

Tech Rout Deepens: Nasdaq Drops 2.04%, Dow Jones Sinks 669 as Risk Aversion Accelerates

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The **U.S. and European stock markets closed** sharply lower as investor sentiment deteriorated throughout the session, led by renewed pressure in technology and financials. What began as selective AI-driven volatility evolved into broad-based de-risking, with equity markets repricing growth expectations, valuation risk, and rate sensitivity simultaneously.

The tone shifted decisively from discrimination to defensive repositioning.

U.S. equities reversed early attempts at stabilization and closed decisively lower, reflecting broad-based de-risking across growth and cyclical sectors. The **Dow Jones Industrial Average** fell 669.42 points, the **S&P 500** dropped 1.57%, while the **Nasdaq Composite** was the loss leader percentagewise, **declining 2.04%** or 469.31 points. The magnitude of the Nasdaq's decline underscores continued pressure in technology and AI-sensitive names as investors reassess valuation tolerance and earnings durability.

Treasury markets strengthened as capital rotated toward safety. **The 10-year U.S. Treasury note closed at 4.09%, while the 2-year Treasury finished at 3.47%**, suggesting investors are cautiously adding duration amid equity volatility without fully pricing in an imminent Federal Reserve easing cycle.

Commodities softened alongside equities. WTI crude hovered near \$64 per barrel, down modestly, while gold remained broadly stable following recent bouts of volatility. The cross-asset message reflects defensive positioning rather than systemic stress.

AI Disruption Repricing Accelerates

The AI trade is no longer fragmenting quietly — it is being actively repriced.

Micron Technology initially benefited from constructive commentary around memory-chip demand tied to AI infrastructure expansion. However, investor focus quickly shifted toward input-cost pressures and capital intensity across the semiconductor supply chain, limiting upside enthusiasm.

Meanwhile, **Cisco Systems** declined as rising memory costs raised fresh concerns about the durability of hardware margins. The move reinforced a broader theme emerging across technology: AI-driven revenue opportunities are being weighed against execution risk and cost transmission.

Software companies have also faced renewed volatility in recent weeks as investors reassess pricing power, customer stickiness, and long-term monetization models in an increasingly AI-saturated environment.

The message from markets is increasingly disciplined:

- AI exposure alone is no longer a catalyst.
- Balance-sheet strength, pricing leverage, and earnings visibility are now decisive.

In today's tape, the repricing is not thematic — it is financial.

Labor Market: Resilient but Not Easing Policy Pressure

Initial unemployment claims fell to 227,000 from 232,000 the prior week, while the four-week moving average rose to 219,500. Although slightly elevated, claims remain historically low, signaling limited labor-market distress.

Existing home sales rose 5.07% to 4.35 million, supported by a slight decline in the 30-year mortgage rate to 6.09%. Housing activity is stabilizing despite affordability constraints.

However, inflation remains the central risk variable. With expectations for a 0.3% month-over-month increase in both headline and core CPI, the Federal Reserve is unlikely to accelerate rate cuts. The labor market remains firm enough to justify patience.

European Markets

European equities mirrored the cautious tone. The **STOXX Europe 600** closed at 618.52, down 0.49%. The **FTSE 100** fell 0.67%, while Germany's **DAX** was effectively flat.

Corporate earnings continued to drive dispersion. **Siemens** edged higher after raising its fiscal 2026 earnings outlook, reflecting confidence in automation and AI-linked industrial demand.

Luxury remained selective. **Hermès** advanced following stronger-than-expected revenue growth, while peers such as **LVMH**, **Kering**, and **Richemont** traded with limited momentum.

Dutch fintech **Adyen** fell sharply despite revenue gains, highlighting valuation sensitivity, while **Mercedes-Benz Group** declined following a significant profit contraction.

On the positive side, consolidation drove outsized gains in asset management. **Schroders** surged after **Nuveen** announced a £9.9 billion acquisition, reinforcing scale as a strategic imperative amid fee compression.

The Final Word: Risk Recalibration Accelerates

Markets are no longer merely scrutinizing risk — they are actively repricing it.

AI remains transformative, but capital intensity, cost transmission, and earnings durability are now under sharper financial discipline.

The labor market remains resilient, yet inflation continues to limit policy flexibility.

Falling yields alongside falling equities signal defensive positioning rather than renewed growth confidence.

Valuation tolerance has narrowed materially.

In 2026, participation is not enough.

Liquidity management, pricing power, and balance-sheet resilience are the decisive variables.

