Markets Reclaim Their Footing as Geopolitical Risk Eases and Earnings Take Control—Goldman Sachs, Morgan Stanley, and BlackRock Power the Upside.

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The U.S. and European equity markets closed higher on Thursday, stabilizing after two consecutive sessions of declines, as investors responded to easing geopolitical tensions and a renewed focus on corporate fundamentals. Risk sentiment improved following remarks from President Trump indicating that military action against Iran is not imminent, helping reduce near-term tail risks priced into markets earlier in the week.

On Wall Street, gains were led by technology stocks, supported by strong earnings and forward guidance from Taiwan Semiconductor Manufacturing Company, which lifted the Nasdaq and provided a positive read-through for the broader AI and semiconductor complex.

In commodities, the easing of geopolitical stress was reflected in sharp price declines. Oil fell more than 4%, while gold and silver also traded lower amid cooling safe-haven demand. In fixed income, Treasury yields were little changed, with the 10-year U.S. yield closing at 4.17%, signaling stable inflation and policy expectations.

Earnings regain leadership

Corporate earnings were firmly in focus, with results reinforcing the market's reliance on profit growth to justify elevated valuations. Taiwan Semiconductor reported better-than-expected quarterly earnings and revenue and raised its current-quarter guidance, citing sustained demand linked to artificial intelligence and advanced computing.
Financials also contributed positively to sentiment, as Goldman Sachs, Morgan Stanley, and BlackRock all exceeded fourth-quarter earnings expectations, underscoring resilience across capital markets, advisory, and asset management businesses.
At the index level, S&P 500 earnings are expected to grow approximately 7% in the fourth quarter and about 11.4% for full-year 2025. Looking ahead, consensus forecasts point to roughly 15% earnings growth in 2026, with technology, industrials, and materials each projected to deliver growth exceeding 15%. With equity valuations above long-term averages, sustained earnings expansion remains the critical pillar supporting further upside into 2026.

The labor market remains stable despite slower hiring.

Labor-market data continued to signal stability rather than stress. Initial jobless claims declined to 198,000, well below expectations and far under the long-term median, indicating limited layoff activity. Continuing claims edged down to 1.88 million, though they remain above both 2022 cycle lows and pre-pandemic averages—suggesting re-employment is taking longer for some displaced workers.
This data follows last week's employment report, which showed nonfarm payrolls increased by 50,000 in December, bringing average monthly job gains in 2025 to approximately 49,000—down meaningfully from 2024 levels. Even so, the unemployment rate declined to 4.4%, reinforcing a "low-hire, low-fire" environment rather than a contractionary one.
Our base case is that 2026 will deliver moderate but steady job growth, with monthly payroll gains in

the 50,000–100,000 range. Absent a material economic shock, we expect layoffs to remain contained and the unemployment rate to stabilize near 4.5%, consistent with a late-cycle but resilient labor market.

With geopolitical risks receding, markets are re-centering on earnings durability, balance-sheet strength, and forward guidance. In this environment, earnings execution—not multiple expansion—is likely to be the decisive driver of equity performance in 2026.

European equities advance as AI-driven chip rally accelerates and bank M&A chatter resurfaces

European equity markets traded higher on Thursday, led decisively by the semiconductor complex, as strong earnings from Taiwan Semiconductor Manufacturing Company reignited optimism around artificial intelligence–related capital spending and demand across the global chip supply chain.

Technology shares outperformed after TSMC reported a record fourth-quarter profit, up 35% year over year, materially exceeding market expectations. The results reinforced confidence that AI-driven demand remains robust and durable, extending well beyond hyperscale's into advanced manufacturing and equipment suppliers.

Within Europe, Dutch semiconductor equipment leader ASML surged as much as 7% intraday, reaching fresh record highs before paring gains slightly. The stock's move reflected strong read-through from TSMC's results, given ASML's central role in advanced lithography for next-generation chips.

The rally broadened across the sector. ASM International jumped nearly 10%, while BE Semiconductor Industries advanced close to 8%, underscoring renewed investor appetite for AI-linked capital expenditure beneficiaries across Europe.

