Popular, Inc. Delivers Standout Quarter, Net Income Surges 32.2%; Dow Drops 500 Points as Brent Crude Surges Above $100, Alphabet and Tesla Tank

GLOBAL MARKET SQUARE
BIRLING CAPITAL ADVISORS, LLC

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The U.S. and European stock markets finished lower Thursday as an escalating conflict in the Middle East sent oil prices sharply higher and investors absorbed disappointing earnings reactions from two of the world's largest companies. Brent crude surged 7% to settle above $100 a barrel for the first time since the U.S. and Iran reached a ceasefire last month, after Iran-backed Houthi militants claimed attacks on Saudi tankers in the Red Sea and President Trump escalated his rhetoric toward Tehran. Alphabet and Tesla shares tumbled following their second-quarter results, dragging the Nasdaq Composite to its worst session in weeks, even as Popular, Inc. delivered a standout quarter closer to home and jobless claims fell to a 50-year low.

U.S. Markets

U.S. equities fell sharply Thursday as surging oil prices and steep post-earnings declines in Alphabet and Tesla shares overwhelmed an otherwise resilient earnings season. The Dow Jones Industrial Average lost 506.93 points, or 0.97%, to close at 51,711.65. The S&P 500 dropped 1.21% to 7,408.30, while the Nasdaq Composite declined 2.15% to 25,137.69, weighed down by a roughly 7% drop in Alphabet shares and a roughly 14% slide in Tesla following their quarterly reports.

Oil was the session's dominant force. Brent crude jumped 7% to settle at $100.69 a barrel, while West Texas Intermediate rose 6% to $92.19, with both benchmarks reaching their highest levels since the U.S. and Iran struck a deal to end their conflict last month. Prices accelerated after Yemen's Houthi movement claimed responsibility for attacks on two Saudi Arabian tankers in the Red Sea, raising fears of a broader regional escalation. President Trump added to the uncertainty, warning on social media that any Iranian strike on shipping in the Strait of Hormuz would be met with U.S. strikes on Iranian infrastructure, including targets near Tehran. He later told Axios he was weighing a large-scale military response against Iran, though he offered no timeline for a decision.

Treasury yields rose in tandem with oil prices, with the 10-year note briefly topping 4.71% to reach its highest level since January 2025, while the 2-year yield touched a session high of 4.37%. Baird investment strategist Ross Mayfield noted that the move on the short end of the curve carries particular weight for gauging the Federal Reserve's rate path; fed funds futures now imply more than an 80% probability of a September rate move, up sharply from 52% a week earlier, according to the CME FedWatch tool. Mayfield said the conflict is difficult for markets to look past given its impact on both oil prices and the yield curve. However, he characterized the fundamentals as supportive over the medium term even as Iran dominates the near-term narrative.

Alphabet's decline followed management's decision to lift its 2026 capital-expenditure forecast to a range of $195 billion to $205 billion, up from its prior $180 billion to $190 billion range, underscoring robust AI-driven demand even as investors have grown warier of hyperscale spending in recent months. Fellow hyperscalers Meta Platforms, Microsoft, and Amazon also traded lower Thursday.

Tesla's drop followed a sizable second-quarter earnings miss, with operating expenses rising faster than revenue during the period. Both Alphabet and Tesla reported negative free cash flow for the quarter, a detail that added to investor unease about the pace and payoff of AI-related investment.

European Markets

European equities closed sharply lower on Thursday, giving back Wednesday's record-setting gains as the surge in crude oil prices and renewed inflation concerns weighed on sentiment across the continent. The Stoxx Europe 600 fell 7.66 points, or 1.18%, to close at 639.27. The DAX Index led the decline, dropping 392.29 points, or 1.56%, to 24,763.12, while the FTSE 100 slipped 77.80 points, or 0.73%, to 10,639.17. The pullback reversed much of the strength seen earlier in the week, as investors reassessed the European Central Bank's outlook against a backdrop of rising energy costs, elevated geopolitical risk, and a stronger U.S. dollar that is pulling capital away from European assets.

