



Banking Under Fire: The Birling Capital U.S. Bank Index Navigates the First Global War Shock of the Rate-Normalization Era

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Francisco Rodríguez-Castro, President & CEO

Wall Street Weekly Review: A Rally Built on Relief — That Relief May Not Last

The week ending April 17 delivered Wall Street's third consecutive gain and its strongest — Nasdaq +6.84%, S&P 500 +4.54%, Dow +3.20%. The Nasdaq and S&P 500 closed at record highs, driven by geopolitics rather than fundamentals. And the geopolitics have shifted.

On April 17, Iran declared the Strait of Hormuz open during a ceasefire, crude fell nearly 10%, and markets surged on the news. Bearish positions accumulated through a brutal March were forcibly unwound. Flows rushed into financials, technology, and consumer discretionary. The rally was real. The premise behind it was Fleeting. Within 48 hours, Iran reclosed the Strait, warned ships not to transit, and reports emerged of attacks on vessels with military enforcement making passage unsafe. The U.S. naval blockade remains in place — a key trigger for escalation. What markets priced in as a resolution on Friday may have been a ceasefire pause, not a solution.

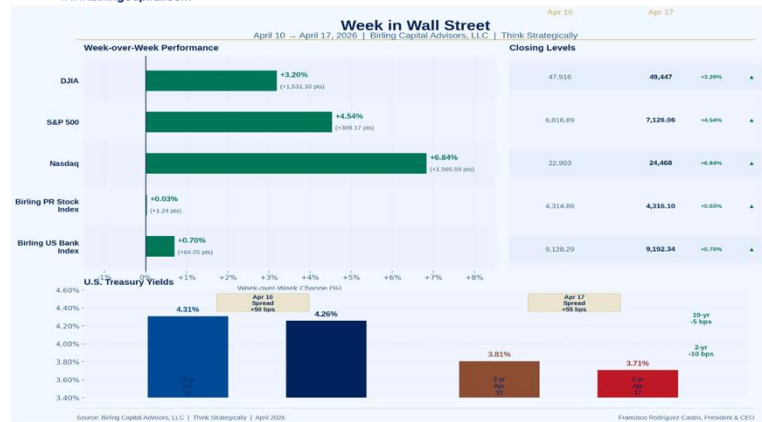
Iran's reversal was not merely a tactical move. It was a calculated humiliation. The brief opening allowed President Trump to declare victory — claiming the Strait of Hormuz would be open "for eternity" — only for Iran to close it again days later. The message was unmistakable: Iran owns the Strait. It opens and closes on Tehran's terms, not Washington's. The United States was left holding a victory lap it had not earned, outmaneuvered in the most strategically consequential waterway on earth. Markets priced the announcement. They have not yet fully priced what the reversal revealed.

Bank earnings provided the week's only unambiguous positive. Every major institution beat on revenue, net income, and EPS. Goldman posted record equities trading revenue. Yet every CEO flagged the same headwinds: tariffs, geopolitical uncertainty, and a Fed with limited room to move.

The skunk did not leave the party. It allowed Trump to take a victory lap — then spread its scent across the room, reminding everyone who owned the Strait, who owned the moment, and who was never really leaving.



Week in Wall Street April 17, 2026



The New Macro Reality: War Changes Everything.

The global economy entered 2026 with cautious optimism. Inflation was retreating. Central banks were approaching the end of their tightening cycles. The Birling Capital U.S. Bank Index had just delivered a historic 45.32% return in 2025.

However, this only improves the global outlook. The IMF's April 2026 World Economic Outlook is precise on causality: absent the war, it would have raised its 2026 global growth forecast by 0.1 percentage point. Instead, it cut it. The entire downward revision — to 3.1% in 2026 and 3.2% in 2027, well below the 3.4% pace of 2024–25 and the long-run average of 3.7% — is a direct consequence of the conflict. Consequently, global headline inflation is now expected to climb to 4.4% in 2026 before retreating to 3.7% in 2027—both years revised upward—just as central banks believed their disinflation cycle was nearly over. Under downside scenarios, an adverse energy shock would push growth to 2.5% and inflation to 5.4%; direct infrastructure damage could collapse growth to around 2.0% and drive inflation above 6% by 2027. Within this environment, U.S. banking now faces the stress test Birling Capital predicted for 2026—not from a credit cycle, but from geopolitical upheaval.

