

# GLOBAL MARKET SQUARE



## Equities Advance as Strong U.S. Data Reinforces Growth Resilience While Dollar Weakness Supports Global Allocation Case

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The U.S. and European stock markets rose as investors digested stronger-than-expected U.S. manufacturing and housing data, rising bond yields, and renewed debate on the softer U.S. dollar's impact on global asset allocation. The session reflects a market balancing economic resilience with shifting monetary expectations.

### U.S. Markets

U.S. equities closed higher as a busy economic calendar reinforced momentum. Durable goods orders, industrial production, and housing activity all exceeded expectations, signaling stronger manufacturing and residential construction entering 2026 than previously assumed. Industrial production rose 0.7% month-over-month, surpassing forecasts and indicating improved factory utilization. Core durable goods orders increased 0.9%, reflecting stronger business investment. The 1.4% decline in headline durable goods stemmed mainly from volatility in commercial aircraft orders, not broad weakness. Orders for computers and related equipment rose 3% month-over-month and nearly 14% year-over-year, supporting capital spending in artificial intelligence and digital infrastructure.

Housing data reinforced the positive outlook. Housing starts in the last two months of 2025 exceeded expectations, with single-family starts reaching a ten-month high, indicating resilient residential demand despite elevated mortgage rates.

Financials and energy led early gains, with energy boosted by a nearly 3% rise in oil prices after reports of stalled U.S.-Iran negotiations. Rate-sensitive sectors like utilities and real estate lagged, reflecting higher Treasury yields following strong economic data.

Bond markets responded as the 10-year U.S. Treasury yield rose to 4.09% and the 2-year yield reached 3.47%, reinforcing expectations that the Federal Reserve may remain cautious on policy easing amid stronger economic data.

### Dollar Dynamics & Asset Allocation

The U.S. dollar remains a key macro theme in 2026. While it has stabilized recently, it continues to trade below the highs of the previous cycle, extending the broader softness seen in 2025.

We believe concerns about a structural loss of reserve-currency status are overstated. The dollar has returned to its 2015-2019 trading range, and its institutional, liquidity, and reserve-system advantages remain intact. However, the long-term uptrend has ended, and currency volatility has increased. Historically, dollar weakness has coincided with stronger global equity performance. When the dollar declined, the MSCI Emerging Markets Index posted a median gain of 7.1%, compared to 0.7% during dollar strength. The MSCI EAFE Index gained a median 5.6% in weaker-dollar periods versus a 0.1% decline when the dollar strengthened. U.S. large- and mid-cap equities also benefited, with median quarterly gains above 5% in weaker-dollar environments versus less than 3% when the currency rose. For investors, the implication is strategic rather than tactical: maintaining global diversification remains prudent. Current conditions support U.S. large- and mid-cap equities, international developed small- and mid-caps, and emerging-market equities, especially if the dollar stays range-bound or weakens gradually.

## European Markets

The Stoxx Europe 600 rose 1.2%, supported by broadly positive sector performance and easing inflation signals in the United Kingdom.

UK consumer inflation slowed to 3.0% year-over-year in January, down from 3.4% in December and in line with expectations. The data strengthens the case that inflation pressures are moderating and may allow the Bank of England to consider rate cuts later in the year if the trend continues.

Corporate news was mixed. Bayer shares fell sharply after proposing a \$7.25 billion settlement for Roundup litigation, significantly increasing provisions and liabilities, and indicating negative free cash flow this year. This highlights how company-specific risks can affect individual European stocks despite broader market strength.

## Technology & Market Leadership

Technology continued to provide an important pillar of support for U.S. markets.

NVIDIA shares moved higher after Meta Platforms confirmed plans to deploy millions of its chips to expand its AI-focused data center infrastructure. Amazon gained after filings showed Pershing Square increased its position by 65% in the fourth quarter, making the company one of the fund's largest holdings. Micron Technology advanced strongly following increased investment from Appaloosa Management, while industrial-technology names such as Trimble also participated in the rally.

This pattern reinforces a broader 2026 theme: while the largest technology platforms remain influential, leadership is expanding into AI supply chains, semiconductor memory, and industrial-tech enablers, indicating a more distributed technology cycle rather than a narrow mega-cap rally.

## Strategic Takeaway

The day's developments reinforce a consistent macro message:

Economic growth remains resilient, manufacturing is stabilizing, and AI-related capital investment continues to support corporate spending. Meanwhile, stronger data is pushing yields modestly higher and keeping monetary policy expectations fluid.

Against this backdrop, markets appear to be transitioning into a phase defined less by liquidity expansion and more by earnings durability, global diversification, and structural investment themes.

