

GLOBAL MARKET SQUARE



Wall Street Retreats to Start Second Half as Tech and Bank Stocks Slide; Dow Slips from Record Intraday High

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by Francisco Rodríguez-Castro
frc@birlingcapital.com

The U.S. and European stock markets closed mostly lower Wednesday in the first session of the third quarter, as a sharp pullback in semiconductor and bank stocks outweighed a brief record-high touch by the Dow Jones Industrial Average. The session underscored a rotation out of this year's biggest winners, with profit-taking hitting chip names and financials even as some industrial and mega-cap tech names held up better.

The Dow slipped 13.96 points, or 0.03%, to close at 52,305.24, giving back an intraday record high of 52,742.66 after Caterpillar reversed sharply lower. The S&P 500 fell 0.22% to 7,483.23, and the Nasdaq Composite declined 0.66% to 26,040.03 as investors took profits in chipmakers following the group's first-half surge of more than 80%. The Birling Capital U.S. Bank Index was the day's weakest performer, down 1.20% to 9,963.36, while the Birling Capital Puerto Rico Stock Index bucked the broader trend, edging up 0.10% to a fresh close of 4,745.12.

U.S. Markets

Wednesday's session illustrated the rotation dynamics we flagged in yesterday's first-half close, as capital continued shifting out of this year's most extended winners. Semiconductor stocks bore the brunt of the selling: Micron tumbled more than 10%, though it remained up over 260% year-to-date, while SanDisk shed a similar amount despite still holding a year-to-date advance above 750%. Nvidia and Broadcom slipped roughly 1% and 2%, respectively. The Birling Capital U.S. Bank Index tracked the broader weakness in the financial sector, falling 1.20% on the day.

Big Tech outside of chips helped cushion the Nasdaq's decline. Meta Platforms jumped nearly 9% after announcing plans to launch a cloud business and sell excess computing capacity, a move that could open a new revenue stream for the company. Microsoft and Apple also advanced, up 3% and nearly 2%, respectively. On the Dow, Caterpillar's nearly 7% reversal was the primary drag, pulling the index off its intraday record and into negative territory by the close.

Market strategists described the broader rotation into blue-chip industrials as a healthy sign of participation broadening in the bull market's fourth year, even as Wednesday's session showed that rotation can cut both ways — pressuring financials alongside chip stocks. The move follows a first half in which the Dow gained 8.9% (its best since 2021), the S&P 500 rose 9.6%, the Nasdaq climbed 12.8%, and the Russell 2000 surged nearly 22% for its strongest first half since 1991.

Separately, Federal Reserve Chairman Kevin Warsh spoke Wednesday at the European Central Bank's conference in Portugal. He offered no explicit signal on this month's policy meeting but acknowledged that price levels remain elevated, keeping investors attentive to the Fed's tone heading into the second half. Treasury yields firmed on the day, with the 10-year note closing at 4.48% and the 2-year note at 4.17%.

European Markets

European equities finished mixed on the first trading day of the second half, recovering much of the morning's weakness as the session progressed. The three indexes we follow closed mixed: Stoxx 600,

down 2.42 points; FTSE 100, down 18.78 points; and DAX Index, up 44.47 points.

The early-session pullback tied to overnight U.S. tech weakness proved short-lived, with German equities turning positive by the close as exporters and industrials found support. The Stoxx 600 and FTSE 100 held modest losses, weighed down by continued softness in growth and technology-linked names, while defensive and domestically oriented sectors helped limit the broader decline. With WTI crude easing back below \$70 per barrel and the U.S.-Iran ceasefire still holding, the region's energy-cost backdrop remains constructive even as investors stay cautious ahead of Thursday's U.S. employment report.

Energy Markets

WTI crude has fallen back below the \$ 70-per-barrel threshold, unwinding most of the premium that built up amid the Strait of Hormuz disruption. The retreat reflects growing confidence that the U.S.-Iran ceasefire is holding, consistent with the sharp June pullback in oil prices noted in yesterday's first-half close. A sustained move lower in energy costs would be a tailwind for inflation expectations and household purchasing power. However, the geopolitical backdrop remains fluid enough that renewed volatility cannot be ruled out.

