

Markets Diverge on Peace Talks Signals and Earnings Momentum; U.S. Consumer Sentiment Falls Over 30% Since Donald Trump Took Office

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The U.S. and European stock markets closed mixed, with U.S. equities reaching fresh record highs as investors leaned into easing geopolitical risk and strong technology-sector momentum. The advance was driven by renewed indications that diplomatic channels between the United States and Iran may reopen, including reports of mediation efforts in Pakistan, which helped reduce near-term fears of escalation. At the same time, the extension of the Israel–Lebanon ceasefire reinforced the perception that the current phase of the conflict may remain contained.

Energy markets responded accordingly. West Texas Intermediate crude oil retreated from recent highs to the mid-\$90s, while Brent crude oil held just above \$100 per barrel, signaling that risk premiums are moderating but remain embedded. The result is a market that is increasingly willing to discount geopolitical volatility in favor of earnings visibility and structural growth drivers.

Technology once again dominated the session, with semiconductors acting as the primary catalyst. Intel surged sharply following decisive earnings and a materially stronger forward outlook, reinforcing confidence in the AI-driven capital expenditure cycle. The move extended a broader semiconductor rally that continues to underpin index-level performance and investor positioning.

U.S. Markets

U.S. equities delivered another milestone session, with the S&P 500 and Nasdaq Composite both closing at record highs, supported by strong gains in technology and semiconductor stocks. The Nasdaq outperformed meaningfully, reflecting its higher exposure to AI-linked names, while **the Dow Jones Industrial Average lagged slightly,** posting a modest decline as sector rotation favored growth over cyclical.

The defining feature of the session was the market's ability to look through geopolitical noise. Developments pointing toward a potential restart of U.S.–Iran negotiations contributed to a decline in oil prices and a compression of the geopolitical risk premium. At the same time, continued naval tensions in the Strait of Hormuz underscore that the underlying conflict remains unresolved, reinforcing the episodic nature of volatility.

From a structural perspective, the market's resilience is being driven by earnings strength rather than sentiment. Semiconductor equities extended their leadership, with the broader chip complex delivering one of its strongest weekly performances of the year. This reinforces the view that the current rally is anchored in capital investment cycles tied to artificial intelligence, rather than purely liquidity or multiple expansion.

The weekly trajectory further illustrates this dynamic. The Nasdaq is on track to post solid gains, supported by sustained momentum in technology, while the S&P 500 is modestly higher and the Dow remains slightly negative, highlighting the increasingly concentrated nature of market leadership. The broader takeaway is clear: investors are selectively discounting geopolitical risk while maintaining conviction in U.S. corporate earnings. However, the sustainability of this trend will depend on whether diplomatic progress materializes and whether earnings continue to validate current valuations.

European Markets

European equities moved lower, diverging from U.S. markets as fading optimism around a near-term resolution to the U.S.–Iran conflict weighed on sentiment. The STOXX Europe 600 declined, with most sectors finishing in negative territory, reflecting a more cautious regional posture toward geopolitical risk and energy price volatility.

Sector dispersion was notable. Technology stocks provided relative support, advancing as the global AI and semiconductor narrative remained intact, while mining and resource-linked equities declined amid commodity volatility and shifting demand expectations. Novo Nordisk advanced in corporate developments, supported by encouraging prescription data that reinforce the resilience of its weight-loss franchise despite new competition from Eli Lilly and Company.

In contrast, Renault shares declined after reporting softer unit sales despite revenue growth, highlighting ongoing demand normalization in the European auto sector. Meanwhile, SAP surged following strong earnings, with robust cloud revenue growth and expanding operating margins reinforcing its positioning within enterprise AI.

Geopolitical developments remain the dominant macro driver. Comments from Donald Trump signaling no fixed timetable for resolving tensions with Iran, combined with continued maritime tensions over oil shipments, have sustained a risk premium across European markets. Energy prices reflected this uncertainty, with Brent crude oil trading above \$100 per barrel, reinforcing inflationary pressures across the region.

U.S. Consumer & Macro Risk: Confidence Breakdown Signals

The deterioration in consumer confidence has become a central macro signal that cannot be dismissed. The University of Michigan Consumer Sentiment Index closed April at 49.8, breaking below the critical 50 threshold for the first time in this cycle and marking its weakest level in fifteen months. From its January 2025 peak of 71.7, the index has declined more than 30%, reflecting a sustained erosion in household confidence.

This is not an abstract sentiment shift—it is grounded in tangible economic pressure. Gasoline prices remain elevated year over year, inflation persists across most consumption categories, and housing affordability continues to deteriorate, particularly for first-time buyers. The consumer response is increasingly rational: purchasing power is being compressed, and expectations are adjusting accordingly.

The macro implications are material. With consumption accounting for roughly 70% of U.S. economic activity, a sustained drop in confidence below 50 has historically correlated with a shift in behavior—delayed discretionary spending, higher savings rates, and reduced demand for big-ticket items. When viewed alongside a subdued growth trajectory, including a low-growth estimate for early 2026, the signal is clear: the U.S. economy is decelerating, even if not yet contracting.

For Puerto Rico, the transmission mechanism is direct and consequential. Slower U.S. consumer activity translates into reduced tourism flows, softer remittance dynamics, and increased dependency pressure on federal funding streams. The linkage is structural, not cyclical, and requires proactive strategic positioning at both the public and private sector levels.

Earnings & Strategy

At the core of the market's resilience is earnings strength. Expectations for the S&P 500 point to approximately 14% year-over-year growth in the first quarter, marking what would be the sixth consecutive quarter of double-digit expansion. This is not a liquidity-driven rally—it is an earnings-driven one.

