

GLOBAL MARKET SQUARE



Wall Street & European Markets Closed Higher as Rotation Persists and Global Diversification Extends the Rally

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The U.S. and European stock markets closed higher as investors balanced strong earnings momentum and accelerating international equity performance with ongoing asset rotation and a slim economic calendar.

U.S. Markets

U.S. equities closed higher Tuesday, with a tone is better described as cautiously optimistic with less risk aversion. With little new economic data, investors are using the session to refine allocations, continuing a pattern that has defined early 2026: leadership is shifting, not collapsing. The internal dynamics of the market are particularly telling. Value-oriented sectors such as financials and utilities are attracting early flows, while commodity-sensitive industries—including energy and materials—are lagging despite stable oil prices. At the same time, growth-oriented sectors like technology and communication services are softer, extending the year's trend of consolidation following their powerful multiyear leadership. This combination reinforces a broader structural transition underway in equities, where performance dispersion is widening, and markets are rewarding balance-sheet resilience and earnings durability over thematic enthusiasm alone. Bond markets are calm. The 10-year U.S. Treasury yield closed at **4.05%**, while the 2-year yield at **3.43%**, signaling that investors see little immediate change in expectations for Federal Reserve policy. Currency markets, however, are showing modest movement. After weakening earlier in the year, the U.S. dollar is rebounding, gaining roughly half a percent against developed-market peers. Commodities reflect that stability: oil prices are essentially flat, while gold has fallen notably—down about 3%—as the firmer dollar and steady yields reduce the urgency for defensive hedging. Taken together, the opening conditions suggest that markets are not responding to macro stress but are continuing to transition toward a more selective, valuation-conscious phase.

European Markets

European markets closed higher on Monday, supported by both corporate developments and geopolitical discussions surrounding the Munich Security Conference. The conference itself added a strategic backdrop to market sentiment. European leaders reiterated the need for greater defense investment and a more autonomous security framework, while Ukrainian President Volodymyr Zelenskyy signaled that Ukraine could be ready for European Union membership by 2027 and argued that the timing of accession should be part of any future peace agreement with Russia. Meanwhile, remarks highlighting persistent divisions within the transatlantic alliance served as a reminder that geopolitical alignment is becoming more complex, not less. On the corporate front, U.K. lender **NatWest Group** advanced after announcing a sizable share buyback program, reinforcing the continued importance of capital returns in supporting European financial stocks. In contrast, French software firm **Dassault Systems** fell sharply following a downgrade tied to concerns about AI monetization and slowing momentum. The reaction underscores a theme increasingly visible across global markets: exposure to artificial intelligence alone is no longer enough—investors now demand demonstrable revenue capture and execution clarity.

Global Equity Trends: Diversification Is Delivering

Developed and emerging markets alike have extended their gains from last year, reshaping relative performance leadership.

The **MSCI EAFE Index** has risen nearly 8% year to date, with Japan playing a particularly prominent role. Japanese equities, in U.S.-dollar terms, are up by more than 13%, benefiting from corporate governance reforms, supportive domestic conditions, and global reallocation of capital. Emerging markets are performing even more strongly. The **MSCI Emerging Markets Index** has advanced roughly 11% so far this year, led in part by technology-heavy economies such as Korea, where equity gains approaching the mid-thirties underscore that global tech momentum is no longer confined to the United States.

Investors are rediscovering that global diversification is not merely defensive—it is contributing meaningfully to performance in the current cycle.

Earnings Season Nears Completion

Meanwhile, the fourth-quarter earnings season in the United States is approaching its conclusion, with more than three-quarters of S&P 500 companies having already reported. The results have been decisively stronger than anticipated. Earnings growth for the index is tracking near 12% year over year, comfortably above the roughly 7% expected at the start of the reporting period. Importantly, the strength has been broad-based, with nine of eleven sectors on pace to post positive growth. Investor attention now shifts toward signals about the consumer, with **Walmart's** upcoming earnings later this week likely to serve as an important barometer of spending trends and retail resilience.

The Final Word: The Market Is Broadening

The defining feature of markets in early 2026 is not weakness but maturation.

Economic volatility is subdued, yet internal market rotation is intensifying. Earnings growth remains solid, yet valuation sensitivity has returned. International markets are no longer trailing performance—they are actively leading parts of the global advance. And within the AI theme, investor focus has shifted from excitement to execution.

This is what a transition from momentum-driven markets to allocation-driven markets looks like. Participation alone is no longer sufficient. In this phase of the cycle, portfolio outcomes will depend increasingly on diversification, selectivity, and the ability to balance growth exposure with valuation discipline.

