Markets Surge to Records As Ceasefire Extension Lifts Risk Appetite, with Earnings Strengthening as OFG Bancorp and First BanCorp Beat Estimates

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The U.S. and European stock markets diverged, with U.S. equities advancing to record levels following the extension of the U.S.–Iran ceasefire, while Europe remained constrained by growth concerns and geopolitical overhangs. The decision by President Donald Trump to extend the ceasefire provided a near-term catalyst for relief, allowing investors to reprice risk and re-engage with equities.

The move temporarily reduces the likelihood of immediate escalation, though uncertainty persists as negotiations remain conditional and the Strait of Hormuz remains effectively disrupted. Energy markets reflected this tension, with Brent crude moving above $100 per barrel, signaling that geopolitical risk has not been eliminated—only deferred.

Treasury yields held firm, indicating that markets continue to balance resilient growth with evolving policy expectations. The overarching signal is clear: markets are willing to look through geopolitical noise when supported by earnings strength and liquidity conditions.

U.S. Markets: Records Reset as Policy Relief Meets Earnings Strength

U.S. equities rallied sharply, with the S&P 500 gaining 1.1% to close at a record high and the Nasdaq Composite rising 1.6%, also finishing at an all-time high after reaching new intraday peaks. The Dow Jones Industrial Average advanced 341 points, or 0.7%, reflecting broad-based participation.
The primary catalyst was the extension of the U.S.–Iran ceasefire, which reduced immediate downside risk and allowed markets to resume their upward trajectory. The extension, framed as conditional on Iran presenting a unified negotiating position, signals a tactical pause rather than a definitive resolution. Notably, the continuation of the U.S. blockade and ongoing disruptions in the Strait of Hormuz—highlighted by reported maritime seizures—underscore that underlying tensions remain unresolved.

Despite these risks, investor focus has decisively rotated back toward fundamentals. Earnings season continues to deliver above estimates, with more than 80% of reporting companies surpassing expectations, reinforcing confidence in corporate profitability. Within this context, Boeing advanced 5% after reporting a narrower-than-expected loss, while GE Vernovasurged 13% on stronger-than-expected revenue, exemplifying the strength across industrial and energy-linked segments.

The market's behavior reflects a critical shift: geopolitical developments are being discounted more rapidly, while earnings and growth expectations are reasserting themselves as the dominant drivers. However, with valuations elevated and indices at record levels, the risk profile is evolving—from upside surprises to potential near-term consolidation—particularly if geopolitical conditions deteriorate or expectations are fully priced in.

The strategic takeaway is straightforward: the rally is being sustained by earnings credibility and policy relief, but its durability will depend on whether these supports persist amid unresolved global tensions.

European Markets: Growth Downgrades and Ceasefire Weigh on Sentiment

European equities closed lower, as macroeconomic deterioration in Germany combined with continued geopolitical uncertainty kept investors firmly in a risk-off posture. The pan-European Stoxx 600 declined 0.4%, reversing earlier gains, with weakness broad-based across sectors and major bourses.

The primary macro catalyst was a significant downgrade to Germany's economic outlook. Officials cut 2026 GDP growth expectations in half to 0.5% and trimmed 2027 projections to 0.9%, underscoring the mounting economic cost of the Middle East conflict. The government explicitly linked the slowdown to elevated energy prices and supply disruptions stemming from the effective closure of the Strait of Hormuz, which has increased input costs for both households and industry. Inflation is now projected to run at 2.7% in 2026 and 2.8% in 2027, signaling a more persistent price environment that complicates the European Central Bank's policy path.

On the geopolitical front, President Donald Trump announced an extension of the U.S.–Iran ceasefire, framing it as a tactical decision given what he described as a "seriously fractured" Iranian government. However, the extension is conditional, tied to Tehran presenting a unified proposal to end hostilities—effectively prolonging uncertainty rather than resolving it.

Diplomatic signals remain mixed. Planned negotiations involving Vice President JD Vance were reportedly paused, while Iranian officials reportedly expressed reluctance to engage under current conditions, particularly amid the U.S. blockade of Iranian ports. This has reinforced market skepticism about the durability of the ceasefire and the likelihood of a near-term resolution.

Switzerland has proposed requiring UBS to raise roughly $20 billion in additional core capital, and to fully fund its foreign subsidiaries from the Swiss parent — a safeguard designed to contain any future crisis at a bank whose balance sheet now exceeds the country's entire GDP.