Economic & Policy Outlook

Wednesday's data flow offered a mixed but broadly constructive read on the labor market and manufacturing sector heading into the second half.

The ADP employment survey showed private-sector payrolls (excluding government workers) rose by 98,000 in June, down from 122,000 in May and below the 110,000 consensus forecast. The largest gains came from education and health services, trade, transportation and utilities, and financial activities. Annual pay gains held steady at 4.4%, continuing to provide real wage growth above inflation and support for consumer spending. We view the reading as broadly consistent with other recent data pointing to a resilient, if gradually cooling, labor market. Notably, an aging workforce and tighter immigration enforcement mean slower labor-force growth, so fewer job gains than in past cycles may now be needed to keep the unemployment rate contained. Thursday's full June employment report should provide a clearer picture, with consensus calling for 100,000 job gains (including government payrolls) and an unemployment rate holding steady at 4.3%.

Separately, the final S&P U.S. Manufacturing PMI for June was revised down to 53.9 from an initial estimate of 55.5. Despite the downward revision, the index remained above the 50.0 expansion threshold for an 11th consecutive month, supported by gains in output and new orders even as growth moderated from May's pace. Encouragingly, both input and output price inflation slowed during the month, suggesting some cost pressures may be easing. We view this as a positive signal: manufacturing activity continues to expand, albeit more gradually, providing broader support to the economy and labor market as the second half begins.

The Final Word

The opening session of the third quarter is a reminder that June's outsized gains — an 81%-plus year-to-date advance in semiconductors, a 20% quarterly return in the Nasdaq — leave markets vulnerable to near-term digestion, particularly in the sectors that ran hardest. Today's data flow argues against reading too much into the pullback: a softer-than-expected ADP print is offset by steady wage growth and a manufacturing sector still firmly in expansion territory. With oil prices easing back below \$70 and Thursday's employment report on deck, the setup into the second half remains constructive, provided the U.S.-Iran ceasefire holds.

Economic Data:

- **ADP Employment Change:** fell to 98,000, down from 122,000 last month, a change of -19.67%.
- **ADP Median Pay YoY:** is unchanged at 4.40%, compared to 4.40% last month.

- **US ISM Manufacturing PMI:** fell to 53.30, down from 54.00 last month, a change of -1.30%.
- **US Construction Spending MoM:** fell to 0.14%, compared to 0.35% last month.

Eurozone Summary:

- **Stoxx 600:** closed at 639.31, down 2.42 points or 0.38%.
- **FTSE 100:** closed at 10,478.34, down 18.78 points or 0.18%.
- **DAX Index:** closed at 25,040.28, up 44.47 points or 0.18%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 52,305.24, down 13.96 points or 0.03%.
- **S&P 500:** closed at 7,483.23, down 16.13 points or 0.22%.
- **Nasdaq Composite:** closed at 26,040.03, down 173.68 points or 0.66%.
- **Birling Capital Puerto Rico Stock Index:** closed at 4,745.12, up 4.77 points or 0.10%.
- **Birling Capital U.S. Bank Index:** closed at 9,963.36, down 120.74 points or 1.20%.
- **U.S. Treasury 10-year note:** closed at 4.48%.
- **U.S. Treasury 2-year note:** closed at 4.17%.



ADP Employment Change

Monthly change in private-sector nonfarm employment, seasonally adjusted (Jan 2025 - Jun 2026)



Source: ADP Research Institute

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US ISM Manufacturing PMI

Institute for Supply Management Manufacturing Index (Jan 2025 - Jun 2026)



Source: Institute for Supply Management (ISM)

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Eurozone Markets Close

Wednesday, July 1, 2026

Stoxx 600	FTSE 100	DAX Index
Closing Price	Closing Price	Closing Price
639.31	10,478.34	25,040.28
▼ 2.42 -0.38%	▼ 18.78 -0.18%	▲ 44.47 +0.18%

