

Dow Surges 589 Points, Nasdaq rises 270 Points, and S&P 500 Jumps 1.16% as President Trump Calls Off Europe Tariffs After Greenland Deal Framework.

January 21, 2026

by Francisco Rodríguez-Castro
frc@birlingcapital.com

The U.S. and European stock markets closed mixed, as investors stabilized sentiment following Tuesday's sharp sell-off—the largest single-day move since last year's "Liberation Day" tariff shock. Markets found support after President Trump called for "immediate negotiations" with Denmark to discuss the United States acquiring Greenland, for the first time ruling out the use of military force. Treasury yields remained elevated, while the U.S. dollar extended its pullback and gold advanced on renewed demand for safe-haven assets. In Europe, equities finished unevenly as tariff threats and trade-war rhetoric resurfaced during the Davos meetings, though mining stocks outperformed sharply, lifting the Basic Resources sector to one of the day's strongest gains.

Wall Street Drivers

U.S. equities delivered a powerful rebound on Wednesday, with buyers returning decisively after markets received a fresh wave of policy-driven relief. The rally was broad and disciplined—not speculative—lifting all three major indexes as investors repriced risk lower and stepped back into equities with renewed conviction.

The Dow Jones Industrial Average led the advance, rising 588.64 points, while the S&P 500 climbed 1.16% and the Nasdaq Composite also participated strongly, gaining 1.18%, signaling that the rebound extended beyond defensives and into growth-sensitive areas of the market.

Still, despite the strength of Wednesday's move, the broader weekly picture remains unsettled. The rally helped stabilize sentiment, but it has not fully repaired the damage from earlier declines. All three major indices remain in the red for the week, underscoring that investors are treating this rebound as a recalibration—not a definitive "all clear." The Dow is pacing for a -0.6% weekly decline, while the S&P 500 and Nasdaq are each tracking a roughly -1% weekly decline.

In short, markets are bouncing—but they are doing so with caution, as confidence remains highly dependent on the next set of headlines and policy signals.

Global Policy & Geopolitics: All eyes on Davos

Investors remained focused on signals from Davos after President Trump, in his World Economic Forum remarks, explicitly called for "immediate negotiations" with Denmark over Greenland.

Crucially, Trump delivered a market-moving clarification: for the first time, he ruled out the use of military force to acquire Greenland, reinforcing a message of negotiation.

Trump used humor to underscore his non-military approach, saying, "People thought I would use force. I don't have to use force. I don't want to use force. I won't use force."

For markets, the implication is straightforward: the probability of immediate escalation declined, supporting a short-term stabilization bid across global risk assets. However, the longer-term issue remains unresolved, as the push for acquisition—and the potential linkage to tariff pressure—continues to represent a significant diplomatic and trade-policy overhang.

Affordability returns to center stage

Beyond geopolitics, President Trump also reinforced his focus on domestic affordability—an issue that could become a defining theme in this midterm year.

Credit card rates were a key focus, with the President continuing to advocate for a 10% cap on credit card interest rates. Banks have pushed back strongly, warning that such a cap could reduce credit availability, tighten underwriting, and constrain lending capacity—particularly for consumers with lower credit scores.

The President also reiterated efforts to address housing affordability. He included proposals to encourage agencies to engage in mortgage-backed securities activity and to limit institutional investors' roles in housing markets. These tools may influence affordability at the margin, but supply constraints remain the core issue. Without expanding supply, affordability pressures are likely to persist, even if mortgage demand improves periodically.

European Markets Summary

European equities finished Wednesday's session mixed. Markets digested President Trump's World Economic Forum speech and weighed the risk of an EU-U.S. trade confrontation. Investors welcomed Trump's statement that he would not use force against Greenland. However, renewed tariff rhetoric kept sentiment under pressure.

European lawmakers responded quickly. Shortly after Trump's remarks, officials said they had suspended the approval of the EU-U.S. trade agreement reached last year, signaling that political resistance may harden if tariff threats escalate.

Bernd Lange, chair of the European Parliament's international trade committee, described the tariff threats as an "attack" on the EU's economic and territorial sovereignty—highlighting that the Greenland issue is being treated not only as a geopolitical matter, but as a direct sovereignty dispute.

European Commission President Ursula von der Leyen labeled Trump's tariff proposals a "mistake." She warned the proposals could push both Europe and the U.S. into a "dangerous downward spiral." She also reiterated full solidarity with Greenland and Denmark and emphasized that the EU's response would be united and proportional. Europe is preparing for a more confrontational stance if needed.

