

# Equities Slip as NVIDIA Fails to Clear Elevated Bar, Sector Rotation Intensifies, and AI Sentiment Remains Fragile

February 26, 2026

by Francisco Rodríguez-Castro  
[frc@birlingcapital.com](mailto:frc@birlingcapital.com)

**The U.S. and European stock markets traded mixed as investors reassessed the durability of AI-driven earnings momentum** following results from semiconductor leader Nvidia. While the company delivered a quarterly beat on both revenue and earnings, markets reacted negatively, underscoring an environment where expectations remain elevated, and valuation sensitivity is acute. U.S. equity performance reflected growing selectivity rather than broad-based risk aversion, as capital rotated toward financials, energy, and real assets while technology and semiconductors absorbed profit-taking.

## U.S. Markets

The **S&P 500 declined 0.54%**, while the **Nasdaq Composite fell 1.18%**, pressured by weakness in mega-cap technology and semiconductor names. **The Dow Jones Industrial Average added 17.05 points**, reflecting resilience in non-technology sectors.

**NVIDIA shares dropped more than 5% despite surpassing fourth-quarter revenue and earnings expectations**, placing the stock on pace for its steepest daily decline since April. The reaction highlights what can best be described as a “prove it” market dynamic—where strong results are insufficient unless they materially exceed already ambitious forecasts.

Weakness extended across the semiconductor complex, with Broadcom, Lam Research, Western Digital, and Applied Materials all trading lower, reflecting broader concerns about the sustainability of AI-related capital expenditures and limited visibility into forward demand.

Conversely, Salesforce rose 3% after reporting better-than-expected quarterly results. However, the company issued softer-than-anticipated fiscal 2027 revenue guidance, reinforcing ongoing skepticism toward the software sector's long-term positioning amid accelerating AI disruption.

Despite the stock-specific gain, the broader iShares Expanded Tech-Software Sector ETF advanced 1% but remains approximately 30% below its recent peak—solidly in bear-market territory.

Outside of technology, rotation was constructive. Financials, energy, and real estate outperformed, with JPMorgan Chase, Exxon Mobil, and CBRE Group among notable gainers. The sector divergence underscores that weakness is concentrated in high-multiple growth segments rather than indicative of systemic deterioration.

## The current market structure reflects three concurrent forces:

1. Expectations embedded in AI-exposed equities remain exceptionally high. Earnings beats must not only clear consensus but also materially reinforce multi-year growth trajectories.
2. Software and cybersecurity names continue to face sentiment headwinds amid rapid advancements in generative AI capabilities that could disrupt incumbent business models and
3. Select emerging-market exposures as leadership broadens beyond mega-cap concentration.

## European Markets

**European equities closed mixed on Thursday as investors parsed a dense slate of corporate earnings** while continuing to assess the implications of U.S. trade policy adjustments. The pan-European STOXX Europe 600 ended marginally below the flatline, although most major national bourses finished in positive territory, reflecting stock-specific dispersion rather than macro deterioration.

**Earnings dominated the session, with results from Deutsche Telekom, Schneider Electric, Allianz, AXA, Munich Re, Engie, Eni, Saint-Gobain, and London Stock Exchange Group** setting the tone across sectors.

London-listed Rolls-Royce Holdings rose 3.2% after reporting a 40% year-over-year increase in 2025 profit and guiding for more than £4 billion in profit for 2026, reinforcing confidence in its multi-year restructuring and margin expansion strategy. Meanwhile, London Stock Exchange Group surged more than 9% after announcing a £3 billion share buyback program; annual pre-tax profit climbed 56% to £1.97 billion, underscoring strong operating leverage in its data and infrastructure segments. Within insurance, Allianz delivered its largest-ever full-year operating profit at €17.4 billion, up 8.4% year over year, with shares closing modestly higher. AXA also advanced more than 1% after reporting underlying earnings of €8.4 billion, a 6% annual increase, signaling continued pricing discipline and underwriting strength across European markets.