Economic Data:

- **U.S. Initial Claims for Unemployment Insurance:** fell to 227,000, down from 232,000.0 last week, a change of -2.16%.
- **U.S. 4-Week Moving Average of Initial Claims for Unemployment Insurance:** rose to 219,500, up from 212,500 last week.
- **U.S. Existing Home Sales:** rose to 4.35 million, up from 4.14 million last month, increasing 5.07%.
- **30-Year Mortgage Rate:** fell to 6.09%, compared to 6.11% last week.
- **UK Real GDP YoY:** fell to 1.30%, compared to 1.40% last quarter.
- **UK Business Investment YoY:** fell to 1.96% from 2.48% last quarter.
- **UK Industrial Production Index YoY:** fell to 0.50%, compared to 2.30% last month.

Eurozone Summary:

- **Stoxx 600:** closed at 618.52, down 3.06 points or 0.49%.
- **FTSE 100:** closed at 10,402.44, down 69.67 points or 0.67%.
- **DAX Index:** closed at 24,852.69, down 3.46 points or 0.01%.

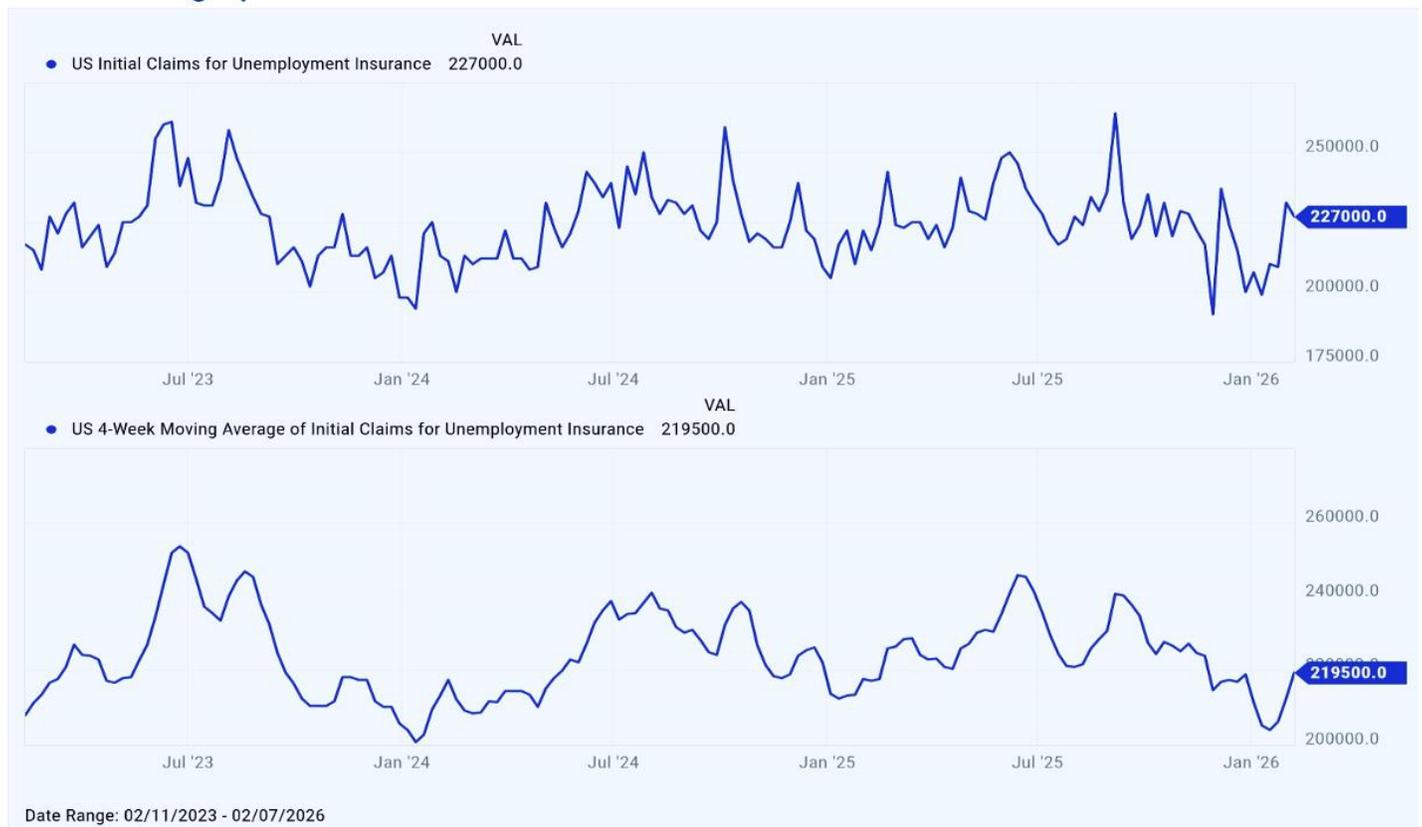
Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 49,451.98, down 669.42 points or 1.34%.
- **S&P 500:** closed at 6,822.76, down 108.71 points or 1.57%.
- **Nasdaq Composite:** closed at 22,597.94, down 469.31 points or 2.04%.
- **Birling Capital Puerto Rico Stock Index:** closed at 4,159.06, down 28.00 points, or 0.67%.
- **Birling Capital U.S. Bank Index:** closed at 9,145.63, down 211.26 points or 2.26%
- **U.S. Treasury 10-year note:** closed at 4.09%.
- **U.S. Treasury 2-year note:** closed at 3.47%.