The Birling Capital U.S. Bank Index: Q1 2026 in Review

Accordingly, the Birling Capital U.S. Bank Index—a market value-weighted benchmark of the six most systemically important U.S. bank holding companies listed on the NYSE: Bank of America, Citigroup, Goldman Sachs, JPMorgan Chase, Morgan Stanley, and Wells Fargo—ended Q1 2026 under pressure, but soon staged a decisive recovery.

Index Close — 12/31/2025	9,153.35
Index Close — 3/31/2026	8,459.45
YTD Return through 3/31/2026	-7.58%
Index Close — 4/17/2026	9,299.78
YTD Return through 4/17/2026	+1.60%

Banking bore the brunt of early-year volatility — rate expectations shifted, deal windows compressed, and the Index fell 7.58% by March 31. The recovery was swift: by April 17, the Index had rebounded to 9,299.78, surpassing its year-end 2025 close and turning positive at +1.60% YTD, a re-anchoring to earnings fundamentals after a fear-driven selloff.



Birling U.S. Bank Index Q1 2026 in Review



Birling Capital U.S. Bank Index vs. Major Benchmarks Index / Benchmark YTD Return (as of 4/17/26)



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Dow Jones, S&P 500, Nasdaq Composite, Birling Puerto Rico Stock Index & Birling U.S. Bank Index YTD Returns 4.17.26

- Birling Capital Puerto Rico Stock Index +10.56%
- Nasdaq Composite +5.28%
- S&P 500 +4.10%
- Dow Jones Industrial Average +2.88%
- Birling Capital U.S. Bank Index +1.60%

The Index's positive YTD return lags all major benchmarks, including the Birling Capital Puerto Rico Stock Index, outpacing it by nearly 900 basis points. The gap is driven by

investor caution over rates and geopolitical risk premium—not worsening fundamentals. Q1 results below underline the reality: earnings are anything but weak.



What the Market Got Right — and What It May Be Missing

The Q1 selloff was not irrational — war, inflation, and rate uncertainty are legitimate reasons to reprice risk assets. What the market underweights is the structural transformation of these six institutions since the financial crisis: capital at historic highs, robust liquidity, and revenue diversified across NII, wealth management, investment banking, trading, and payments. Every constituent bank grew revenue and net income, beating estimates. That is not stress. It is broad-based earnings strength delivered against the most difficult geopolitical backdrop since the pandemic.

Q1 2026 Bank-by-Bank Performance

1. JPMorgan Chase & Co. (JPM)

- **Q1 2026 Revenue:** \$50.5 billion — up 10% YoY
- **Q1 2026 Net Income:** \$16.5 billion — up 13% YoY
- **Q1 2026 EPS:** \$5.94
- **Tier 1 Capital Ratio:** 14.30%
- **Stock Price — 12/31/2025:** \$322.20
- **Stock Price — 4/17/2026:** \$310.29
- **YTD Price Change:** -\$11.91 | -3.70%
- **Stock Price Target:** \$334.43

Double-digit revenue and net income growth — achieved against war-driven volatility and a shifting rate environment — reflects the breadth of a platform no peer fully replicates. NII remained foundational;

investment banking and markets contributed meaningfully. At 14.30% Tier 1 Capital, JPMorgan retains substantial capacity for shareholder returns and strategic balance sheet deployment.

