

Markets Open the Year with Confidence as Data Takes Center Stage and Geopolitics Remain Contained for Now.

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The U.S. and European stock markets closed higher, as investors entered the first full trading week of the year focused on macro data, early-cycle positioning, and resilient risk appetite, while digesting a significant—but as yet contained—geopolitical development in Latin America.

In the U.S., equity performance was constructive, with the Dow Jones Industrial Average leading gains with 594.79 points, the S&P 500 was up 0.64% and the Nasdaq 0.69%. Cyclical leadership, selective strength in energy and industrials, and steady bond markets supported sentiment despite lingering geopolitical headlines.

European equities also finished higher, led by technology and financials. Notably, Britain's FTSE 100 briefly crossed the symbolic 10,000-point threshold for the first time, underscoring the momentum carried over from a strong 2025. While the index ultimately closed slightly below that level, the move reinforced investor confidence heading into the new year. The pan-European STOXX Europe 600 rose approximately 0.6%, with broad-based sector participation following the New Year's holiday.

U.S. action in Venezuela introduces geopolitical complexity—but limited immediate macro risk

Over the weekend, the U.S. military executed an operation resulting in the capture of Venezuelan President Nicolás Maduro and his wife, Cilia Flores, who were transferred to New York to face charges related to narco-terrorism conspiracy and other offenses. U.S. officials subsequently indicated that Washington intends to oversee Venezuela's administration until a structured and internationally supervised transition of power can be implemented. Parallel plans include the rehabilitation of Venezuela's oil infrastructure with the participation of major U.S. energy companies.

From a macroeconomic standpoint, the immediate global impact appears contained. Venezuela accounts for less than 1% of global GDP and represents a negligible share of U.S. and world trade flows. While the country holds roughly 17% of proven global oil reserves, chronic underinvestment and infrastructure decay have limited output to approximately 1% of global production. As a result, near-term systemic risk to global growth or inflation dynamics remains modest, assuming the situation does not escalate.

The more consequential implication may lie in precedent rather than economics. The U.S. decision to assume interim administrative control introduces a longer-tail geopolitical variable that will require monitoring—particularly as strategic competitors such as China and Russia assess their own policy responses and regional postures.

Markets are largely unfazed; energy sees selective upside.

Financial market reactions to developments in Venezuela have so far been muted. Equity markets continued to trade higher, while traditional safe-haven assets—U.S. Treasuries, the U.S. dollar, and gold—registered modest gains. In commodities, oil prices edged higher, with WTI crude rising approximately 1.2% to the high-\$50s. Importantly, this move follows a period of depressed pricing amid persistent global oversupply.

Energy equities responded more visibly, with several large U.S. producers and refiners posting early

gains as investors priced in potential medium-term supply normalization and infrastructure investment opportunities tied to Venezuela's energy sector.

Economic and labor market data take center stage.

Attention now turns back to fundamentals, with a dense U.S. economic calendar set to shape expectations for growth, inflation, and monetary policy. Key releases include ISM Manufacturing, ADP private payrolls, ISM Services, JOLTS job openings, factory orders, initial jobless claims, productivity and unit labor costs, and Friday's non-farm payrolls report.

Recent labor data continue to send mixed—but not alarming—signals. The unemployment rate has risen to 4.6%, a four-year high, largely reflecting increased labor-force participation rather than outright job losses. Consensus expectations point to approximately 60,000 jobs added in the latest report, with unemployment edging down to 4.5%. Structurally, the U.S. labor market remains characterized by low hiring and low firing, with monthly job gains likely stabilizing in the 50,000–100,000 range as immigration slows and labor supply tightens modestly in 2026.

Europe: momentum carries forward, but valuation discipline matters

In Europe, equity markets resumed trading on a positive note after the holiday break. The STOXX Europe 600 ended the session higher, extending a multi-year rally driven by banks, defense spending, and selective industrial strength. The index rose approximately 16.7% in 2025, marking its third consecutive year of gains.

While the FTSE 100's brief move above 10,000 carries psychological significance, investors remain focused on whether earnings growth and macro stability can support a sustained breakout rather than a short-term ceiling. As history suggests, round numbers attract attention—but fundamentals ultimately determine staying power.

GDPNow Update:

- The **GDPNow for the Fourth Quarter** was updated today to **2.7%**, down from 3.0% a **10% decrease**.

Eurozone Summary:

- **Stoxx 600:** closed at 601.76, up 5.62 points or 0.94%.
- **FTSE 100:** closed at 10,004.57, up 53.43 or 0.54%.
- **DAX Index:** closed at 24,868.69, up 329.35 or 1.34%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 48,977.18, up 594.79 points or 1.23%.
- **S&P 500:** closed at 6,902.05, up 43.58 points or 0.64%.
- **Nasdaq Composite:** closed at 23,395.82, up 160.19 points or 0.69%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,971.77, up 6.59 points or 0.17%.
- **Birling Capital U.S. Bank Index:** closed at 9,353.03, up 199.69 points or 2.18%.
- **U.S. Treasury 10-year note:** closed at 4.17%.
- **U.S. Treasury 2-year note:** closed at 3.46%.

GDPNow 4Q25 Initial Forecast

| Date | GDPNow 4Q25 | Change |
|----------|----------------|------------------|
| 12/23/25 | 3.00% | Initial Forecast |
| 1/5/26 | 2.70% | -10.00% |

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