## Economic Data:

- **U.S. Durable Goods New Orders MoM:** rose to 5.27%, compared to -2.09% last month.
- **U.S. Housing Starts:** rose to 1.404M, up from 1.322M last month, rising 6.20%.
- **U.S. Building Permits:** rose to 1.448M, up from 1.388M last month, a 4.32% increase.
- **U.S. Industrial Production MoM:** rose to 0.70%, compared to 0.25% last month.
- **NY Fed Business Leaders Survey Current Business Activity:** fell -25.70, down from -16.10 last month.
- **U.S. Export Prices YoY:** rose to 3.56%, compared to 3.23% last month.
- **U.S. Import Prices YoY:** is unchanged at 0.07%, compared to 0.07% last month.
- **U.S. Retail Gas Price:** rose to \$3.057, up from \$3.033 last week.
- **UK Consumer Price Index YoY:** fell to 3.00% from 3.40% last month.
- **UK Core Consumer Price Index YoY:** fell to 3.03%, compared to 3.25% last month.
- **UK Producer Price Index: Output YoY:** rose to 0.29%, compared to -0.15% last month.
- **Japan Machinery Orders YoY:** fell to -1.35%, compared to 13.70% last month.

## Eurozone Summary:

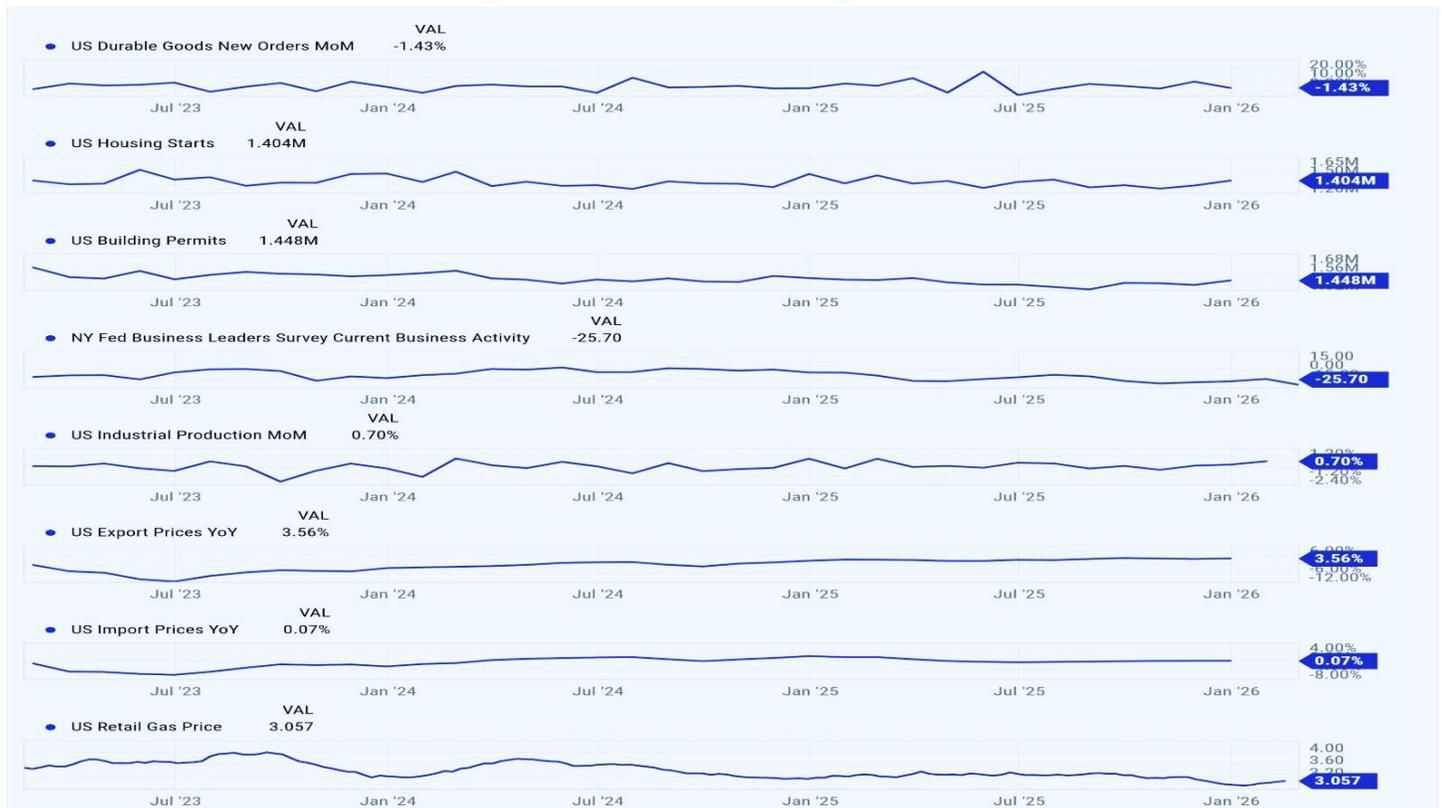
- **Stoxx 600:** closed at 628.64, up 7.40 points or 1.19%.
- **FTSE 100:** closed at 10,686.18, up 130.01 points or 1.23%.
- **DAX Index:** closed at 25,278.21, up 279.81 points or 1.12%.