Economic Data:

- **NAHB/Wells Fargo US Housing Market Index:** fell to 36.00, down from 37.00 last month.
- **Canada Wholesale Sales MoM:** rose to 1.15%, compared to -1.62% last month.
- **Germany Consumer Price Index YoY:** rose to 2.10%, up from 1.80% last month.
- **UK ILO Unemployment Rate: Aged 16-64:** rose to 5.30%, compared to 5.20% last month.

Eurozone Summary:

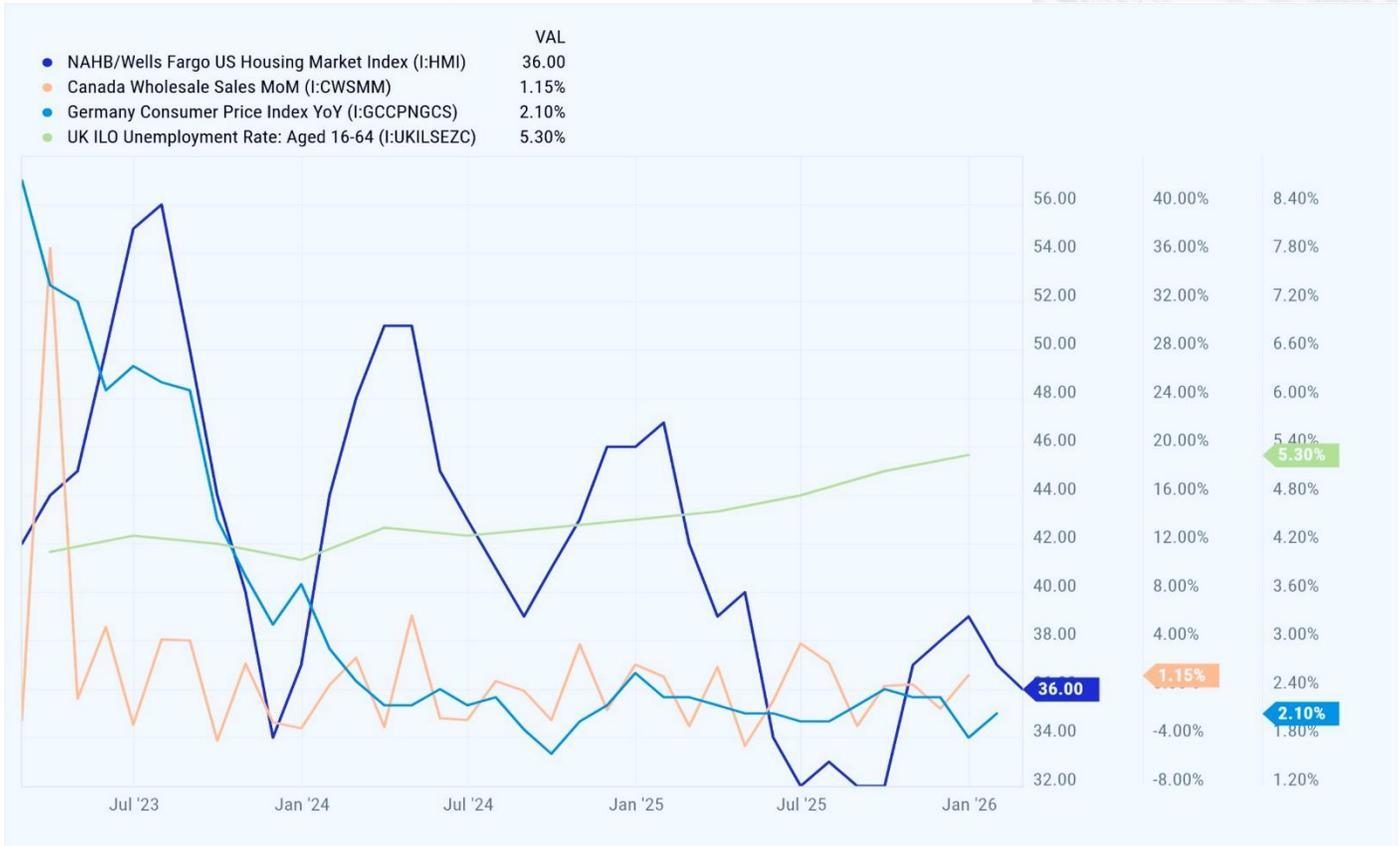
- **Stoxx 600:** closed at 621.29, up 2.77 points or 0.45%.
- **FTSE 100:** closed at 10,556.17, up 12.48 points or 0.79%.
- **DAX Index:** closed at 24,998.40, up 197.49 points or 0.80%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 49,533.19, up 32.36 points or 0.07%.
- **S&P 500:** closed at 6,843.22, up 7.05 points or 0.10%.
- **Nasdaq Composite:** closed at 22,578.38, up 31.71 points or 0.14%.