2. Bank of America Corp. (BAC)

- **Q1 2026 Revenue** \$30.3 billion — up 7% YoY
- **Q1 2026 Net Income** \$8.6 billion — up 17% YoY
- **Q1 2026 EPS** \$1.11
- **Tier 1 Capital Ratio** 12.50%
- **Stock Price — 12/31/2025** \$55.00
- **Stock Price — 4/17/2026** \$53.91
- **YTD Price Change** -\$1.09 | -1.98%
- **Stock Price Target** \$60.56

The 17% net income growth is the headline — an acceleration reflecting improved operating leverage, disciplined expense management, and contribution from trading, wealth management, and consumer loan growth. A price target of \$60.56 implies meaningful upside from current levels.

3. Citigroup, Inc.

- **Q1 2026 Revenue** \$24.67 billion — up 14% YoY
- **Q1 2026 Net Income** \$5.785 billion — up 41.46% YoY
- **Q1 2026 EPS** \$3.06
- **Tier 1 Capital Ratio** 14.50%
- **Stock Price — 12/31/2025** \$116.69
- **Stock Price — 4/17/2026** \$132.18
- **YTD Price Change** +\$15.49 | +13.27%
- **Stock Price Target** \$133.00

The 41.46% net income surge is the standout result in the Index — reflecting the firm's multi-year transformation, strength in services and institutional businesses, and improving capital markets activity. With the highest Tier 1 Capital in the Index at 14.50% and a YTD price return of +13.27%, Citigroup leads on both earnings growth and market performance. The stock trades within one dollar of its price target.

4. Wells Fargo & Co. (WFC)

- **Q1 2026 Revenue** \$21.446 billion — up 6% YoY
- **Q1 2026 Net Income** \$5.253 billion — up 7% YoY
- **Q1 2026 EPS** \$1.60
- **Tier 1 Capital Ratio** 13.40%
- **Stock Price — 12/31/2025** \$93.20
- **Stock Price — 4/17/2026** \$81.41
- **YTD Price Change** -\$11.79 | -12.65%

- **Stock Price Target** \$98.62

Steady execution — but the Index's sharpest price underperformer at -12.65% YTD, a gap that reflects residual investor skepticism around regulatory recovery and rate sensitivity rather than earnings reality. With a price target of \$98.62, implying more than 21% upside, Wells Fargo is the most compelling valuation case in the Index for patient investors.

5. **Goldman Sachs Group, Inc. (GS)**

- **Q1 2026 Revenue** \$17.23 billion — up 14% YoY
- **Q1 2026 Net Income** \$5.63 billion — up 18% YoY
- **Q1 2026 EPS** \$17.55
- **Tier 1 Capital Ratio** 13.40%
- **Stock Price — 12/31/2025** \$879.00
- **Stock Price — 4/17/2026** \$925.95
- **YTD Price Change** +\$46.95 | +5.34%
- **Stock Price Target** \$933.75

For Goldman, war-driven volatility means an opportunity for revenue. Trading, M&A advisory, and underwriting powered the quarter—proving Goldman's market-sensitive earnings model thrives when volatility surges. The stock trades within 1% of its price target.

6. **Morgan Stanley (MS)**

- **Q1 2026 Revenue** \$20.5 billion — up 16% YoY
- **Q1 2026 Net Income** \$5.56 billion — up 29% YoY
- **Q1 2026 EPS** \$5.94
- **Tier 1 Capital Ratio** 15.10%
- **Stock Price — 12/31/2025** \$177.53
- **Stock Price — 4/17/2026** \$188.82
- **YTD Price Change** +\$11.29 | +6.36%
- **Stock Price Target** \$190.33

Morgan Stanley's 29% net income surge on 16% revenue growth showcases the dual-engine model. Institutional securities capitalized on volatility; wealth management delivered steady fees. Both engines roared in Q1. With the highest Tier 1 Capital among universal banks and +6.36% YTD return, Morgan Stanley earns its premium valuation.