Energy Markets

Oil prices surged Thursday as the conflict in the Middle East escalated sharply. Brent crude jumped 7% to settle at $100.69 per barrel, its highest level since before the U.S. and Iran reached a ceasefire last month, while West Texas Intermediate advanced 6% to close at $92.19. Prices accelerated after Yemen's Houthi movement claimed attacks on two Saudi Arabian tankers in the Red Sea, raising fears the conflict could widen further. At the same time, President Trump's warning of U.S. strikes on Iranian infrastructure — and his subsequent comments about weighing a large-scale military response — added a fresh layer of geopolitical risk premium to energy markets. The move pushed both benchmarks to their highest levels in over a year, reversing much of the relief that followed last month's U.S.-Iran agreement and reinforcing oil's role as the day's dominant market driver.

Popular, Inc. Delivers Standout Quarter as Alphabet and Tesla Headline a Mixed Earnings Day

Closer to home, Popular, Inc. (BPOP) delivered a standout second quarter, reporting revenues of $808.11 million, up 7.6% year over year. Net income surged to $278.214 million, up 32.2%, while diluted earnings per share came in at $4.35. Popular maintained a strong 16.13% Tier 1 capital ratio, reinforcing the resilience of its balance sheet and its position as one of the stronger performers within the Birling Capital Puerto Rico Stock Index this earnings season.

The results coincided with a significant leadership transition. Popular announced that President and CEO Javier D. Ferrer will retire effective August 31, 2026, with Chief Financial Officer Jorge J. García named to succeed him. In connection with the change, Lidio V. Soriano moves from Chief Risk Officer to Chief Financial Officer, and Luis F. Sousa steps up to Chief Risk Officer, both effective September 1, 2026. We view the transition as an orderly, board-driven succession rather than a signal of underlying concern, with García bringing more than a decade of senior leadership experience at the Company into the CEO role.

Alphabet's second-quarter earnings per share landed close to expectations once a sizable gain tied to its SpaceX stake was excluded. Yet the stock closed lower Thursday as investors zeroed in on a different number entirely: management lifted its 2026 capital expenditure forecast to a range of $195 billion to $205 billion. We view the higher spending outlook as reinforcing the durability of the AI infrastructure buildout. Still, the market's negative reaction suggests investors are shifting the question from "how much are you spending" to "what is returning," a more demanding bar for the sector to clear going forward. Tesla shares also declined after reporting results that fell short of expectations. Beyond the two megacaps, the broader earnings picture remained constructive. S&P 500 profit growth for the quarter is tracking toward 23% year-over-year, with energy companies expected to lead on the back of higher oil prices, followed by technology and materials. Notably, 10 of 11 sectors are projected to post year-over-year gains, a breadth of participation that, if it holds, would mark a healthy departure from a market advance concentrated in a handful of mega-cap names. Wider participation of this kind typically supports a more durable rally. It tends to create a friendlier environment for value-oriented and cyclical allocations, an important consideration for diversified portfolios navigating this earnings season.

Labor Market Sends a Clear Signal

Thursday's jobless claims report reinforced the picture of a labor market still running on solid footing. Initial claims fell to 187,000, the lowest weekly reading in more than 50 years and well below the 215,000 economists had expected. The unemployment rate remained at 4.2%, essentially matching the Federal Reserve's own estimate of full employment, while job openings at 7.6 million continued to outnumber the 7.1 million counted as unemployed.

Taken together, the data extended a run of indicators pointing to a labor market that is cooling in an orderly way rather than cracking. With employment holding near the Fed's mandate and its preferred inflation gauge still running well above the 2% target, we expect the central bank to hold rates steady at next week's meeting.

The Final Word

Thursday's session captured the tension defining this earnings cycle: energy-driven inflation risk on one side, a resilient labor market and broadening corporate profit growth on the other. Popular's strong results and Alphabet's capex raise both underscore that solid fundamentals persist beneath the day's volatility, even as investors demand sharper evidence of returns on AI investment. With jobless claims at their lowest in half a century and earnings breadth improving across sectors, the underlying economic backdrop remains constructive. Investors should stay disciplined and diversified and avoid overreacting to any single data point or earnings reaction in a market still working through competing crosscurrents.

