GLOBAL MARKET SQUARE

BIRLING CAPITAL ADVISORS, LLC

Big Tech leadership carries Wall Street higher as a second day of cooling inflation reshapes the rate debate

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by Francisco Rodríguez-Castro
frc@birlingcapital.com

The U.S. and European stock markets closed higher Wednesday, as a decisive rotation out of semiconductors and into mega-cap technology names drove the session, with the move reinforced by a second consecutive day of inflation data coming in below forecast. The S&P 500 gained 0.38% to close at 7,572.40, the Nasdaq Composite outperformed with a 0.62% advance to 26,269.22, and the Dow Jones Industrial Average rose 150.37 points, or 0.29%, to 52,658.64. The rotation was unmistakable: Apple closed at a fresh all-time high on a 4% gain, Amazon and Alphabet each advanced roughly 3%, and Microsoft added nearly 3%, while chip names bore the brunt of the profit-taking — Micron Technology fell 8%, Advanced Micro Devices and Lam Research each dropped 3%, Intel declined more than 4%, and the VanEck Semiconductor ETF (SMH) slipped over 1%.

U.S. Markets

We view Wednesday's move as a continuation of the inflation-relief trade that began with Tuesday's cooler CPI report, now extended by a June producer price index that unexpectedly declined 0.3% in the month against a flat consensus, even as the annual rate held at 5.5%. New York Fed President John Williams lent further support to the tape, noting there are "encouraging reasons to expect that inflation has peaked" and signaling he expects further easing in the quarters ahead — comments that align with our own base case for continued Fed patience. Not all voices were as convinced that the data settles the debate: Melissa Brown of SimCorp cautioned that inflation running well above the Fed's 2% target keeps a hike on the table, and flagged a market prone to overreacting to individual prints in either direction — a tension we think is worth watching as the July 29 meeting approaches.

Two soft inflation reports in as many days have shifted the market's near-term rate expectations without erasing them. Fed funds futures tracked by the CME FedWatch Tool now assign a sharply lower probability to a July hike, yet traders still price in nearly 60% odds of a quarter- or half-point increase by the October meeting — a reminder that this remains a data-dependent, not a foregone, conclusion. Within our own coverage, the Birling Capital U.S. Bank Index was the session's standout, closing at 10,489.15, up 145.89 points, or 1.41%, as second-quarter bank earnings continued to drive outperformance. At the same time, the Birling Capital Puerto Rico Stock Index lagged, easing to 4,879.53, down 15.20 points, or 0.31%. Treasury yields drifted lower into the close, with the 10-year note settling at 4.55% and the 2-year note at 4.13%, consistent with a market leaning toward a patient Fed.

European Markets

European bourses closed mixed on Wednesday as investors balanced a strong earnings season against a firmer sovereign-yield backdrop. The three indexes we follow closed mixed: Stoxx 600, up 0.61 points; FTSE 100, down 13.47 points; and DAX Index, down 147.50 points. The Stoxx 600 closed at 642.71, a 0.10% gain, supported by strength in luxury names after Richemont's stronger-than-expected quarterly sales lifted LVMH and Hermès alongside it. The FTSE 100 slipped 0.13% to 10,515.92, giving back a portion of recent gains as UK-listed banks came under pressure. Germany's DAX led the region lower, falling 0.59% to 24,999.53, weighed down by weakness in Siemens and SAP even as ASML's upbeat guidance lent some support to chip-adjacent names elsewhere in the region.

Energy Markets

Oil prices are edging higher Wednesday, with WTI crude near $80.20 a barrel and Brent near $85.88, as the fragile U.S.-Iran memorandum of understanding continues to fray and shipping traffic through the Strait of Hormuz remains under pressure. Crude remains up sharply from the low-$60s range that prevailed before the Middle East conflict escalated in late February, though prices have pulled back from the intraday highs reached earlier this month. We continue to view the energy story as the primary swing factor behind the recent pickup in headline PPI and CPI, and today's soft wholesale-price data — in which roughly two-thirds of the monthly decline was traced back to a 12% drop in gasoline prices — reinforces that the underlying inflation trend outside energy remains far more contained.

Economic & Policy Outlook

Headline producer price index (PPI) inflation slowed to an annual gain of 5.5% in June, down from a 6.0% annual gain in May, and the index declined 0.3% in every month — well below consensus expectations for no change. Leading the monthly decline was a 1.4% drop in goods prices, driven largely by falling energy costs. Encouragingly, inflationary pressure eased outside of energy as well, with core PPI rising just 0.2% for the month, below expectations for a 0.4% increase, and core PPI excluding trade services up 5.1% on an annual basis. Combined with yesterday's softer-than-expected CPI report — headline inflation of 3.50% and core inflation of 2.60%, both below consensus — we believe the June inflation data suggest that the pickup in prices since February is not becoming entrenched beyond the categories directly affected by higher energy costs.

With this data in hand, we expect Fed policymakers to take a patient approach to further policy adjustments in the near term. Bond markets are pricing in a hold at the July 29 meeting, with less than a 20% chance of a rate hike, alongside roughly even odds of a hike versus a hold in September. In our view, if inflation continues to moderate, the bar for an additional rate hike remains high, and our base case calls for the Fed to remain on hold in the near term.