German sportswear manufacturer Puma delivered one of the more nuanced reports. The company posted a 13.1% decline in full-year 2025 sales, citing the completion of its strategic reset and currency headwinds. It reported an operating loss of €357.2 million, down from a €548.7 million profit in the prior year, though the loss was narrower than consensus expectations. Sales weakened in the second half, and gross margin compressed 260 basis points to 45%. Management proposed suspending dividends for 2025 and guided for an operating loss of €50–150 million in 2026, framing the year as transitional. Despite the headline loss, shares ended more than 9% higher, reflecting in relief that the results broadly aligned with previously communicated restructuring plans.

## Labor Market Update

**Initial jobless claims increased modestly to 212,000 from 208,000** the prior week, consistent with expectations. Continuing claims edged down to 1.83 million, slightly below forecasts. Meanwhile, job openings declined to 6.5 million in December, compared with 7.4 million individuals classified as unemployed.

With the unemployment rate at 4.3%, labor conditions appear to be stabilizing—characterized by slower hiring momentum and contained layoffs rather than broad deterioration. This environment supports the view that the Federal Reserve can remain patient, allowing additional time to confirm that inflation is moving sustainably toward its 2% target before considering further rate reductions.

## Corporate Earnings Parade:

- **NVIDIA Corp. (NVDA):** reported its fiscal fourth quarter 2026 with revenues of \$68,127 billion, up 73%, and net income of \$42,960 billion, up 94%, surpassing estimates, with earnings per share of \$1.75 and a stock price target of \$254.54. View our report: [https://mcusercontent.com/8a74decb0cc0cdc6eb732b812/files/4f8acfe0-28fd-7ff6-6fba-ada882ecf195/pdf\\_report\\_NVDA\\_02\\_26\\_2026.pdf](https://mcusercontent.com/8a74decb0cc0cdc6eb732b812/files/4f8acfe0-28fd-7ff6-6fba-ada882ecf195/pdf_report_NVDA_02_26_2026.pdf)

## Economic Data:

- **US Initial Claims for Unemployment Insurance:** rose to 212,000, up from 208,000 last week and a change of 1.92%.
- **Kansas City Fed Manufacturing Production Index:** is at -2.000, up from -3.000 last month.
- **30 Year Mortgage Rate:** fell to 6.01%, compared to 6.09% last week.
- **Eurozone Consumer Confidence Indicator:** is at -12.20, up from -12.40 last month.

- **Eurozone Economic Sentiment Indicator:** fell to 98.30, down from 99.30 last month.
- **Japan Business Conditions Composite Coincident Index:** fell to 114.30, down from 114.90 last month.
- **Japan Industrial Production Index MoM:** is at -0.10%, compared to -2.67% last month.

#### Eurozone Summary:

- **Stoxx 600:** closed at 633.18, down 0.29 points or 0.05%.
- **FTSE 100:** closed at 10,846.70, up 40.29 points or 0.37%.
- **DAX Index:** closed at 25,289.02, up 113.08 points or 0.45%.