US Initial Claims for Unemployment, & US 4-Week Moving Initial Claims Average

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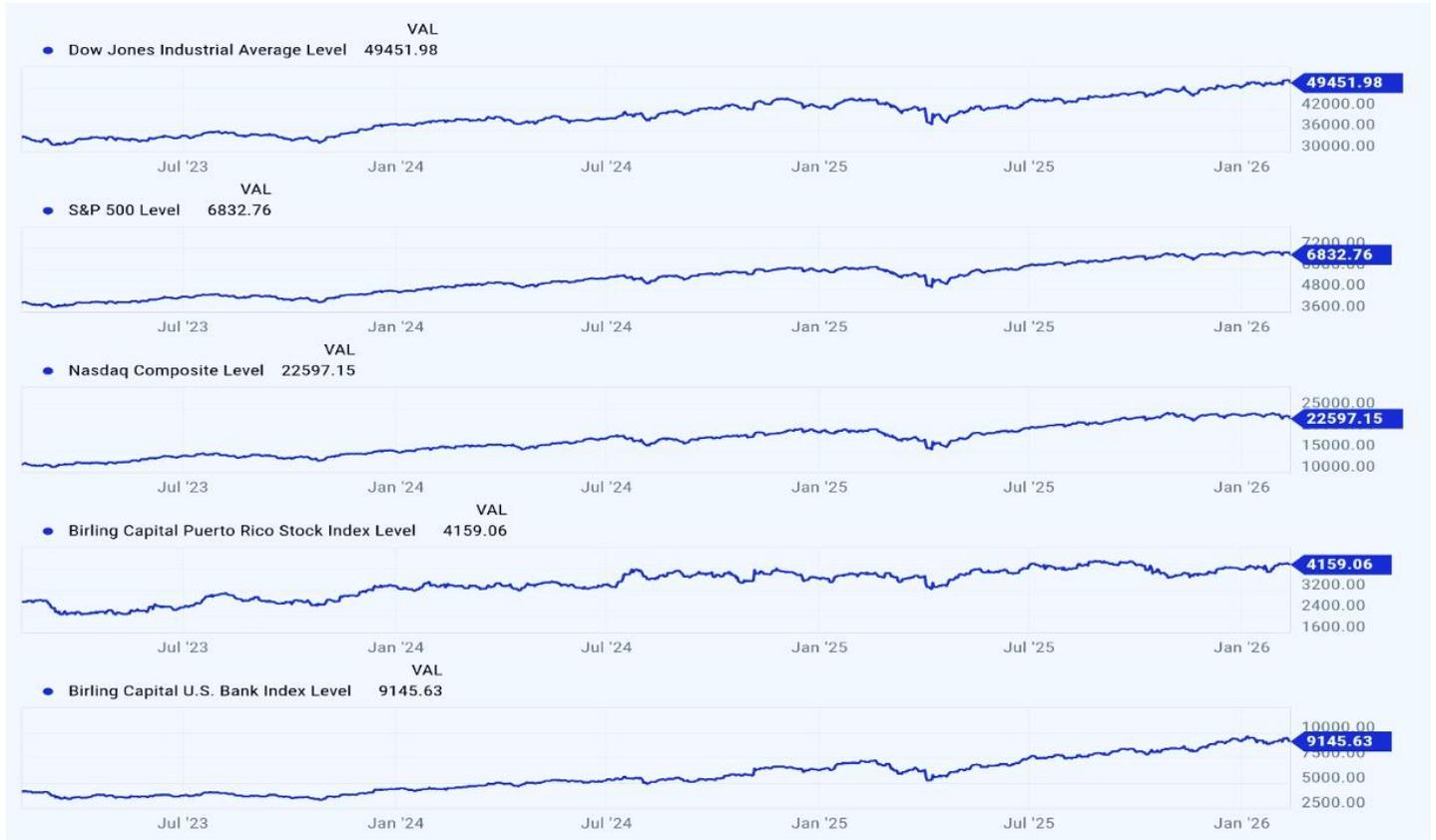
US Existing Home Sales & 30 Year Mortgage Rate





UK Real GDP QoQ, UK Business Investment YoY & UK Industrial Production Index YoY





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