

Stocks Open the Week Higher as Earnings Take Center Stage and Canada Tariff Headlines Return.

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The U.S. and European equity markets began the week on a constructive note, trading higher on Monday as investors positioned ahead of a heavy earnings calendar and assessed renewed tariff rhetoric that surfaced over the weekend. While risk appetite remains intact, the market is also signaling that policy uncertainty is not disappearing—it is simply being repriced elsewhere, including a softer U.S. dollar and firmer precious metals.

Overseas, Asian markets finished mixed overnight, while European equities traded mostly higher into the close, supported by early earnings optimism and resilient investor positioning.

Wall Street Drivers

Tariffs Return to the Tape—But Markets Stay Disciplined

Trade risk returned to the headlines after **President Trump** warned that the U.S. would impose a **100% tariff on Canada** if Canada pursued a free trade agreement with China. The specifics remain unclear—particularly which categories would be affected and whether **USMCA-compliant** goods would be carved out.

Canadian Prime Minister **Mark Carney** responded that Canada has **no intention** of pursuing such an agreement, citing Canada's commitments under the **Canada-U.S.-Mexico trade framework**. For now, markets appear to be treating the development as "headline risk," not a confirmed policy shock—but investors are still watching how quickly trade language can evolve into real economic constraints.

Earnings Season Takes Control of Market Direction

Earnings are now the market's primary catalyst, with **more than 90 S&P 500 companies** scheduled to report this week, including **four members of the Magnificent 7: Apple, Microsoft, Meta, and Tesla**. Investors will be listening closely for three signals:

- Whether AI-related capital spending remains durable and broadens.
- Whether margins can hold as input costs and wage pressures normalize.
- Whether management guidance supports the market's expectation for continued earnings acceleration into 2026.

With only a portion of companies reported so far, earnings growth expectations remain constructive: **Q4 earnings growth is tracking near ~7%**, supporting a full-year pace around **~11%**, which would represent a second consecutive year of double-digit earnings expansion. Looking forward, 2026 consensus expectations continue to imply **~15% earnings growth**, with all 11 sectors projected to contribute—an important sign that leadership is widening beyond narrow, mega-cap concentration. **Our view:** Broad-based earnings momentum, paired with a still-healthy macro backdrop, supports diversified sector positioning rather than a single-theme market. In opportunistic equity allocations, we continue to favor **Consumer Discretionary, Health Care, and Industrials**, while maintaining more cautious exposure to **Consumer Staples and Utilities**, and staying neutral elsewhere.

European Markets

European equities moved higher on Monday ahead of a busy week of corporate reporting. The **Stoxx 600** closed modestly higher, with most major indexes in the green even as sector performance remained mixed. Investors are watching results from major bellwethers, including **ASML, Volvo, LVMH, and Deutsche Bank**, which should provide key read-throughs on global industrial demand, luxury pricing power, and European financial conditions.

Trade friction between the U.S. and Canada remains a potential sentiment variable for Europe, particularly given its spillover implications for global supply chains and cross-border investment flows.

Notable single-stock moves:

- **Danone** traded lower after initiating a global recall of certain infant formula batches following the detection of a trace of a toxin.
- **Ryanair** traded lower as well, despite raising its full-year fare growth outlook, with investors weighing stronger revenue momentum against the sustainability of travel pricing into 2026.

Economic Data Highlights

Durable Goods Reinforce Capex Momentum

The latest durable goods data added to the “soft landing with investment strength” narrative. Durable goods orders rose **5.3%**, materially above expectations, boosted by a sharp jump in non-defense aircraft orders. More importantly, **core durable goods** (excluding transportation) increased **0.5%**, showing underlying strength in business investment beyond volatile categories.

A meaningful rise in computers and related products also supports the view that **AI-linked spending remained firm** into the end of the year—an important tailwind for both industrial supply chains and technology demand.

Meanwhile, the Atlanta Fed's **GDPNow** estimate continues to point to strong near-term growth, reinforcing that the U.S. economy is entering 2026 with momentum, even as markets expect growth to cool toward a more sustainable pace around **~2%** over time.

Bottom Line

Markets are starting the week higher, but the real test will come from **earnings quality and guidance**, not simply headline relief. Tariffs are back in the conversation, yet investors are behaving rationally—keeping risk on, while quietly hedging uncertainty through currencies, metals, and rates. With mega-cap tech reporting and sector-wide earnings breadth improving, this is a week where fundamentals—not narratives—should set the tone.

Economic Update:

- **U.S. Durable Goods New Orders MoM:** rose to 5.33%, compared to -2.16% last month.
- **Germany Ifo Business Climate Index:** is unchanged at 87.60, from 87.60 last month.
- **Germany Ifo Business Expectations Index:** fell to 89.50, down from 89.70 last month.
- **Germany Ifo Business Situation Index:** rose to 85.70, up from 85.60 last month.
- **Japan Business Conditions Composite Coincident Index:** fell to 114.90, down from 115.90 last month.

Eurozone Summary:

- **Stoxx 600:** closed at 609.57, up 1.23 points or 0.20%.
- **FTSE 100:** closed at 10,148.85, up 5.41 or 0.05%.
- **DAX Index:** closed at 24,933.08, up 32.37 or 0.13%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 49,412.49, up 313.64 points or 0.64%.
- **S&P 500:** closed at 6,950.23, up 34.62 points or 0.50%.
- **Nasdaq Composite:** closed at 23,601.36 up 100.11 points or 0.43%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,872.74, down 137.32 points, or 3.42%.
- **Birling Capital U.S. Bank Index:** closed at 8,891.86, down 189.98 points or 2.09%.
- **U.S. Treasury 10-year note:** closed at 4.22%.
- **U.S. Treasury 2-year note:** closed at 3.56%.

US Durable Goods New Orders MoM



Germany Ifo Business Climate Index; Germany Ifo Business Expectations Index; Germany Ifo Business Situation Index & Japan Business Conditions Composite Coincident Index



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