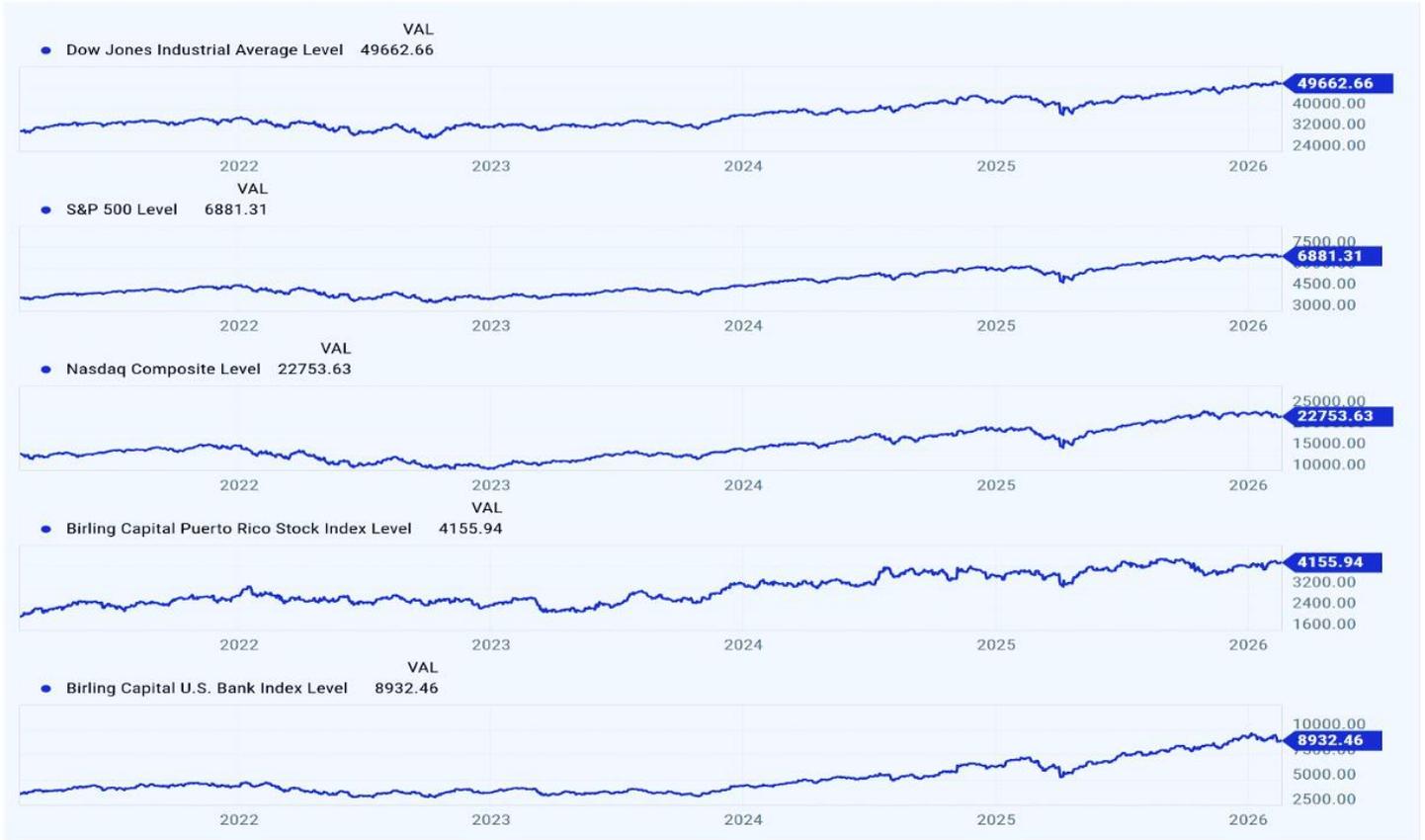
**Wall Street Summary:**

- **Dow Jones Industrial Average:** closed at 49,662.66, up 129.47 points or 0.26%.
- **S&P 500:** closed at 6,881.71, up 38.09 points or 0.56%.
- **Nasdaq Composite:** closed at 22,753.63, up 175.25 points or 0.78%.
- **Birling Capital Puerto Rico Stock Index:** closed at 4,155.94, up 35.83 points, or 0.87%.
- **Birling Capital U.S. Bank Index:** closed at 8,932.46, up 94.86 points or 1.07%
- **U.S. Treasury 10-year note:** closed at 4.09%.
- **U.S. Treasury 2-year note:** closed at 3.47%.



## US Durable Goods New Orders, US Housing Starts, US Building Permits, NY Fed Business Leaders Survey, US Industrial Production, US Exports and US Imports





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