Markets Extend Gains as Trade Optimism Builds and Credit Concerns Fade as Apple powers Wall Street higher as investors eye key earnings week.

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The **U.S. and European stock markets** began the week on firm footing, extending last week's rally as concerns over credit risk and trade tensions eased. **Stocks advanced Monday**, led by a **3.94% jump in Apple driven by outsize Iphone 17 sales**, and with investors looking ahead to a potential end to the **U.S. government shutdown** and a whole week of earnings and inflation data. The **Dow Jones Industrial Average** rose **515.97 points**, the **S&P 500** gained **1.2%**, and the **Nasdaq Composite** climbed **310.56** points.

Apple rallied after **Loop Capital** upgraded the stock to *Buy*, **citing stronger iPhone demand and the start of a "multi-year adoption cycle"** expected to run through 2027. Optimism also grew after **NEC Director Kevin Hassett** said the shutdown — now in **Day 20** — is "likely to end this week," with both parties nearing a deal.

Markets are rebounding from last week's volatility tied to **regional banks**, **AI sell-offs**, and **U.S.–China trade tensions**. Early earnings strength and expectations for another **Fed rate cut in late October** are helping to restore confidence and sustain the rally.

On the international front, **President Trump** outlined the U.S. trade position ahead of negotiations with China in **Malaysia**, calling for expanded soybean imports, curbs on fentanyl inputs, and freer rare-earth exports. Reports also indicate that the White House is weighing **tariff exemptions and carveouts**, signaling a softer stance before the **November 10 truce deadline**.

A risk-on tone prevailed: **small-caps and technology shares** outperformed, Treasury yields and the U.S. dollar were little changed, and gold prices recovered part of Friday's losses.

Near-Term Challenges vs. a Supportive 2026 Outlook

Last week's rise in credit-market anxiety briefly pushed the **VIX volatility index** to its highest level since May, underscoring the market's sensitivity to financial stress. Yet the **S&P 500** has now gone over 100 sessions without a 5% correction — an extraordinary run that suggests resilience but also caution. Short-term headwinds include renewed trade friction with China, a slowing labor market amid the ongoing **data blackout** from the shutdown, and emerging bubble concerns in **AI-related stocks**.

Even so, Birling Capital expects 2026 to remain a constructive year for equities, supported by:

1. **Resilient corporate earnings** with expanding margins;
2. **Sustained investment in AI and automation ecosystems**;
3. **Modest fiscal stimulus** via tax refunds and capital spending;
4. **Measured Federal Reserve rate cuts** to normalize policy; and
5. **Abundant liquidity** is held in money-market and cash-equivalent instruments.

Together, these dynamics create a sturdy base for continued equity growth, albeit with greater selectivity and intermittent volatility.

Earnings in Focus

Nearly **60% of S&P 500 companies** will report results over the next two weeks, keeping earnings firmly in the spotlight. **Tesla's report on Wednesday, October 22**, will inaugurate the **"Magnificent 7"** earnings season.
According to **FactSet**, that group is projected to post **15% year-over-year earnings growth** in Q3 — more than double the **6.7%** expected for the rest of the index, driving total S&P 500 growth to **8.5%**.
Friday's delayed **October CPI report** will also draw investor attention, with expectations for both headline and core inflation at **+3.1% YoY**, the highest since May. While food and energy remain inflation hot spots, disinflation in housing and services should keep broader pressures contained.

European Markets Recover

European equities finished Monday on a strong note, with the **pan-European Stoxx 600** up nearly **1%** after rebounding from last week's banking-sector weakness. **Germany's DAX** rose **1.9%**, **Italy's FTSE MIB** gained **1.5%**, while the **U.K.'s FTSE 100** and **France's CAC 40** advanced **0.5%** and **0.4%**, respectively.
Defense and industrial names led the rally following **Thyssenkrupp's** successful spinout and IPO of **TKMS**, its naval-shipbuilding unit. **Hensoldt** surged **8%**, **Renk** added **6.7%**, and **Rheinmetall** climbed **5.9%** amid renewed discussions between **President Trump** and **President Volodymyr Zelenskyy** on European defense cooperation.
Energy markets and the Middle East remain in focus as rising regional tensions continue to inject volatility into oil and commodity prices.

Puerto Rico Banks & Fintech Earnings Preview — 3Q25

As Puerto Rico's financial sector prepares to report third-quarter results, investors will be watching closely for **earnings resilience**, **net interest margin (NIM) stability**, and **deposit growth** amid moderating U.S. interest rates. The island's three major banks — **Popular, First BanCorp, and OFG Bancorp** — along with fintech leader **EVERTEC**, will offer a real-time gauge of Puerto Rico's financial pulse heading into 2026.

- **Popular, Inc. (BPOP)** with a return of **+23.10% YTD**, and r**eports earnings** on **October 23, 2025** — Before market opens.
- **First BanCorp (FBP)** with a return of **+10.70% YTD** and **reports earnings** on **October 23, 2025** — Before market opens
- **OFG Bancorp (OFG)**with a return of **–2.43% YTD,** and **reports earnings** on **October 22, 2025** — Before market opens
- **EVERTEC, Inc. (EVTC)**with a return of **–13.50% YTD,** and **reports earnings** on **November 5, 2025** — Before market opens.

Policy & Outlook — Navigating 2026's Crosscurrents

The **policy environment** remains cautiously supportive as both Washington and the **Federal Reserve** work to restore momentum after the shutdown. A negotiated resolution could unleash pent-up fiscal spending and improve near-term GDP growth.
The Fed's **gradual rate-cut cycle** reinforces our outlook for a benign monetary backdrop. Its focus on "normalization" rather than emergency easing supports equity valuations while maintaining inflation discipline.
Globally, the **White House's softening trade tone** opens the door to improved global sentiment, particularly in **technology, semiconductors, and industrial manufacturing**. However, geopolitical risks — from energy markets to regional conflicts — warrant a disciplined risk posture.

At **Birling Capital**, we maintain a **selective risk-on stance**, emphasizing:

- **Earnings durability** in Financials, Technology, and Industrials;
- **AI and digital-infrastructure expansion**;
- **Infrastructure and defense modernization themes**;
- **High-quality dividend strategies** for stability and income.

This period calls for **strategic patience** — staying invested but nimble. With fiscal gears restarting and global trade negotiations advancing, **2026 may offer renewed opportunities for disciplined investors**. Birling Capital remains steadfast in our mission: guiding clients through volatility with **data, discipline, and foresight**.

Economic Data:

- **Germany Producer Price Index YoY:** fell by -1.70%, compared to -2.20% last month.

Eurozone Summary:

- **Stoxx 600:** Closed at 572.10, up 5.86 points or 1.03%.
- **FTSE 100:** Closed at 9,403.57, up 49.00 points or 0.52%.
- **DAX Index:** Closed at 24,258.80, up 427.81 points or 1.80%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 46,706.58, up 515.97 points or 1.12%.
- **S&P 500:** closed at 6,735.13, up 71.12 points or 1.07%.
- **Nasdaq Composite:** closed at 22,990.54, up 310.56 points or 1.37%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,873.55, up 57.77 points or 1.51%.
- **Birling Capital U.S. Bank Index:** closed at 8,081.41, down 7.11 points or 0.09%.
- **U.S. Treasury 10-year note:** closed at 4.00%.
- **U.S. Treasury 2-year note:** closed at 3.46%.

Wall Street Recap
October 20, 2025