Wall Street and Birling Capital Indexes Close

Wednesday, July 1, 2026

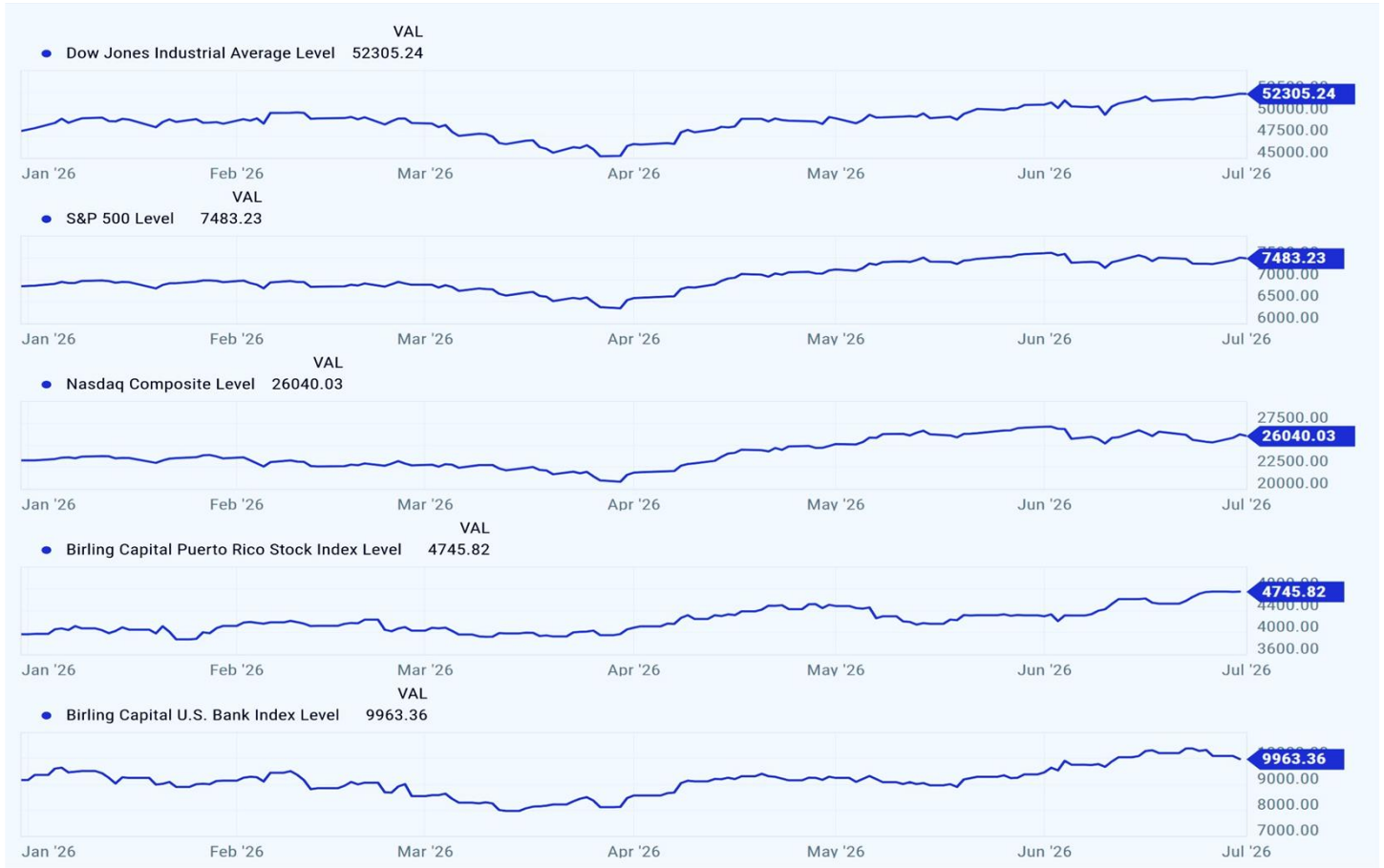


10Y-2Y Spread: +0.31 pts



Wall Street Recap

July 1, 2026



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