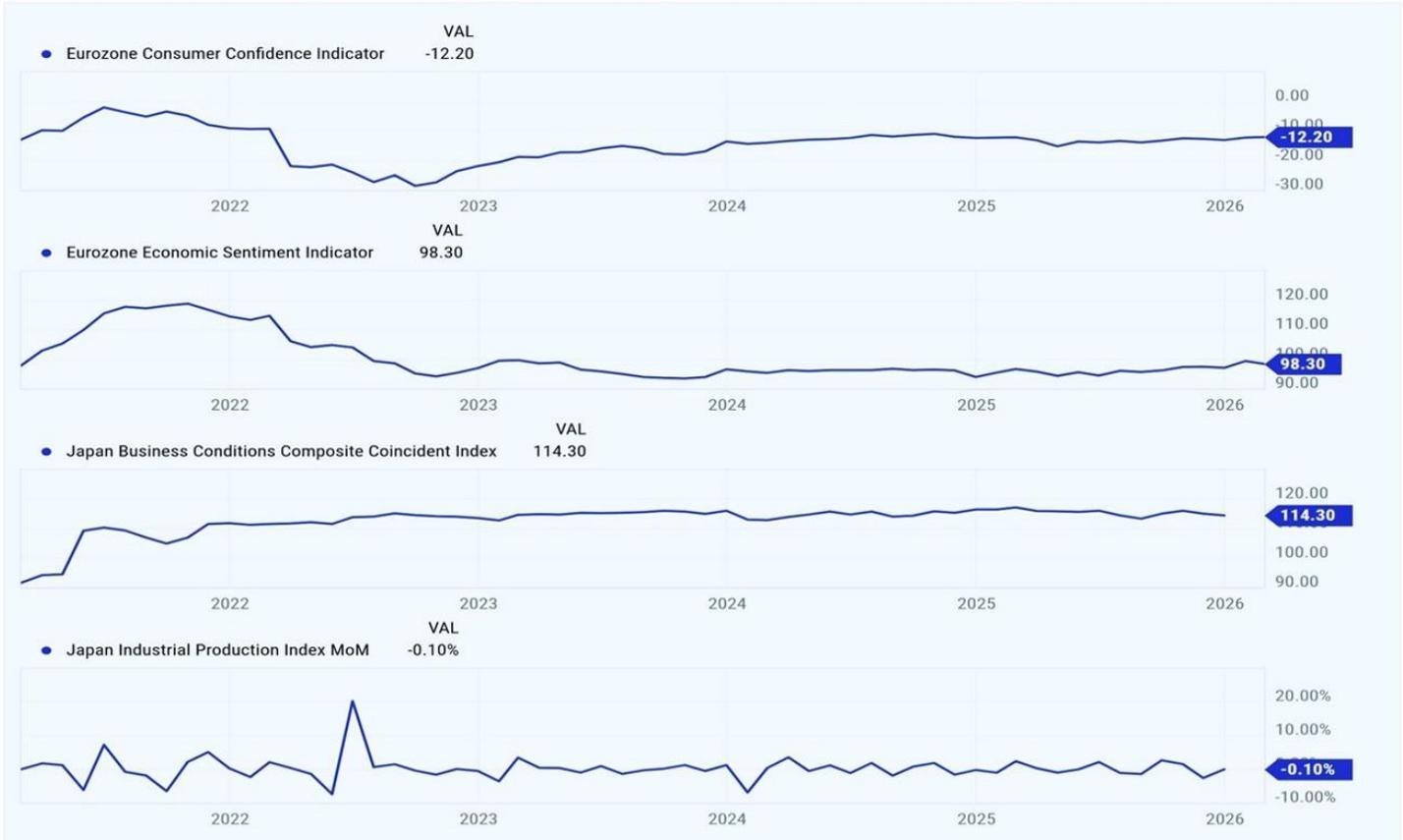
#### Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 49,499.20, up 17.05 points or 0.03%.
- **S&P 500:** closed at 6,908.87, down 37.26 points or 0.54%.
- **Nasdaq Composite:** closed at 22,878.38, down 273.69 points or 1.18%.
- **Birling Capital Puerto Rico Stock Index:** closed at 4,071.62, up 50.66 Points or 1.26%
- **Birling Capital U.S. Bank Index:** closed at 8,906.88, up 238.78 Points or 2.75%.
- **U.S. Treasury 10-year note:** closed at 4.02%.
- **U.S. Treasury 2-year note:** closed at 3.42%.

# US Initial Claims for Unemployment US 4-Week Moving Average of Initial Claims, Kansas City Fed Manufacturing Production Index & 30-Year Mortgage Rate



# Eurozone Consumer Confidence Indicator, Eurozone Economic Sentiment Indicator, Japan Business Conditions Composite Index & Japan Industrial Production Index



Global Market Square © es una publicación preparada por Birling Capital LLC y resume los recientes desarrollos geopolíticos, económicos, de mercado y otros que pueden ser de interés para los clientes de Birling Capital LLC. Este informe está destinado únicamente a fines de información general, no es un resumen completo de los asuntos a los que se hace referencia y no representa asesoramiento de inversión, legal, regulatorio o fiscal. Se advierte a los destinatarios de este informe que busquen un abogado profesional adecuado con respecto a cualquiera de los asuntos discutidos en este informe teniendo en cuenta la situación de los destinatarios. Birling Capital no se compromete a mantener a los destinatarios de este informe informados sobre la evolución futura o los cambios en cualquiera de los asuntos discutidos en este informe. Birling Capital. El símbolo de registro y Birling Capital se encuentran entre las marcas registradas de Birling Capital. Todos los derechos reservados.