The Aggregate Picture: Six Banks, One Verdict

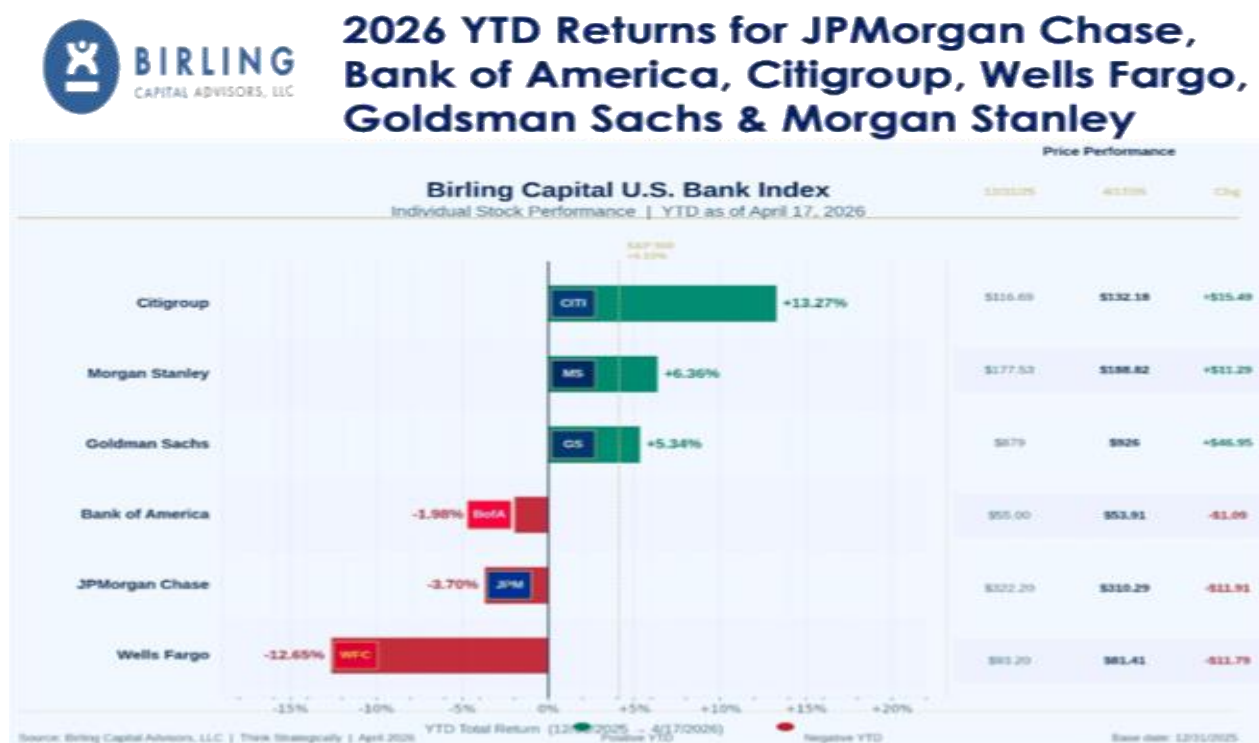
Across all six constituent banks of the Birling Capital U.S. Bank Index, Q1 2026 earnings were uniformly strong — in several cases, exceptional. The aggregate numbers speak for themselves.

- Combined Q1 2026 Revenue of \$164.6 billion
- Combined Q1 2026 Net Income of \$47.3 billion

- Combined Market Capitalization as of 4/17/2026 was \$2.32 trillion.

The market sold banking on macro fear, not fundamental weakness. The recovery to positive YTD territory is a re-anchoring to earnings reality. Every bank grew revenues. Every bank grew its net income. Every bank beat estimates. That is not a sector under stress — it is a sector temporarily mispriced by geopolitical uncertainty.

Individual Stock Performance Summary — YTD as of April 17, 2026



The 2026 Stress Test: Ten Forces Shaping the Remainder of the Year

Birling Capital's January 2026 analysis identified ten drivers that would define the sector's year. The war has reshuffled their relative weight. Here is the updated assessment.