Bottom Line

Markets are stabilizing, but the tone has improved meaningfully as geopolitical and tariff tail risks appear to be moderating. The immediate risk diminished after President Trump reiterated he will not use military force in Greenland and confirmed he is pursuing a negotiated path, but today's most market-relevant development is that Trump announced he and NATO Secretary General Mark Rutte have "formed the framework of a future deal with respect to Greenland" and the broader Arctic region.

Most importantly for risk assets, President Trump stated that, based on this understanding, he will not impose the punitive tariffs that were scheduled to take effect on February 1st. This reduces the probability of a near-term EU-U.S. trade escalation and supports the current stabilization bid across equities, credit, and global risk sentiment.

The next move will be driven by:

- Whether this Greenland "framework" becomes a formal agreement—or breaks down during implementation,
- Whether the removal of the February 1 tariffs holds as negotiations progress, and
- How quickly will additional discussions (including "The Golden Dome" as it pertains to Greenland) evolve into concrete policy actions with defense and fiscal implications

For investors, the takeaway is clear: headline risk has shifted from "escalation" to "negotiation," and the decision to pause the February 1 tariff package is a material near-term positive. However,

markets remain exposed to renewed volatility if talks stall, if new conditions emerge, or if the policy agenda broadens into new trade or defense commitments.

GDPNow Update:

- The GDPNow for the fourth quarter was updated on January 21, rising to 5.4% from 5.30% and 1.89%.

Economic Update:

- **U.S. Pending Home Sales YoY:** rose to 2.59%, compared to 0.13% last month.
- **U.S. Construction Spending MoM:** rose to 0.50%, compared to -0.59% last month.
- **U.S. Retail Gas Price:** fell to \$2.907, down from \$2.925 last week.
- **UK Consumer Price Index YoY:** rose to 3.40%, up from 3.20% last month.
- **UK Core Consumer Price Index YoY:** rose to 3.25%, compared to 3.18% last month.
- **UK Producer Price Index: Output YoY:** rose to 0.29%, compared to -0.15% last month.
- **UK Producer Price Index: Input YoY:** is at -0.14%, compared to -1.28% last month.

Eurozone Summary:

- **Stoxx 600:** closed at 602.67, down 0.13 points or 0.02%.
- **FTSE 100:** closed at 10,138.09, up 11.31 or 0.11%.
- **DAX Index:** closed at 24,560.98, down 142.14 or 0.58%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 49,077.23, up 588.64 points or 1.21%.
- **S&P 500:** closed at 6,875.62, up 78.76 points or 1.16%.
- **Nasdaq Composite:** closed at 23,224.82, up 270.50 points or 1.18%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,981.03, down 69.13 points or 1.71%.
- **Birling Capital U.S. Bank Index:** closed at 8,980.18, down 259.46 points or 2.81%.
- **U.S. Treasury 10-year note:** closed at 4.26%.
- **U.S. Treasury 2-year note:** closed at 3.60%.

GDPNow

Fourth Quarter 2025

Date	GDPNow 4Q25	Change
12/23/2025	3.00%	Initial Forecast
1/5/2026	2.70%	-10.00%
1/8/2026	5.40%	100.00%
1/9/2026	5.10%	-5.56%
1/14/2026	5.30%	3.92%
1/21/2026	5.40%	1.89%



U.S. Pending Home Sales YoY, U.S. Construction Spending MoM and U.S. Retail Gas Price





UK CPI, UK Core CPI & UK PPI





Wall Street Recap

January 21, 2026

www.birlingcapital.com



Global Market Square © es una publicación preparada por Birling Capital LLC y resume los recientes desarrollos geopolíticos, económicos, de mercado y otros que pueden ser de interés para los clientes de Birling Capital LLC. Este informe está destinado únicamente a fines de información general, no es un resumen completo de los asuntos a los que se hace referencia y no representa asesoramiento de inversión, legal, regulatorio o fiscal. Se advierte a los destinatarios de este informe que busquen un abogado profesional adecuado con respecto a cualquiera de los asuntos discutidos en este informe teniendo en cuenta la situación de los destinatarios. Birling Capital no se compromete a mantener a los destinatarios de este informe informados sobre la evolución futura o los cambios en cualquiera de los asuntos discutidos en este informe. Birling Capital. El símbolo de registro y Birling Capital se encuentran entre las marcas registradas de Birling Capital. Todos los derechos reservados.