- **Birling Capital Puerto Rico Stock Index:** closed at 4,1200.11, up 5.75 points, or 0.14%.
- **Birling Capital U.S. Bank Index:** closed at 8,837.59, up 34.91 points or 0.40%
- **U.S. Treasury 10-year note:** closed at 4.05%.
- **U.S. Treasury 2-year note:** closed at 3.43%.

NAHB/Wells Fargo US Housing Market Index; Canada Wholesale Sales MoM; Germany Consumer Price Index YoY & UK ILO Unemployment Rate



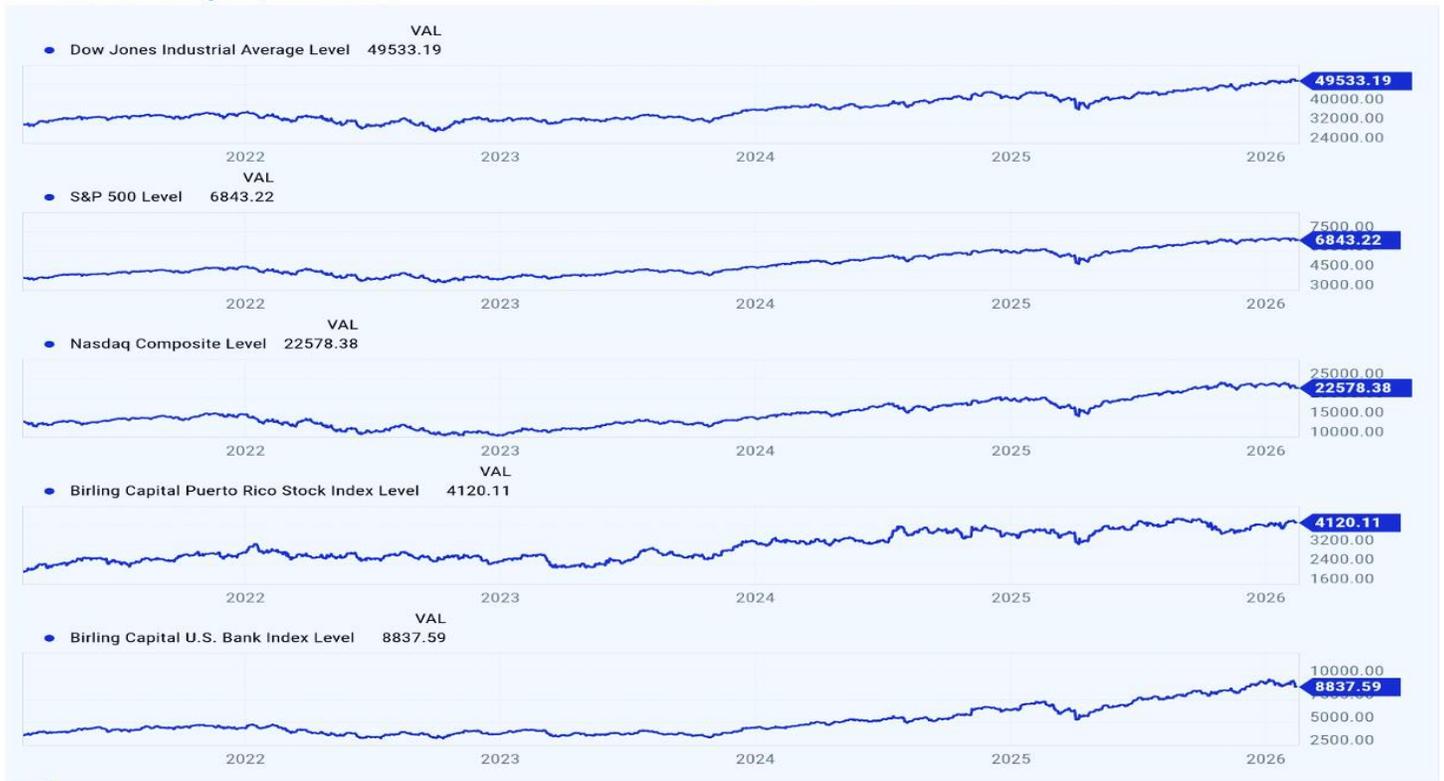


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