

# Equities Slip as Walmart Guidance Tempers Consumer Optimism While Labor Data Signals Ongoing Stability

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The U.S. and European stock markets traded modestly lower as investors assessed Walmart's latest results, firmer Treasury yields, and mixed global signals. The session reflects a market balancing resilient earnings momentum and stable labor conditions against elevated valuations and cautious forward guidance.

## U.S. Markets

U.S. equities edged lower in early trading Thursday following the release of Walmart's fourth-quarter results, which provided a fresh read on consumer activity. While the company delivered slight earnings and revenue beat, its 2026 outlook came in softer than expected, prompting a more cautious tone toward near-term consumption trends.

Treasury yields moved higher, with the 10-year U.S. Treasury near 4.09%, reinforcing the market's sensitivity to interest-rate expectations and valuation levels. Currency markets showed the U.S. dollar strengthening against major peers, while in commodities, WTI crude oil advanced amid renewed geopolitical supply concerns tied to stalled U.S.–Iran negotiations.

Globally, Asian markets finished mostly higher as several exchanges reopened following the Lunar New Year holiday, though mainland Chinese markets remained closed.

## Corporate Earnings & Strategy Outlook

Walmart's results modestly exceeded consensus forecasts on both the top and bottom lines, adding to evidence that consumer spending remains more durable than sentiment indicators alone might suggest. However, softer forward guidance underscores that retailers are preparing for a more measured growth environment.

The broader earnings season continues to reinforce corporate resilience. With more than 80% of S&P 500 companies reporting, roughly three quarters have exceeded expectations, delivering an average positive surprise of about 7%. As a result, aggregate earnings-growth projections for the quarter have risen meaningfully, and forecasts now point to double-digit profit expansion supported by gains across nearly all sectors.

Looking ahead, earnings are expected to continue accelerating into 2026, with consensus anticipating mid-teens growth. Given that equity valuations remain above long-term historical norms, sustained profit expansion will likely remain the primary driver of further market upside.

From an allocation perspective, the earnings backdrop continues to favor equities within a globally diversified portfolio. Opportunities remain particularly compelling across U.S. large- and mid-capitalization companies, developed international small- and mid-caps, and emerging markets, where earnings breadth and cyclical leverage could support performance as global growth stabilizes.

## Labor Market & Economic Signals

Labor-market data released this morning reinforced the narrative of gradual normalization rather than deterioration. Initial jobless claims declined to 206,000, below expectations and continuing a pattern of historically low weekly filings. Year-to-date claims are averaging near 210,000, still well below last year's levels.

Continuing claims edged higher to approximately 1.87 million, broadly in line with forecasts. At the same time, job openings have eased to around 6.5 million — a level now below the total number of unemployed workers, estimated at 7.4 million. With the unemployment rate holding close to 4.3%, the data suggests a labor market transitioning toward balance through slower hiring rather than rising layoffs.

This environment remains consistent with a gradual cooling in wage pressures and supports the expectation of continued, incremental inflation moderation rather than a sharp slowdown in employment.

## European Markets

**In today's trading session, European equities experienced a noticeable dip as investors took** a closer look at the busy earnings season ahead and reassessed the outlook across sectors, including industrials, autos, and consumer staples. By midday in London, the Stoxx Europe 600 was down by about 0.6%, reflecting a broad decline among major indices. We saw the FTSE 100 decrease by 0.6%, Germany's DAX drop by 0.9%, and France's CAC 40 slip by 0.8%. This movement stems more from specific company results rather than any significant macroeconomic shifts.

**Earnings reports have truly taken center stage** today. **Airbus experienced a sharp decline of around 7%** following its forecast of approximately 870 aircraft deliveries for 2026, slightly below the analyst's expectations of 880. While this might indicate a more measured production pace, influenced by competition and stabilizing Boeing, it also underscores the industry's evolving dynamics.

In the automotive sector, **Renault shared mixed news—with a 3% revenue increase to €57.9 billion in 2025**. However, a net loss of €10.9 billion, largely due to a one-off charge related to its Nissan investment and a challenging operating climate, weighed heavily on investor sentiment, leading to a stock decline of about 4%. This highlights how sensitive investors can be not just to numbers but also to ongoing restructuring efforts.

Additionally, earnings from Nestlé, Rio Tinto, and Zurich Insurance highlighted solid corporate fundamentals, suggesting that today's trading was influenced more by individual company performance and guidance changes than by broader economic conditions.

Overall, it's clear that European markets are navigating a thoughtful growth environment, rewarding companies with clear execution while holding back on those that spark uncertainty. We remain optimistic about the potential for recovery and growth as the earnings season unfolds!

## GDPNow Update:

- The GDPNow for the fourth quarter was updated today to **3.00%**, down from 3.6%, a 16.67% decrease.

## Economic Data:

- **US Initial Claims for Unemployment Insurance:** fell to 206,000, down from 229,000 last week, a change of -10.04%.
- **US Job Openings:** Total Nonfarm fell to 6.542M, down from 6.928M last month.
- **US Pending Home Sales YoY:** is at -2.97%, compared to 2.59% last month.
- **30 Year Mortgage Rate:** is at 6.09%, compared to 6.11% last week.
- **Eurozone Consumer Confidence Indicator:** is at -12.40, up from -13.20 last month.
- **Eurozone Economic Sentiment Indicator:** rose to 99.40, up from 97.20 last month.
- **Japan Consumer Price Index YoY:** fell to 2.10%, compared to 2.90% last month.

