

Dow Jones plummets 821.91 Points, as U.S. Lifts Temporary Global Tariff to 15%, Prompting Defensive Positioning

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The U.S. and European stock markets closed broadly lower as investors reacted to an escalation in U.S. trade policy after President Donald Trump increased the temporary global tariff enacted under Section 122 of the Trade Act to 15%. The move reinforced near-term policy uncertainty and pushed markets toward a more cautious, defensive posture at the start of the week.

U.S. Markets

U.S. equities closed with steep losses on Monday, in reaction to a slew of new tariffs and the uncertainty of trading with the U.S. The health care and utilities outperformed as investors rotated toward stability, while growth-oriented segments—including technology and consumer discretionary—lagged amid renewed trade sensitivity.

Treasury yields edged slightly lower, reflecting a modest risk-off tone. The 10-year U.S. Treasury yield closed at 4.03%, while the 2-year stood around 3.43%, signaling steady but cautious expectations for monetary policy.

In commodities, precious metals advanced as investors sought hedges against policy volatility, with gold rising more than 2%. Oil prices also firmed by about 1%, supported by ongoing U.S.–Iran negotiations and ongoing geopolitical supply considerations.

European Markets

European stocks opened the week in negative territory as investors reassessed global trade risks. The pullback follows a stronger finish last week, when European markets rallied after the U.S. Supreme Court ruled against a significant portion of the previously imposed tariffs, temporarily reducing trade-policy pressure.

Over the weekend, however, President Donald Trump announced that the temporary global tariff introduced under Section 122 would be raised from 10% to 15% and implemented immediately, signaling a renewed escalation in trade measures and warning that additional levies could follow. The announcement shifted investor sentiment back toward caution, particularly for export-sensitive sectors.

At the company level, performance across Europe was mixed. U.K. sports retailer JD Sports advanced nearly 4% after announcing plans to return approximately £200 million to shareholders through a share buyback program, and Rolls-Royce shares edged lower ahead of its earnings release later this week, with market attention focused on potential capital-return initiatives and updated guidance from the aerospace and defense group.

The renewed tariff escalation underscores that trade policy remains a central macro risk for global equities. While last week's court ruling briefly improved sentiment by limiting earlier tariff actions, the rapid policy response highlights the administration's continued willingness to use alternative legal mechanisms to maintain elevated trade barriers.

Trade Policy Developments

Following the Supreme Court's decision invalidating tariffs previously imposed under the International Emergency Economic Powers Act, the administration introduced a temporary 10% global tariff on

February 20 using Section 122 authority. Over the weekend, that rate was raised to 15%, the statutory ceiling for this mechanism.

Section 122 tariffs can remain in place for up to 150 days without congressional approval, suggesting the current measure is best viewed as a bridge toward longer-duration trade actions. Markets expect the administration to pursue investigations under Section 301 or Section 232, which could enable more durable tariffs once the temporary window expires.

Before the Court's ruling, the U.S. effective tariff rate was estimated near 16%. Under the revised policy mix, projections suggest the effective rate may settle modestly lower, near the mid-teens. From a macro perspective, the adjustment is unlikely, by itself, to materially alter growth trajectories, though it reinforces the broader theme of structurally higher trade frictions relative to the pre-pandemic era.

For investors, the key implication is strategic rather than immediate: trade policy remains an active tool, but episodic tariff adjustments should be weighed against underlying fundamentals such as earnings growth, consumption resilience, and capital-investment trends.

Earnings in Focus

Corporate earnings will dominate the market narrative this week, with more than 50 S&P 500 companies scheduled to report. Particular attention will center on NVIDIA's results mid-week, as investors assess the durability of AI-related capital spending and semiconductor demand. Salesforce is also set to report, alongside home-improvement leaders Lowe's and Home Depot, offering additional signals on enterprise software trends and consumer housing activity.

With roughly 85% of the S&P 500 having already been reported, the earnings season has exceeded expectations. Fourth-quarter earnings per share are tracking toward growth of approximately 12–13%, well above the roughly 7% pace anticipated at the start of the quarter. Technology has been the principal driver, with sector earnings projected to expand more than 25% year over year—the strongest performance among major sectors.

Despite this earnings strength, technology shares have trailed so far in 2026, declining about 4% year-to-date as investors digest valuation sensitivity and evolving AI-cycle dynamics, particularly within software.

Investment Strategy View

We continue to see the 2026 environment favoring balance rather than concentration. A diversified exposure across growth and value segments remains essential, with relative opportunities in industrials, health care, and consumer discretionary supported by earnings visibility and structural demand trends. Conversely, more defensive segments such as consumer staples and utilities may face relative headwinds in a steady-growth environment once policy volatility subsides.

Economic Data:

- **Germany Ifo Business Climate Index:** rose to 88.60, up from 87.60 last month.
- **Germany Ifo Business Expectations Index:** rose to 90.50, up from 89.60 last month.
- **Germany Ifo Business Situation Index:** rose to 86.70, up from 85.70 last month.

Eurozone Summary:

- **Stoxx 600:** closed at 627.48, down 3.08 points or 0.48%.
- **FTSE 100:** closed at 10,682.96, down 3.93 points or 0.04%.
- **DAX Index:** closed at 24,986.58, down 274.11 points or 1.09%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 48,804.06, down 821.91 points or 1.66%.
- **S&P 500:** closed at 6,837.75, down 71.76 points or 1.04%.
- **Nasdaq Composite:** closed at 22,627.27, down 258.79 points or 1.13%.
- **Birling Capital Puerto Rico Stock Index:** closed at 4,232.06, up 65.48 Points or 1.57%
- **Birling Capital U.S. Bank Index:** closed at 9,053.39, up 64.70 Points or 0.72%.
- **U.S. Treasury 10-year note:** closed at 4.03%.
- **U.S. Treasury 2-year note:** closed at 3.43%.



Germany Ifo Business Climate, Germany Ifo Business Expectations Index & Germany Ifo Business Situation Index



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