1. The War Premium and the Rate Path

The Fed's December 2025 projections showed a median funds rate of 3.4% at year-end 2026 — made before the conflict. With global inflation now heading toward 4.4% and the IMF flagging a risk of upward revisions, the normalization path has narrowed materially. Banks must plan for higher-for-longer well beyond what January anticipated.

2. Inflation as Structural Headwind

Inflation is no longer pandemic residue — it is being re-energized by commodity shocks, supply chain disruption, and energy market fragmentation. For banks: supportive of NII at the margin, but a credit stress amplifier in rate-sensitive consumer and commercial segments, and a compressor of fixed-rate loan book values.

3. **Credit Quality: The Watch List Grows**
Card and auto delinquency trends require closer monitoring as real purchasing power erodes and debt service burdens rise. CRE refinancing pressure continues. The war adds a new credit migration risk in sectors exposed to energy price volatility and supply chain disruption.
4. **Capital Markets: Volatility as Opportunity**
Goldman and Morgan Stanley's Q1 results confirm that volatility generates trading, advisory, and hedging revenues. The critical H2 question is whether CEO confidence supports deal-making — M&A, underwriting, IPOs — or whether a prolonged conflict defers the capital markets recovery that drove 2025's outperformance.
5. **The Federal Reserve Independence Imperative**
In a war-inflation environment, Fed credibility is the single most important anchor for U.S. financial markets. Any politicization of monetary policy widens spreads, raises funding costs, steepens the curve in the wrong direction, and compresses bank multiples. Fed independence is not a preference — it is a market prerequisite.
6. **Digital Transformation and Cybersecurity**
AI-driven productivity gains continue regardless of the geopolitical backdrop. The war adds a dimension: cybersecurity risk, state-sponsored digital threats, and the resilience of financial infrastructure under adversarial conditions are now board-level priorities alongside efficiency and fraud prevention.
7. **Mergers and Acquisitions: Delayed, Not Derailed**
War has delayed some transactions. It has not changed the structural logic: technology scale economics, accommodating regulatory posture, and regional consolidation pressure all point toward an active M&A cycle once uncertainty clears.
8. **Geopolitical Second-Order Effects**
The transmission channels that matter for banks are not conflict-zone exposure — they are corporate confidence, deal windows, FX volatility, and EM credit migration. Institutions with international footprints must actively manage country risk in ways that purely domestic franchises do not.
9. **Regulatory Environment: Stability Amid Uncertainty**
Potential moderation of Basel endgame capital requirements remains a live variable — capital relief directly expands ROE ceilings and buyback capacity. The war has underscored the importance of stress-testing frameworks that incorporate geopolitical scenarios, a dimension largely absent from prior supervisory practice.
10. **The Quality-of-Earnings Test**
In 2026, investors will differentiate between banks whose earnings are structurally durable and those that are primarily rate-cycle dependent. The Q1 results — broad-based revenue growth and double-digit NI expansion across all six constituents — argue strongly for the former. Fee income from wealth management, capital markets, and payments reduced NII dependence. That diversification is the most credible answer to skepticism about earnings durability in a war-disrupted environment.

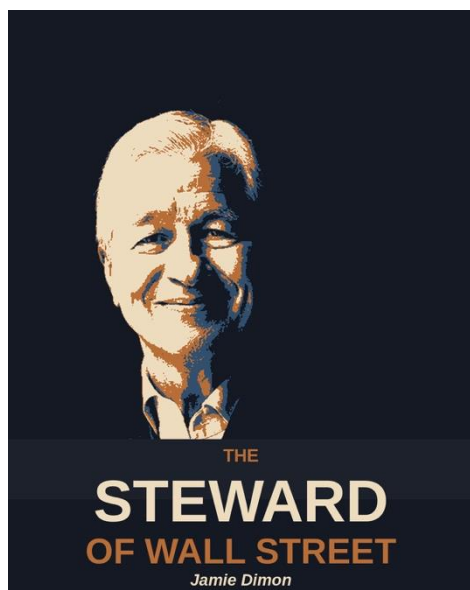
Birling Capital 2026 Market Outlook — Updated for War

The Birling Capital base case for the S&P 500 — a total return of 10% to 14% driven primarily by earnings growth — remains intact, but the distribution of outcomes has widened. The war has elevated the bear case probability and compressed the bull case, while leaving the base case achievable under the IMF's assumption that the conflict is contained and fades by mid-2026.