## Eurozone Summary:

- **Stoxx 600:** closed at 625.33, down 3.36 points or 0.53%.
- **FTSE 100:** closed at 10,627.04, down 59.14 points or 0.55%.
- **DAX Index:** closed at 25,043.57, down 234.64 points or 0.93%.

## Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 49,395.16, down 267.50 points or 0.54%.
- **S&P 500:** closed at 6,861.89, down 19.42 points or 0.28%.
- **Nasdaq Composite:** closed at 22,682.72, down 70.90 points or 0.31%.
- **Birling Capital Puerto Rico Stock Index:** closed at 4,172.94, up 16.99 points or 0.41%.
- **Birling Capital U.S. Bank Index:** closed at 9,081.68, up 149.22 points or 1.67%.
- **U.S. Treasury 10-year note:** closed at 4.08%.
- **U.S. Treasury 2-year note:** closed at 3.47%.

## US Initial Claims for Unemployment Insurance; US 4-Week Moving Average of Initial Claims for Unemployment Insurance & US Job Openings: Total Nonfarm





# Eurozone Consumer Confidence Indicator, Eurozone Economic Sentiment Indicator & Japan CPI



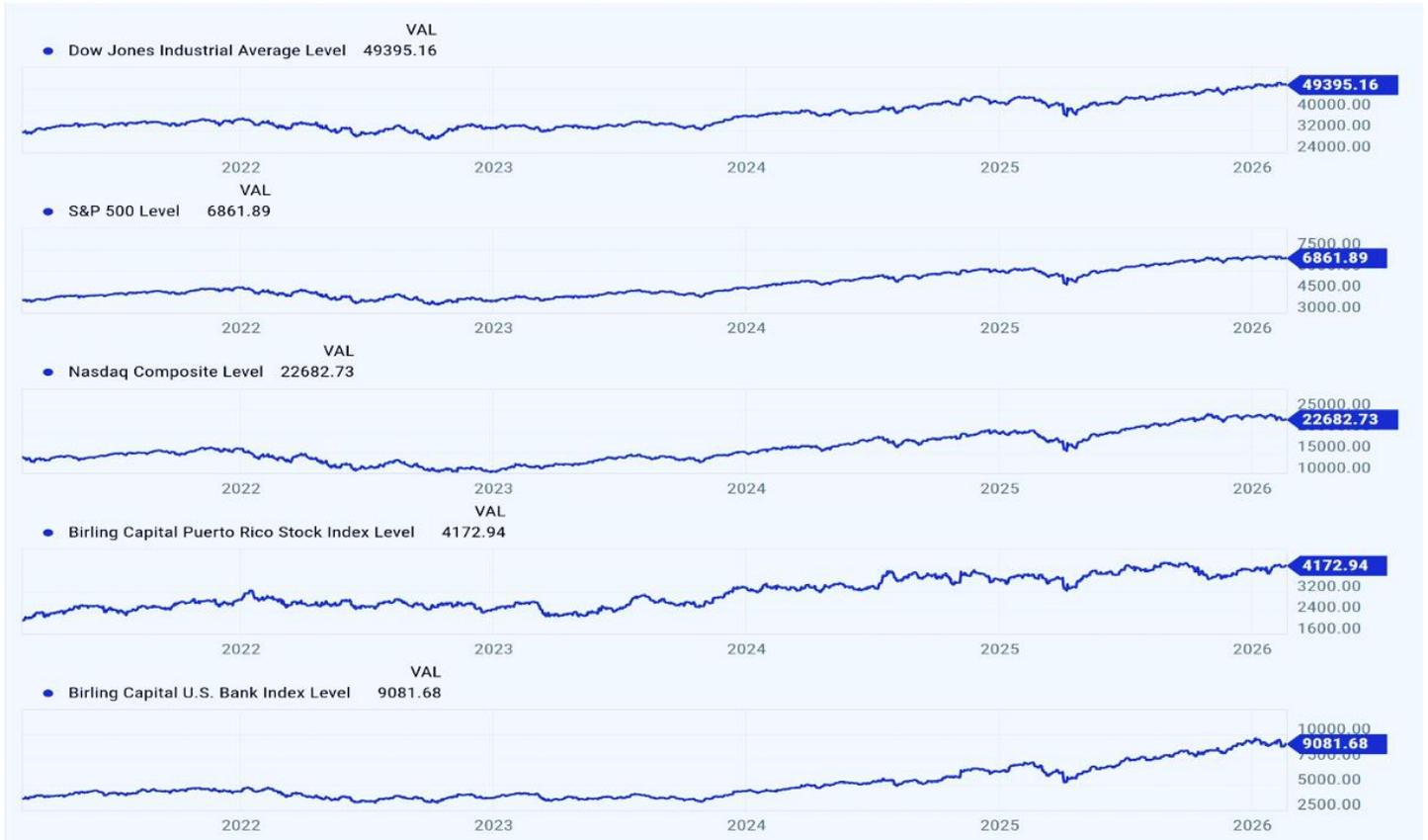


# BIRLING Wall Street Update

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