In addition to today's inflation data, this week will provide further insight into the health of the U.S. consumer. Retail sales for June will be released tomorrow morning and are expected to show a monthly increase of roughly 0.3%, while control-group retail sales — which exclude spending in more volatile categories such as gasoline stations, motor vehicle and parts dealers, building materials, and food services — are expected to rise by roughly 0.4%. Consumer spending has remained solid through the first half of the year, with households likely supported by elevated tax refunds this spring alongside favorable labor-market conditions, helping offset the drag from higher oil prices. Households will not have the benefit of tax refunds to support spending in the second half of the year. Still, we believe steady labor market conditions — characterized by moderate hiring growth and low layoff rates — will continue to support household spending and broader economic activity through the remainder of the year.

The Final Word

Two consecutive days of softer-than-expected inflation data have done more to reset the market's rate-hike anxiety than any single Fed communication could. Wednesday's PPI report, paired with Tuesday's CPI print, tells a consistent story: the run-up in headline prices since February has been an energy story, not a broad-based inflation story, and the underlying trend outside energy continues to moderate. We think this keeps the Fed comfortably on hold through the July 29 meeting and likely into September, even as geopolitical risk around the Strait of Hormuz keeps energy markets — and headline inflation prints — more volatile than the Fed would like. For investors, we would treat any further softness in core inflation data as confirmation that this cycle's rate-hike debate is overstated, while continuing to monitor consumer spending data, beginning with tomorrow's retail sales report, as the more durable signal of underlying economic health.

Corporate Earnings Parade:

1. **Morgan Stanley (MS):** reported 2026 second-quarter earnings with revenues of $21,348 billion, up 27%, net income of $5,581 billion, up 58%, with earnings per share of $3.46, beating estimates, and a Tier 1 Capital Ratio of 16.50%. MS has a Stock Price Target of $217.86. Check our Report: MS Overview
2. **United Airlines Holdings, Inc. (UAL):** reported 2026 second-quarter earnings with revenues of $17.672 billion, up 16%, net income of $805 million, down 17.2%, with earnings per share of $2.46, beating estimates. UAL has a Stock Price Target of $153.97. Check Our Report: UAL Overview

Economic Data:

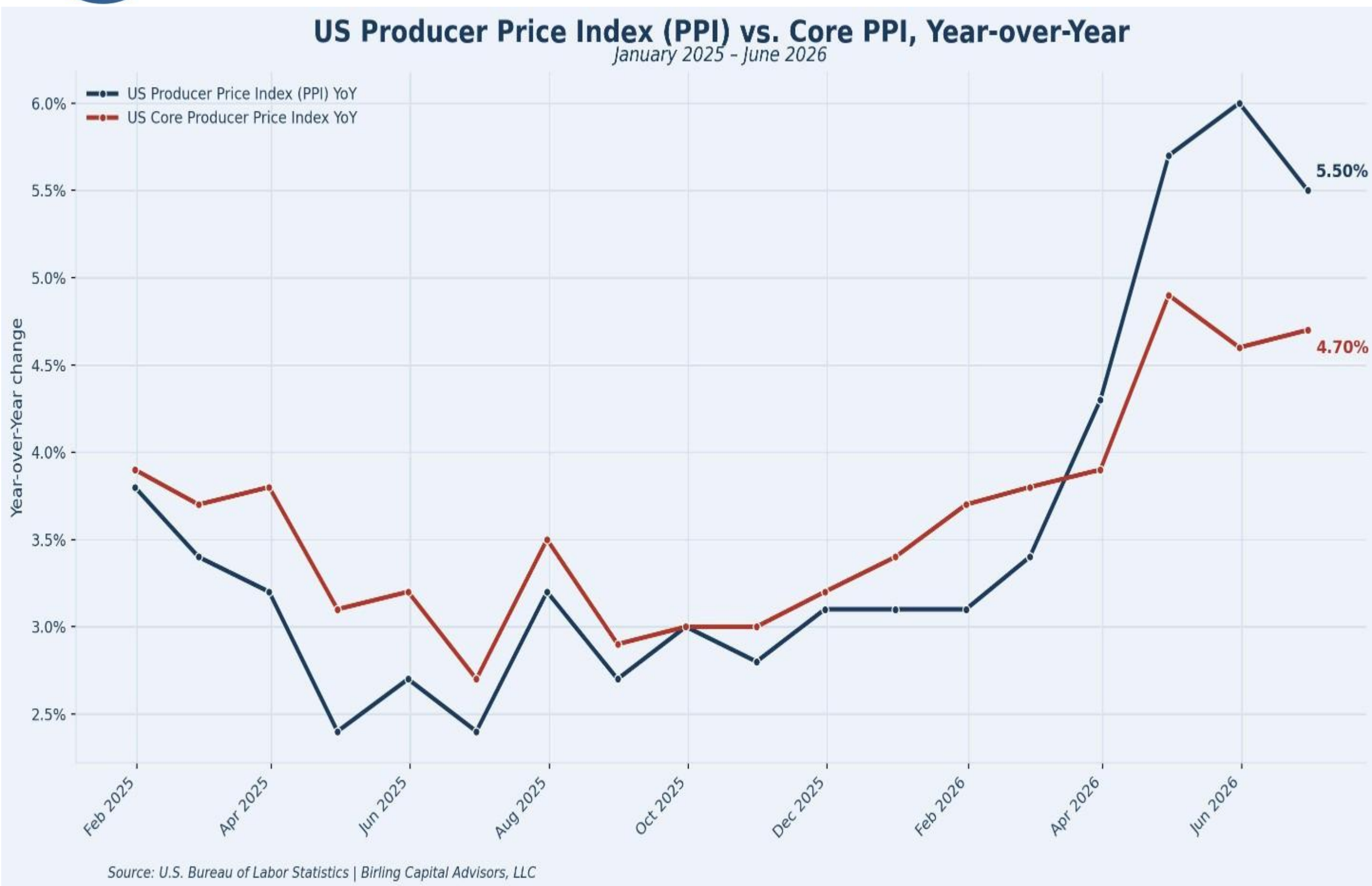
- **US Producer Price Index YoY:** fell to 5.50%, compared to 6.00% last month.
- **US Core Producer Price Index YoY:** rose to 4.70%, compared to 4.60% last month.
- **Canada Manufacturing Shipments:** rose to 78.09B, up from 77.10B last month.
- **Canada Wholesale Sales MoM:** fell to 0.17%, compared to 4.22% last month.