The government softened two elements after industry pushback, cutting the original $26 billion estimate, but left the core foreign-subsidiary requirement intact. UBS pushed back hard, calling the package extreme, misaligned internationally, and dismissive of concerns raised by the majority of consultation respondents. **The bank also disputed the government's math, putting its own capital hit closer to $22 billion** and accusing federal authorities of publishing misleading analysis. **The Swiss Bankers Association sided with UBS, accusing Bern of ignoring critical feedback** from cantons and the business community alike.

Some measures will be enacted by government ordinance in January, bypassing parliament. The more significant foreign subsidiary capital requirements are set to head to parliament in June, where a multi-year legislative process — and likely further dilution — awaits.

We believe the cumulative burden of these proposals, if enacted as currently structured, poses a credible risk that UBS will ultimately relocate its global headquarters from Switzerland to a jurisdiction more aligned with international capital standards — an outcome that would have profound consequences for the Swiss financial system and economy.

Earnings Season: Strength Broadens with Financials Contributing

Earnings continue to provide a strong counterbalance to geopolitical volatility. Tesla, Inc. is set to report after the closing bell, marking the first of the "Magnificent 7" this cycle, with expectations for approximately 30% year-over-year EPS growth.

The broader earnings backdrop remains robust. With roughly 17% of S&P 500 companies reporting, 84% exceeded expectations, delivering an average upside surprise of 13%. Aggregate EPS growth is now tracking near 12%, positioning the market for a sixth consecutive quarter of double-digit expansion.

Importantly, earnings strength is becoming more diversified. Financials are contributing meaningfully to the upside, with regional banking institutions—such as OFG Bancorp and First BanCorp—delivering results that exceeded expectations, supported by solid profitability trends and strong capital positions. These developments reinforce the improvement in earnings' breadth without detracting them from the dominant leadership in technology.

Energy & Geopolitics: Temporary Relief, Structural Tension

While the ceasefire extension reduces immediate escalation risks, underlying tensions remain unresolved. WTI crude prices moved higher, reflecting continued disruptions in the Strait of Hormuz and ongoing U.S. restrictions on Iranian-linked shipping.

However, futures markets continue to price a normalization scenario, with expectations that crude will return to the mid-$70s by year-end. This divergence between spot and forward pricing suggests markets view current disruptions as temporary.

If realized, lower oil prices would ease inflationary pressures and support consumption, reinforcing the constructive macro outlook.

Birling Capital Puerto Rico Stock Index YTD Performance

The Birling Capital Puerto Rico Stock Index is delivering a **strong year-to-date return of 13.20%**, reinforcing the resilience of Puerto Rico's publicly traded corporate base and, more importantly, highlighting the **dominant role of financials and fintech-linked platforms** in driving equity performance on the island.

The composition of the index—anchored by leading institutions such as Popular, Inc., First BanCorp, OFG Bancorp, and Evertec, Inc.—creates a structure in which **banking profitability, capital strength, and payment flows serve as the primary performance drivers**.

From a performance attribution standpoint, the leadership is clear:

- **Popular, Inc.** is leading with a **19.70% gain**, reflecting scale, earnings durability, and strong capital deployment.
- **First BanCorp** follows with **a +15.87% gain**, supported by consistent profitability and a strong balance sheet.
- **OFG Bancorp** contributes **+12.64%**, reinforcing the sector's depth.
- **Evertec, Inc.** adds **+5.67%**, providing diversification through transaction processing and fintech exposure.

This performance profile confirms a critical structural insight: **Puerto Rico's equity market is effectively a leveraged expression of its financial system**. When banks perform—supported by net interest margins, capital ratios, and credit quality—the index follows. This dynamic has been evident in prior cycles, where financial sector strength has consistently been translated into outsized index returns.

Corporate Earnings Parade:

- **OFG Bancorp (OFG):** reported 1Q26 revenues of $185,801, up 4.21%, with net income of $53,937, up 18.35%, and Earnings per share of $1.26; beating estimates. OFG has a tier 1 capital ratio of 13.75% and a Stock Price Target of $47.25. Check our **report on OFG:** OFG Overview
- **First BanCorp (Puerto Rico) (FBP):** reported 1Q26 revenues of $258.6, with net income of $88,778, up 15.20%, and Earnings per share of $0.57; beating estimates. FBP has a tier 1 capital ratio of 16.93% and a Stock Price Target of $24.58. Check our **report on FBP:** FBP Overview

Economic Data:

- **US Crude Oil Stocks WoW:** fell -913.00K, down from 3.081M last week.