Corporate Earnings Parade:

1. **Popular, Inc. (BPOP)**: reported earnings for the second quarter of 2026 with revenues of $808.11 million, up 7.6%, with Net Income of $278.214 million, up 32.2%, and Earnings Per Share of $4.35. BPOP has a Stock Price Target of $186.20 and a Tier 1 Capital Ratio of 16.13%. Check our report on BPOP: BPOP Overview

Economic Data:

- **US Initial Claims for Unemployment Insurance:** fell to 187,000, down from 209,000 last week — a change of -10.53% week-over-week.
- **US 4-Week Moving Average of Initial Claims:** fell to 207,500, down from 214,750 last week — a change of -3.38% week-over-week.
- **Kansas City Fed Manufacturing Production Index:** fell to 9.000, down from 10.00 last month — a change of -10.00% month-over-month.
- **30-Year Mortgage Rate:** rose to 6.58% from 6.55% last week.
- **Japan Consumer Price Index YoY**: rose to 1.50%, up from 1.40% last month.

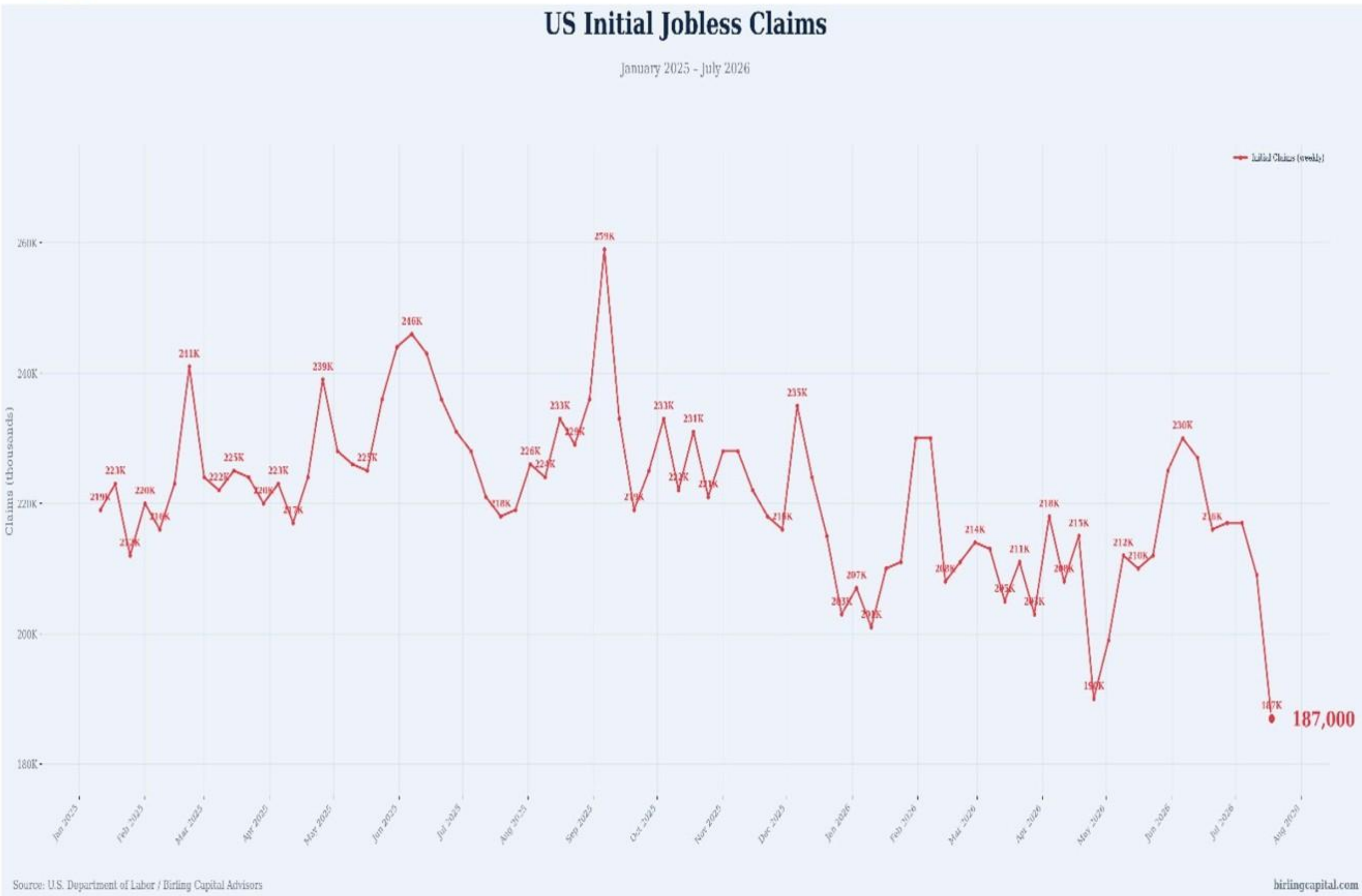
Eurozone Summary:

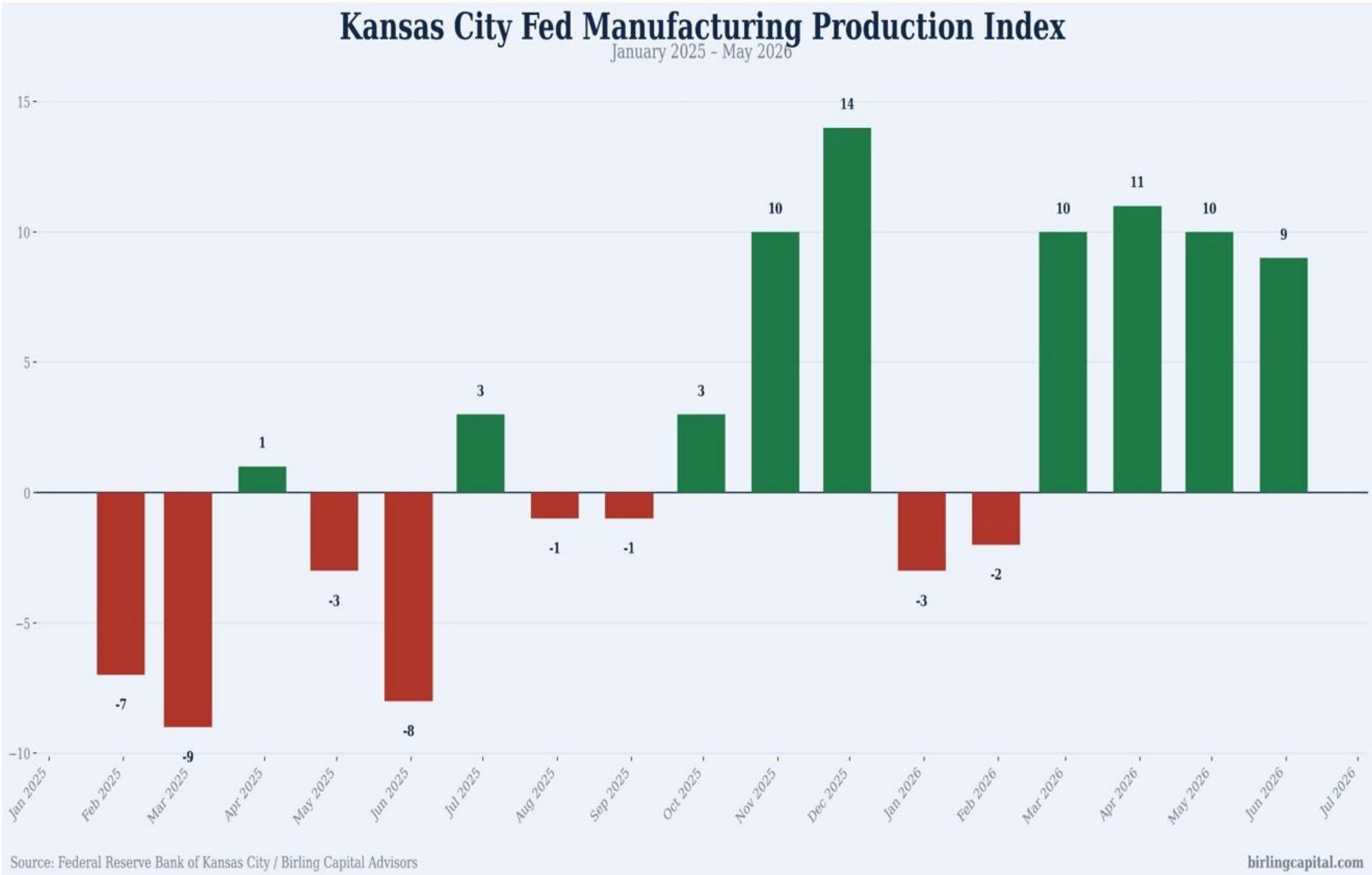
- **Stoxx 600:** closed at 639.27, down 7.66 points or 1.18%.
- **FTSE 100:** closed at 10,639.17, down 77.80 points or 0.73%.
- **DAX Index:** closed at 24,763.12, down 392.29 points or 1.56%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 51,711.65, down 506.93 points or 0.97%
- **S&P 500:** closed at 7,408.30, down 90.66 points or 1.21%.
- **Nasdaq Composite:** closed at 25,137.69, down 553.21 points or 2.15%.
- **Birling Capital Puerto Rico Stock Index:** closed at 5,086.30, up 28.25 points or 0.56%.