Eurozone Summary:

- **Stoxx 600:** closed at 642.71, up 0.61 points or 0.10%.
- **FTSE 100:** closed at 10,515.92, down 13.47 points or 0.13%.
- **DAX Index:** closed at 24,999.53, down 147.50 points or 0.59%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 52,658.64, up 150.37 points or 0.29%
- **S&P 500:** closed at 7,572.40, up 28.21 points or 0.38%.
- **Nasdaq Composite:** closed at 26,269.23, up 162.21 points or 0.62%.
- **Birling Capital Puerto Rico Stock Index:** closed at 4,879.53, down 15.20 points or 0.31%.
- **Birling Capital U.S. Bank Index:** closed at 10,489.15, up 145.89 points or 1.41%.
- **U.S. Treasury 10-year note:** closed at 4.55%.
- **U.S. Treasury 2-year note:** closed at 4.13%.


US Producer Price Index (PPI) vs. Core PPI, Year-over-Year
January 2025 – June 2026
US Producer Price Index (PPI) YoY
US Core Producer Price Index YoY
6.0%
5.5%
5.0%
4.5%
4.0%
3.5%
3.0%
2.5%
Year-over-Year change
5.50%
4.70%
Feb 2025
Apr 2025
Jun 2025
Aug 2025
Oct 2025
Dec 2025
Feb 2026
Apr 2026
Jun 2026
Source: U.S. Bureau of Labor Statistics | Birling Capital Advisors, LLC

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Eurozone Summary

Wednesday, July 15, 2026 close

Stoxx 600	FTSE 100	DAX Index
642.71	**10,515.92**	**24,999.53**
▲ +0.61 pts (+0.10%)	▼ -13.47 pts (-0.13%)	▼ -147.50 pts (-0.59%)
Pan-European benchmark	*United Kingdom*	*Germany*

Source: Birling Capital Advisors, LLC | Global Market Square™

The Birling Capital Close™

Wall Street & Puerto Rico Markets · Wednesday, July 15, 2026

	Dow Jones Industrial Average	S&P 500	Nasdaq Composite	Birling Capital PR Stock Index	Birling Capital U.S. Bank Index
Closing Price	52,658.64	7,572.40	26,269.22	4,879.53	10,489.15
Change	▲ +150.37	▲ +28.81	▲ +162.21	▼ -15.20	▲ +145.89
% Change	+0.29%	+0.38%	+0.62%	-0.31%	+1.41%

U.S. Treasury 10-Year Note	10Y-2Y Spread	U.S. Treasury 2-Year Note
4.55%	+0.42	4.13%
▼ -3 bps vs. prior close		▼ -6 bps vs. prior close

Source: Birling Capital Advisors, LLC *birlingcapital.com*

VAL
Dow Jones Industrial Average Level 52658.64
52658.64
50000.00
47500.00
45000.00
Jan '26 Feb '26 Mar '26 Apr '26 May '26 Jun '26 Jul '26
VAL
S&P 500 Level 7572.40
7572.40
7000.00
6500.00
6000.00
Jan '26 Feb '26 Mar '26 Apr '26 May '26 Jun '26 Jul '26
VAL
Nasdaq Composite Level 26269.23
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Jan '26 Feb '26 Mar '26 Apr '26 May '26 Jun '26 Jul '26
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Birling Capital Puerto Rico Stock Index Level 4879.53
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3600.00
Jan '26 Feb '26 Mar '26 Apr '26 May '26 Jun '26 Jul '26
VAL
Birling Capital U.S. Bank Index Level 10489.15
10489.15
9000.00
8000.00
7000.00
Jan '26 Feb '26 Mar '26 Apr '26 May '26 Jun '26 Jul '26