Technology remains the dominant force, with projected earnings growth approaching 46%, driven by sustained demand for AI infrastructure and expansion of digital capacity. However, strength is not isolated. Multiple sectors are contributing to overall earnings expansion, reinforcing the breadth of the underlying economic foundation.

The coming week represents a critical inflection point. Results from mega-cap leaders—including

Microsoft, Amazon, Alphabet, Meta Platforms, and Apple—will serve as both a validation point for current valuations and a directional signal for broader market sentiment.

Strategic View

The market is increasingly operating under a dual framework: episodic geopolitical volatility layered on structurally strong earnings growth. The easing of immediate conflict risk provides tactical upside, but the durability of the rally remains anchored in corporate profitability. Investors are not ignoring risk—they are repricing it dynamically while maintaining conviction in earnings-led expansion. In this environment, discipline remains essential. The leadership of technology and cyclicals continues to define the opportunity set, while diversification remains critical given the concentration of returns. The path forward is unlikely to be linear, but the underlying trend remains intact: earnings, not headlines, are setting the direction of travel.

Economic Data:

- **US Index of Consumer Sentiment:** fell to 49.80, down from 53.30 last month, a change of -6.57%.

Eurozone Summary:

- **Stoxx 600:** closed at 610.65, down 3.55 points or 0.58%.
- **FTSE 100:** closed at 10,379.08, down 77.93 points or 0.75%.
- **DAX Index:** closed at 24,128.98, down 26.47 points or 0.11%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 49,230.71, down 79.61 points or 0.16%
- **S&P 500:** closed at 7,165.08, up 56.68 points or 0.80%.
- **Nasdaq Composite:** closed at 24,836.60, up 398.09 points or 1.63%
- **Birling Capital Puerto Rico Stock Index:** closed at 4,496.91, up 10.89 points or 0.24%
- **Birling Capital U.S. Bank Index:** closed at 9,210.77, down 68.07 points or 0.73%
- **U.S. Treasury 10-year note:** closed at 4.31%.
- **U.S. Treasury 2-year note:** closed at 3.78%.

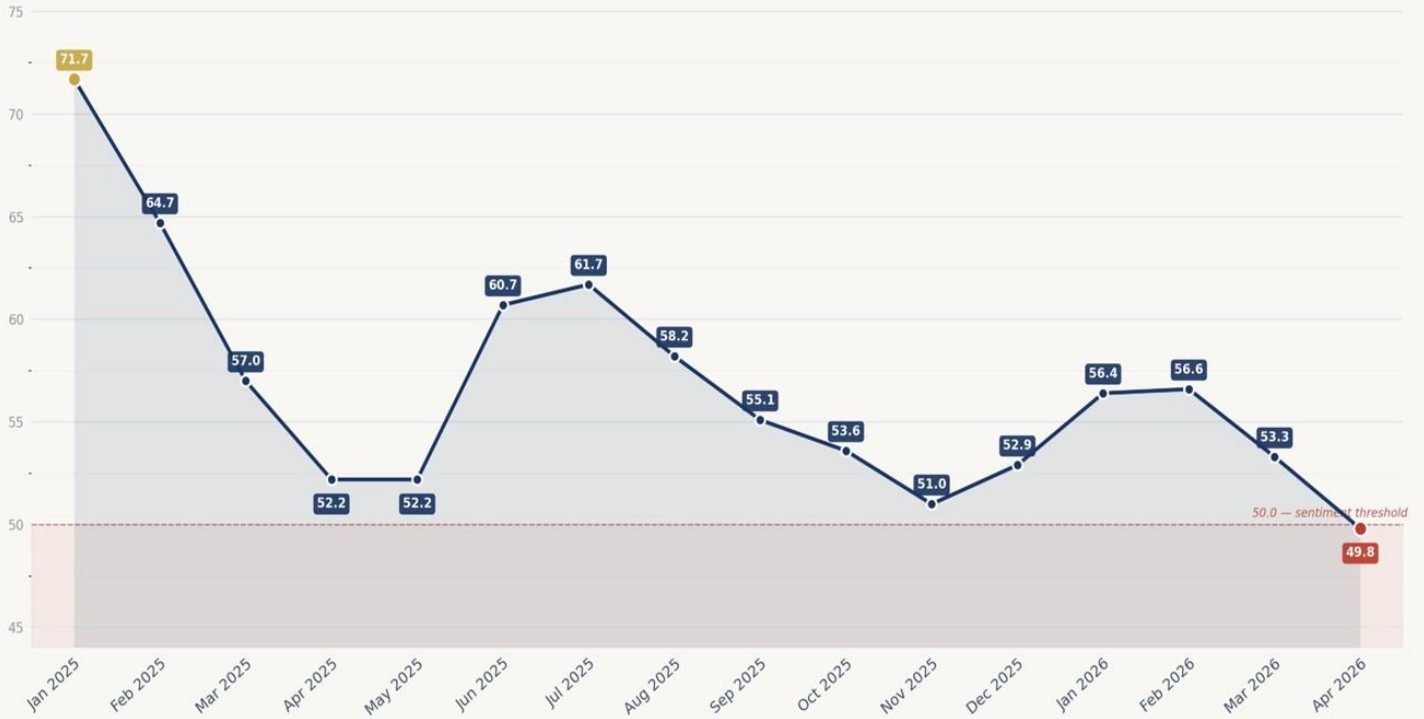


U.S. Index of Consumer Sentiment 2025 to YTD 2026

U.S. Index of Consumer Sentiment

University of Michigan — Surveys of Consumers | January 2025 - April 2026

| | | |
|---------------------------|------------------------------|--------------------------------|
| 49.8 April 2026 | 71.7 Peak Jan 2025 | -30.5% 15-Mo. Change |
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Source: University of Michigan, Surveys of Consumers

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Wall Street Recap

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