Updated Scenario Framework

- **Base Case with a 50% probability resulting in +8% to +12% total return:**
Earnings expand at mid-single-digit rates. Conflict contained and fading by mid-2026. Fed holds rates through H1 before resuming measured normalization. Credit conditions are manageable. Capital markets recover in H2.
- **Bull Case with a 20% probability resulting in +13% to +18% total return:**
Earlier-than-expected conflict resolution removes the war premium. Capital markets accelerate. Fed resumes normalization, supporting multiples. Bank earnings outperform on NII and fees.
- **Bear Case with 30% probability resulting -10% to 0% total return:**
Conflict escalates. Energy infrastructure damaged. Global inflation exceeds 5%. The Fed holds higher than markets absorb. Credit tightens. Deal activity collapses. Multiples compress.

The Q1 earnings results provide a powerful counter-narrative to the bearish scenario. The Index's recovery from -7.58% at March 31 to +1.60% as of April 17 is not a market anomaly — it is earnings reality asserting itself over macro fear. The Birling Capital U.S. Bank Index remains the definitive benchmark for evaluating the sector's trajectory. Its six constituents are the most stress-tested, most diversified, and most consequential financial institutions in the world. In 2025, they led the market. In Q1 2026, they absorbed the shock of the war and delivered exceptional earnings. The question for the remainder of 2026 is not whether they can survive the stress test. It is how much of the upside they will capture when the uncertainty.



The Final Word: Jamie Dimon's 2025 Annual Chairman's Letter — The Steward of Wall Street, A Strategic Compass for a World at War

Dimon's 2025 letter, released April 6, 2026, is 48 pages — simultaneously a record of extraordinary financial achievement and a sober warning about the global order that underpins it. With the U.S. approaching its 250th anniversary, he frames the moment as a call to recommit to the values that made the nation what it is: freedom, liberty, and opportunity. The word 'America' appears more than 80 times. This is not incidental — it reflects his conviction that JPMorganChase's commercial success and the health of the republic are inseparable.

Where the IMF provides the macro scaffold and Birling Capital's Q1 results provide the earnings evidence, Dimon provides the strategic philosophy. The convergence of all three is striking — and sobering.

Record Performance in a Dangerous World

JPMorganChase generated \$185.6 billion in revenue in 2025 — a record for the eighth consecutive year — and \$57.0 billion in net income, with a 20% ROTCE. The firm extended \$3.3 trillion in credit globally, moves nearly \$12 trillion daily across 160+ countries, and safeguards over \$41 trillion in assets. Dimon opens not with celebration but with acknowledgment: wars in Ukraine and Iran, Middle East hostilities, and deepening tensions with China define the context. Consumer spending and business activity remain resilient — but are fueled by deficit spending and past stimulus, which are finite tailwinds. His tone is earned confidence tempered by genuine alarm.

The Skunk at the Party: Inflation, Stagflation, and the Rates Markets Are Not Pricing

Dimon's defining metaphor is the 'skunk at the party' — persistent inflation that markets have not fully confronted. The Iran war brings significant oil and commodity price shocks and supply chain reshaping that may produce stickier inflation and higher rates than markets currently price. He names stagflation as a live scenario — a recession with inflation, in which inflationary forces overcome deflationary ones. That convergence with Birling Capital's updated bear case and the IMF's 4.4% inflation forecast is no coincidence. It is a signal from two of the most credible analytical platforms in global finance that the 2026 investment thesis must be built on earnings execution and capital discipline, not on rate cuts that may not arrive.