- **Birling Capital U.S. Bank Index:** closed at 10,414.54, up 30.75 points or 0.30%.
- **U.S. Treasury 10-year note:** closed at 4.71%.
- **U.S. Treasury 2-year note:** closed at 4.37%.




Kansas City Fed Manufacturing Production Index
January 2025 – May 2026
15
10
5
0
−5
−10
14
10
11
10
10
9
3
3
1
-1
-1
-2
-3
-3
-7
-8
-9
Jan 2025
Feb 2025
Mar 2025
Apr 2025
May 2025
Jun 2025
Jul 2025
Aug 2025
Sep 2025
Oct 2025
Nov 2025
Dec 2025
Jan 2026
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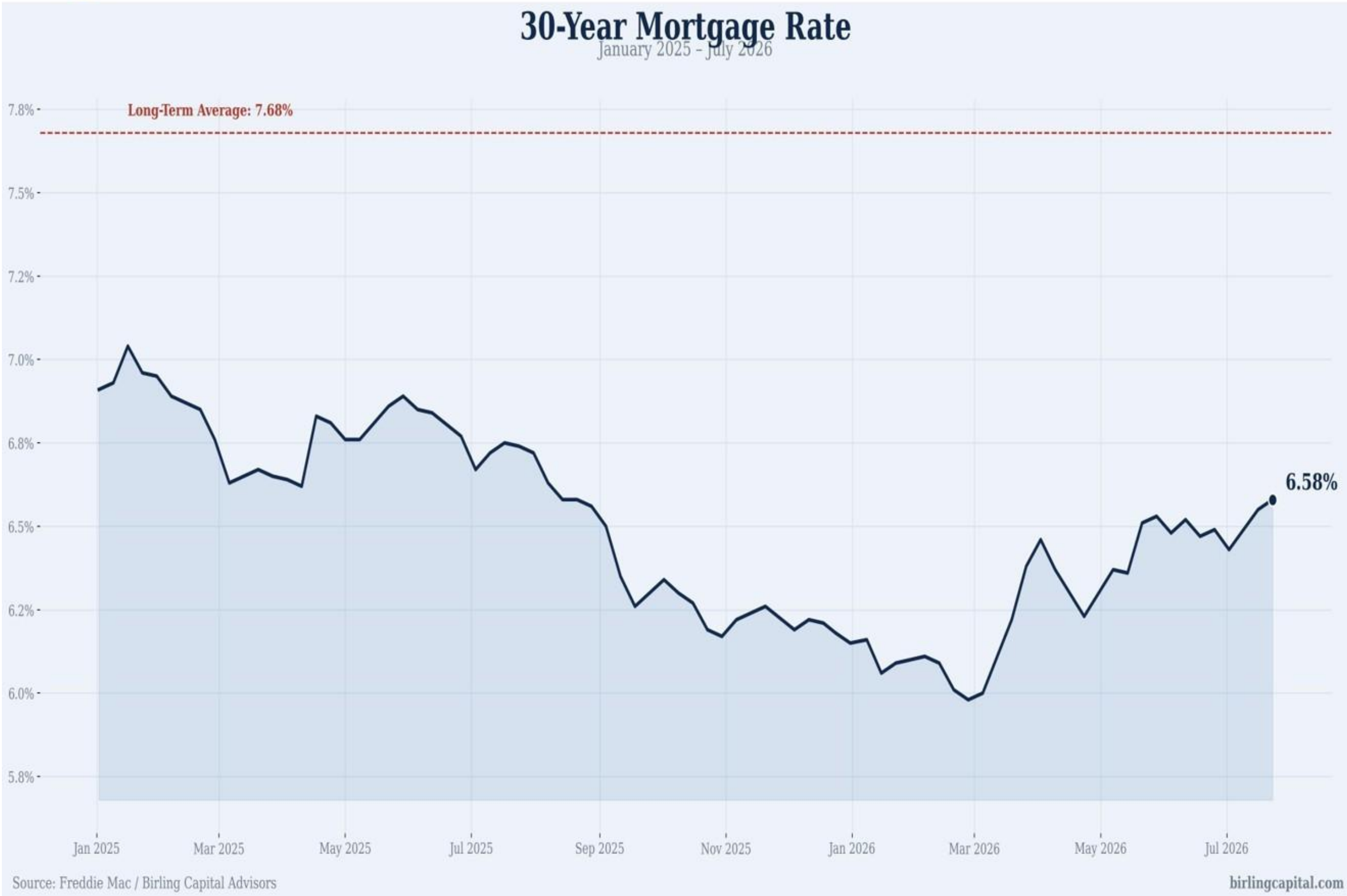
Jul 2026
Source: Federal Reserve Bank of Kansas City / Birling Capital Advisors
birlingcapital.com


30-Year Mortgage Rate
January 2025 – July 2026
Long-Term Average: 7.68%
7.8%
7.5%
7.2%
7.0%
6.8%
6.5%
6.2%
6.0%
5.8%
6.58%
Jan 2025
Mar 2025
May 2025
Jul 2025
Sep 2025
Nov 2025
Jan 2026
Mar 2026
May 2026
Jul 2026
Source: Freddie Mac / Birling Capital Advisors
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Eurozone Markets Close

July 23, 2026

Stoxx Europe 600	FTSE 100	DAX Index
Closing Price	Closing Price	Closing Price
639.27	10,639.17	24,763.12
▼ -7.66	▼ -77.80	▼ -392.29
-1.18%	-0.73%	-1.56%

Source: Stoxx, FTSE Russell, Deutsche Börse

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Wall Street and Birling Capital Indexes Close

July 23, 2026

	Dow Jones Industrial Average	S&P 500	Nasdaq Composite	Birling Capital PR Stock Index	Birling Capital U.S. Bank Index
Closing Price	51,711.65	7,408.30	25,137.69	5,086.30	10,414.54
Change	▼ -506.93	▼ -90.66	▼ -553.21	▲ +28.25	▲ +30.75
% Change	-0.97%	-1.21%	-2.15%	+0.56%	+0.30%

U.S. Treasury 10-Year Note	U.S. Treasury 2-Year Note
4.71%	4.37%

Spread: 34 bps

Source: NYSE, Nasdaq, Birling Capital Advisors, U.S. Department of the Treasury

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Wall Street Recap
July 23, 2026