Banks mixed as Italian M&A speculation persists.

Outside technology, European financials delivered more muted performance. UniCredit rose modestly after the bank dismissed recent media reports suggesting it planned to acquire a stake in Banca Monte die Paschi di Siena, calling the claims speculative and unfounded.

Despite the denial, expectations for increased bank consolidation across Europe—particularly in Italy—remain intact. Analysts continue to view M&A as a strategic lever for scale, efficiency, and capital optimization, with Italy widely regarded as one of the most active potential deal markets.

GDPNow Update:

- The 4Q2025 GDPNow was updated to 5.3%, up from 5.1%, representing a 3.92% increase.

Corporate Earnings Parade:

- **BlackRock, Inc. (BLK):** reported 4Q2025 results with revenues of $7,008 billion, up 23.44%; net income of $2,176 billion, up 16.11%; and Earnings Per Share of $13.16, topping estimates. The company has a stock price target of $1,290.13. View our BLK Report: **BLK Overview**
- **Goldman Sachs Group, Inc. (GS):** reported 4Q2025 results with revenues of $13.45 billion, down 3%; net income of $4,617 billion, up 12%; and Earnings Per Share of $14.01, topping estimates. The company has a stock price target of $893.79. View our GS Report: **GS Overview**
- **Morgan Stanley (MS):** reported 4Q2025 results with revenues of $17,890 billion, up 10.27%; net income of $4,394 billion, up 17.58%; and Earnings Per Share of $2.68, topping estimates. The company has a Tier 1 Capital of 18% and a stock price target of $185.33. View our MS Report: **MS Overview**

Economic Update:

- **U.S. Initial Claims for Unemployment Insurance:** fell to 198,000, down from 207,000 last week and down -4.35%.

- **U.S. Export Prices YoY:** rose to 3.80%, compared to 3.17% last month.
- **U.S. Import Prices YoY:** rose to 0.28%, compared to -0.07% last month.
- **30-Year Mortgage Rate:** rose to 6.16%, compared to 6.15% last week.
- **Canada Manufacturing Shipments:** fell to 70.77B, down from 71.63B last month.
- **Canada Wholesale Sales MoM:** fell -1.86%, compared to 0.43% last month.
- **Eurozone Industrial Production Index YoY:** rose to 2.50%, compared to 1.70% last month.
- **Germany Real GDP YoY:** is unchanged at 0.30%, compared to 0.30% last quarter.
- **U.K. Industrial Production Index YoY:** rose to 2.30%, compared to 0.40% last month.

Eurozone Summary:

- **Stoxx 600:** closed at 614.57, up 3.01 points or 0.49%.
- **FTSE 100:** closed at 10,238.94, up 54.59 or 0.54%.
- **DAX Index:** closed at 25,352.59, up 66.15 or 0.26%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 49,442.44, up 292.81 points or 0.60%.
- **S&P 500:** closed at 6,944.47, up 17.87 points or 0.26%.
- **Nasdaq Composite:** closed at 23,530.02, up 58.27 points or 0.25%.
- **Birling Capital Puerto Rico Stock Index:** closed at 4,025.52, up 41.03 points or 1.03%.
- **Birling Capital U.S. Bank Index:** closed at 9,022.50, down 219.48 points or 2.37%.
- **U.S. Treasury 10-year note:** closed at 4.17%.
- **U.S. Treasury 2-year note:** closed at 3.56%.