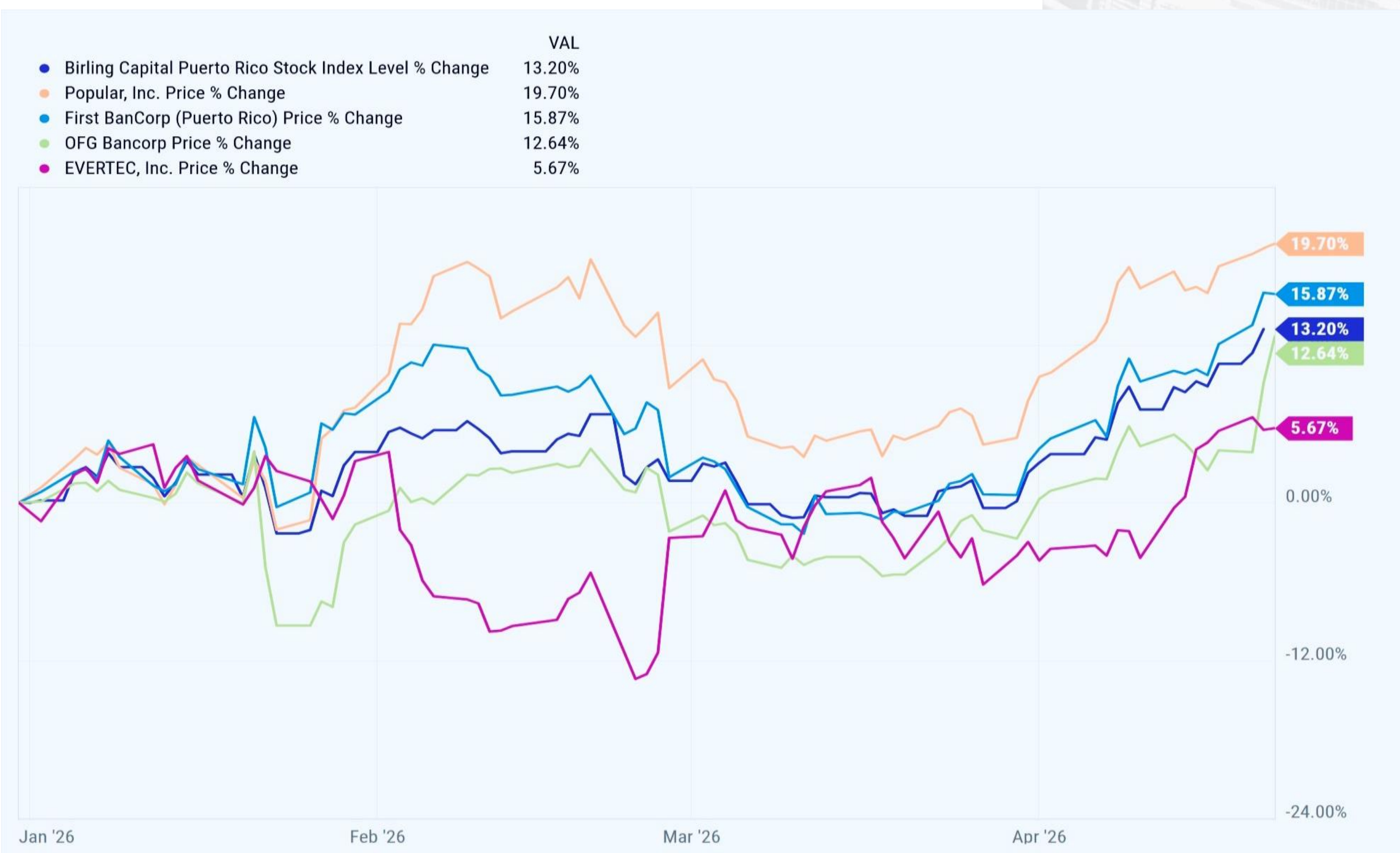
Eurozone Summary:

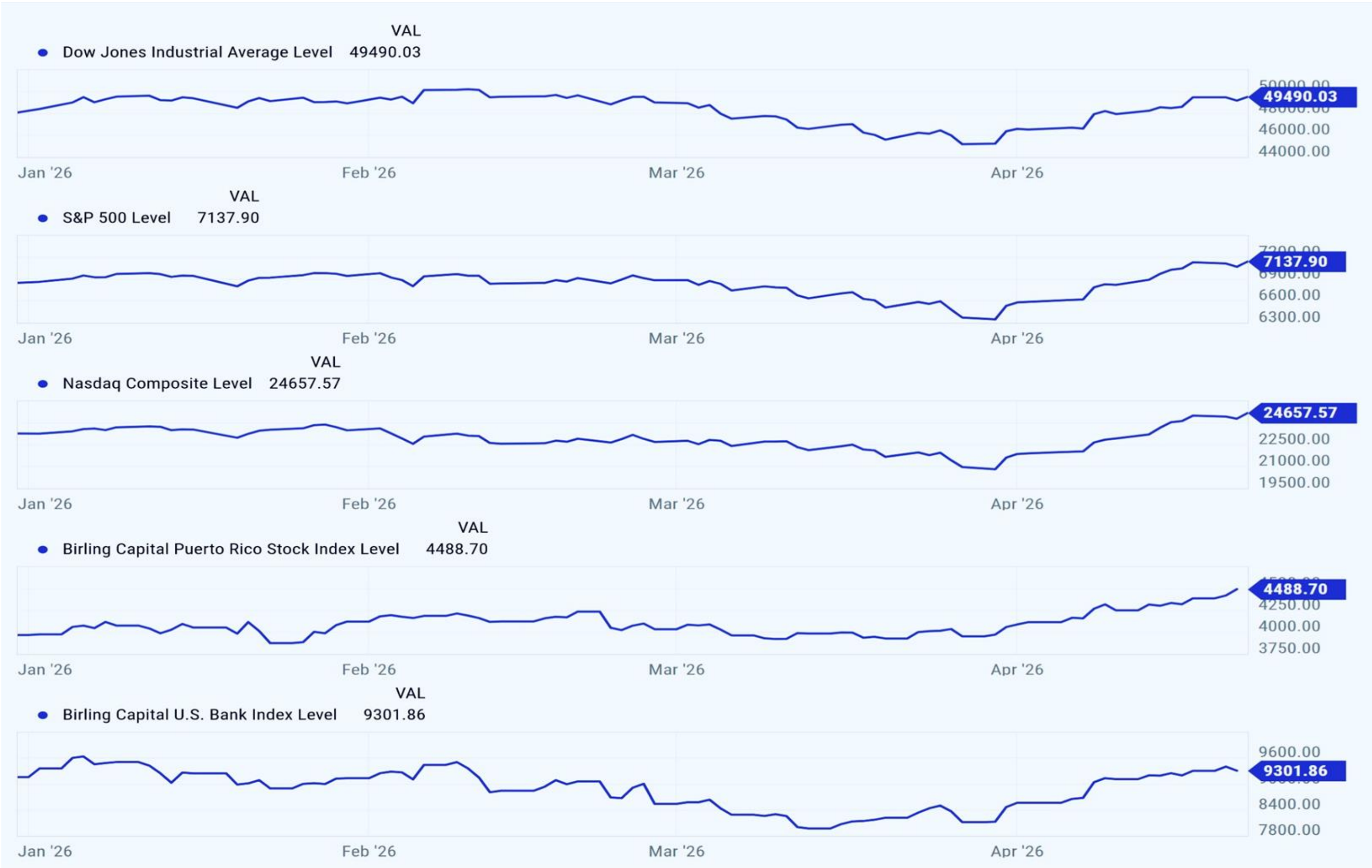
- **Stoxx 600:** closed at 613.88, down 2.15 points or 0.35%.
- **FTSE 100:** closed at 10,476.46, down 21.63 points or 0.21%.
- **DAX Index:** closed at 24,194.90, down 75.97 points or 0.31%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 49,490.03, up 340.65 points or 0.69%
- **S&P 500:** closed at 7,137.90, up 73.89 points or 1.05%.
- **Nasdaq Composite:** closed at 24,657.57, up 397.60 points or 1.64%.
- **Birling Capital Puerto Rico Stock Index:** closed at 4,488.70, up 72.00 points or 1.63%.
- **Birling Capital U.S. Bank Index:** closed at 9,301.86, down 94.51 points or 1.01%
- **U.S. Treasury 10-year note:** closed at 4.30%.
- **U.S. Treasury 2-year note:** closed at 3.79%.

Birling Capital Puerto Rico Stock Index Level % Change; Popular, Inc. Price % Change; First BanCorp (Puerto Rico) Price % Change; OFG Bancorp Price % Change & Evertec, Inc. Price % Change





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