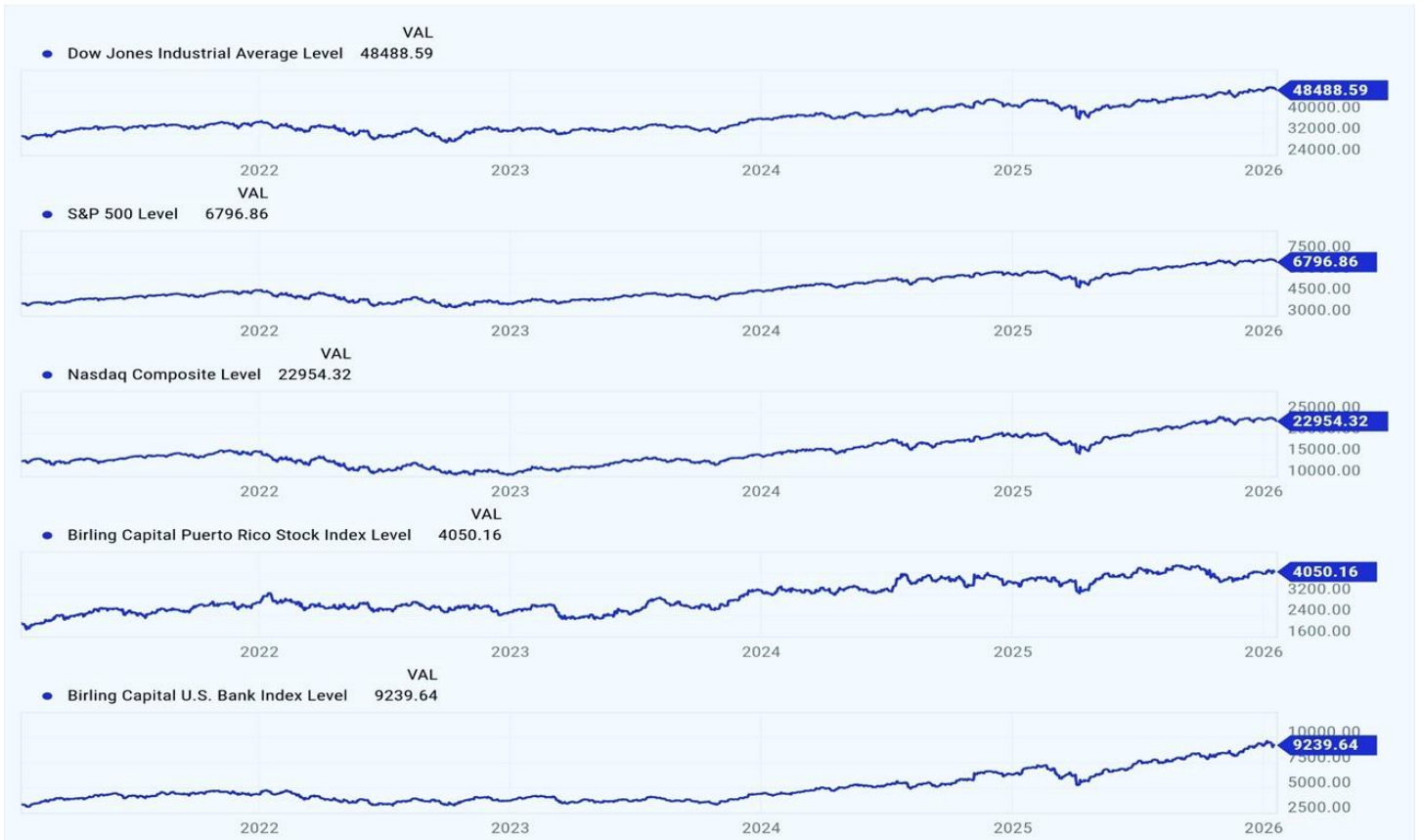




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