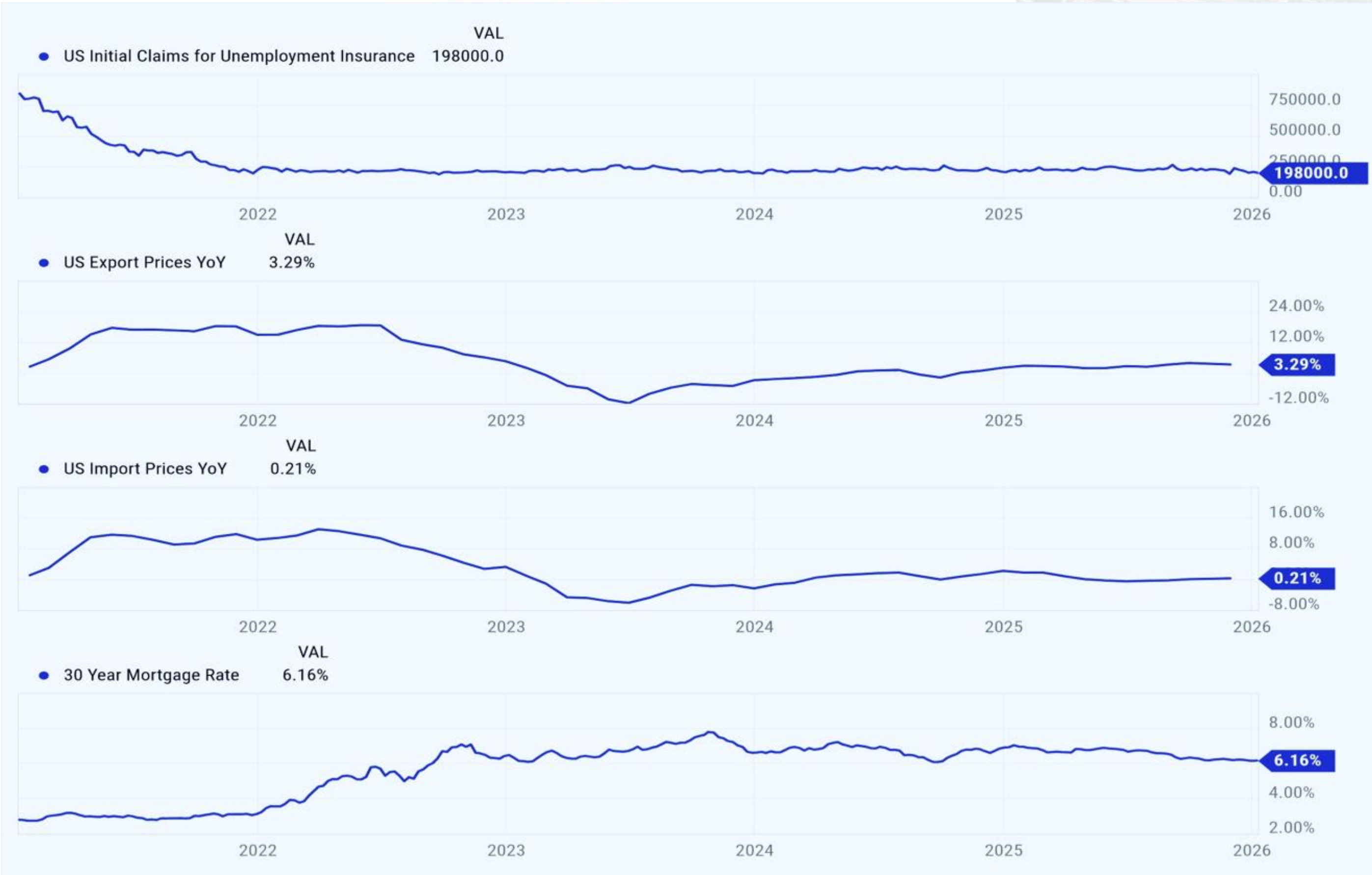
BIRLING CAPITAL ADVISORS, LLC

GDPNow

Fourth Quarter 2025

Date	GDPNow 4Q25	Change
12/23/2025	3.00%	Initial Forecast
1/5/2026	2.70%	-10.00%
1/8/2026	5.40%	100.00%
1/9/2026	5.10%	-5.56%
1/14/2026	5.30%	3.92%

US Initial Claims for Unemployment Insurance; US Export Prices YoY; US Import Prices YoY & 30 Year Mortgage Rate



Canada Manufacturing Shipments; Canada Wholesale Sales MoM; Eurozone Industrial Production Index YoY; Germany Real GDP YoY & UK Industrial Production Index YoY