The Fortress Balance Sheet as Strategic Doctrine

JPMorganChase's stress test modeling shows it would still generate approximately 10% ROTCE even in Dimon's worst-case scenario: rates at floor levels, equity markets down 40%, and credit losses doubled. The six Index banks collectively embody this principle — Tier 1 Capital ranging from 12.50% at Bank of America to 15.10% at Morgan Stanley. In a war-disrupted environment, the capital is not regulatory compliance. It is the strategic variable separating the sector's leaders from its vulnerabilities.

Artificial Intelligence: Not a Bubble — A Civilizational Force

Dimon's AI position is unhedged: it will cure some cancers, create new composites, reduce accidental deaths, and eventually shorten the workweek in the developed world. The investment is not a speculative bubble — it will deliver significant benefits. AI will also eliminate some jobs, and Dimon supports phased implementation and retraining programs to manage the transition. For banking investors, the signal is clear: institutions that industrialize AI will compound their advantages; those that do not will see margin erosion accelerate.

Private Credit: A Structural Warning

The \$1.8 trillion private credit market has seen credit quality erode — actual losses in leveraged lending outpacing what current conditions would ordinarily produce. Dimon identifies the core design flaw: loan valuations lack public-market transparency, so investor exits occur before any real deterioration is visible. For Birling Capital, this reinforces Driver Three: credit normalization in 2026 is not systemic for the six Index banks, but the broader private and leveraged credit ecosystem warrants surveillance.

Regulation: The Case Against Regulatory Complexity

Dimon's critique of Basel III Endgame and the GSIB surcharge is direct: certain provisions are, frankly, nonsensical, pushing activity into the shadow banking sector, where transparency is lower and systemic risk harder to monitor. He also flags the Fed's stress test structure and the FDIC's processes as badly handled. This is not blanket anti-regulatory sentiment — Dimon credits post-2008 reforms with building the capital strength that carried banks through the pandemic. His target is the marginal complexity being

added now, which reduces credit availability without meaningfully improving safety. Regulatory calibration directly affects the ROE ceilings and capital deployment optionality of the six Index banks.

Federal Reserve Independence: The Non-Negotiable Anchor

Dimon's position is unambiguous: Fed independence is essential and must not be undermined by political pressure. He names no individuals. The argument is structural — politicized monetary policy produces higher volatility, wider spreads, higher funding costs, and lower multiples. That is precisely Birling Capital's January position, now reinforced by the most prominent voice in American banking.

The National Interest Agenda: Security, Resiliency, and the American Dream

Dimon announces a \$1.5 trillion, 10-year commitment anchored in two initiatives: the Security and Resiliency Initiative, supporting industries critical to U.S. military and economic security; and the American Dream Initiative, targeting small-business capital access, housing affordability, workforce development, and healthcare access. Framed not as philanthropy but as a commercial strategy — growth opportunities that serve civic purposes. Banking's social license to operate is a precondition for its financial performance, not separate from it.

What Dimon's Letter Means for the Remainder of 2026

Three implications stand out. Rates will stay higher than market price — modestly supportive of net interest income but a headwind for credit-sensitive segments and deal activity. The nonbank and AI competitive threat is accelerating — banks that cannot replicate the fee durability Morgan Stanley and Goldman Sachs demonstrated in Q1 will see margin compression continue. And on geopolitics, Dimon invokes Rudyard Kipling's 'If—'—'Keep one's head when all about are losing theirs' —as the operating philosophy for 2026. That is not optimism. It is disciplined composure in the face of genuine uncertainty.

"The skunk is at the party. The question is who has the composure to stay in the room — and smell their way through".



Francisco Rodríguez-Castro, President & CEO • frc@birlingcapital.com
PO Box 10817 San Juan, PR 00922 • 787.247.2500 • 787.645.8430

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