Chip Stocks Lead Friday Pullback as Nasdaq Posts Fifth Straight Losing Session

GLOBAL MARKET SQUARE

BIRLING CAPITAL ADVISORS, LLC

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The U.S. and European markets closed with losses on Friday as investors continued rotating out of semiconductor and AI-infrastructure names and into more defensive corners of the market. The S&P 500 was little changed; the Nasdaq Composite slipped 0.2% for its fifth consecutive losing session, and the Dow Jones Industrial Average shed about 46 points, or 0.1%. For the week, the S&P 500 is on track to post a loss of more than 1%, the Nasdaq is on pace to fall roughly 4%, and the Dow is on track to finish the week higher, up about 0.6%.

The renewed pressure on chip stocks followed a New York Times report indicating OpenAI may push its IPO into next year, citing SpaceX's uneven post-listing performance and broader volatility across AI-related shares. Analysts flagged the delay as a potential risk to the pace of AI infrastructure spending if capital markets funding slows. Micron Technology fell 4%, Advanced Micro Devices lost 2%, and Intel declined more than 3%. The sell-off was even sharper in Asia, where SoftBank Group — a major OpenAI backer — dropped more than 12%, while South Korea's Kospi and Kosdaq both posted steep losses.

Beneath the technology's weakness, market breadth was notably healthier. Healthcare extended its prior session strength, with Eli Lilly up 7%, Johnson & Johnson up more than 3%, and AbbVie higher by over 1%. Consumer staples, financials, and utilities are also advanced. An upbeat reading on consumer sentiment and an improving inflation outlook helped support sentiment, even as Minneapolis Fed President Neel Kashkari signaled that he now sees one rate hike as likely this year, given inflation pressures tied to the Middle East conflict. Oil prices stayed lower despite President Trump's accusation that Iran violated the ceasefire.

U.S. Markets:

U.S. equities closed lower on Friday as the rotation away from chip and AI-infrastructure stocks extended into a fifth straight session for the Nasdaq. The S&P 500 finished essentially flat, the Nasdaq Composite declined 0.2%, and the Dow Jones Industrial Average slipped about 46 points, or 0.1%. Every week, the S&P 500 is headed for a decline of more than 1%, the Nasdaq is pacing for a roughly 4% drop, and the Dow is on track for a 0.6% weekly gain.

Semiconductor names were the primary drag after reports that OpenAI is weighing delaying its IPO until next year, citing SpaceX's choppy post-IPO trading and broader AI-sector volatility. Strategists noted that the potential delay could slow the pace of AI infrastructure investment if capital market funding is pushed out. Micron Technology fell 4%, AMD lost 2%, and Intel dropped more than 3%. The information technology sector overall fell 1% on the session.

Market internals told a more constructive story than the headline indexes suggested. Healthcare built on the prior day gains, led by Eli Lilly (+7%), Johnson & Johnson (+3%+), and AbbVie (+1%+). Consumer staples rose more than 1%, while financials added 0.8% and utilities gained 0.4%, as capital rotated into steadier, less richly valued sectors.

A stronger-than-expected consumer sentiment reading and an improving inflation backdrop helped cushion the broader market on Friday. That came even as Minneapolis Fed President Neel Kashkari said he now anticipates that one rate hike will likely be needed this year, citing inflation risks stemming from the Middle East conflict. Crude oil held at lower levels despite President Trump's statement that Iran had violated the ceasefire with the U.S.

European Markets

European equity markets closed broadly lower on Friday, as a sharp pullback in technology and semiconductor shares weighed on sentiment across the region. The Stoxx 600, Germany's DAX, and the United Kingdom's FTSE 100 all finished in negative territory, mirroring overnight losses across Asia, where chipmakers and AI-linked names led a steep decline that set a cautious tone heading into the European session. The synchronized weakness across time zones underscored just how interconnected the current tech-driven rally has become — and how quickly sentiment can shift when investors start questioning the pace of the run-up.

Importantly, the selloff appears to be a reassessment of stretched technology valuations following the sector's extraordinary advance since late March, rather than a sign of deteriorating economic fundamentals in Europe. Growth-oriented and momentum-driven names bore the brunt of the selling, while financials, healthcare, and defensive consumer staples companies meaningfully outperformed the broader market. That divergence is a telling signal: investors appear to be rotating capital within equities — favoring steadier, less richly valued sectors — rather than stepping back from risk assets altogether. This kind of intra-market rotation, as opposed to a broad-based flight to safety, tends to be a healthier pattern for markets working through a valuation reset.

Germany's DAX bore the heaviest losses of the session, falling 323.61 points, or 1.29%, to close at 24,671.22 — a decline roughly doubles the percentage drop seen in the Stoxx 600 and significantly steeper than the FTSE 100's modest 0.21% slip. The DAX's outsized move points to concentrated selling pressure in Germany's export-oriented and technology-adjacent industrial names, which carry heavier weightings in the index and tend to amplify swings in global risk sentiment. The Stoxx 600 declined 4.33 points, or 0.68%, to 635.88, while the FTSE 100 proved comparatively more resilient, slipping just 21.87 points, or 0.21%, to 10,508.02 — a reminder that the UK index's heavier tilt toward energy, financials, and other value-oriented sectors offered a degree of insulation from the tech-led drawdown.

Beneath the day's headline declines, the broader macro backdrop for Europe remains constructive. Lower energy prices and moderating inflation continue to provide a favorable foundation for economic activity across the Eurozone, helping to ease cost pressures on businesses and households alike. For now, the market's message appears to be one of recalibration rather than retreat: investors are not abandoning European equities, but they are becoming more selective about where they're willing to pay up for growth — a dynamic worth watching closely as the technology sector's valuation reset continues to play out.

Energy Markets

Energy prices remain subdued as crude oil continues trading near multi-month lows. West Texas Intermediate crude is hovering around $70 per barrel, while Brent crude remains only modestly higher. Lower oil prices continue to ease inflation pressures worldwide while supporting transportation, manufacturing, and consumer-oriented industries by reducing input costs.

Should energy prices remain near current levels, they could provide an additional tailwind for economic growth and corporate earnings during the second half of the year.

Economic & Policy Outlook

Although the technology sector has experienced a meaningful pullback this week, the broader investment landscape remains fundamentally constructive. Since late March, the S&P 500 has gained more than 15%, while the Nasdaq Composite has advanced by over 20%. Semiconductor companies, fueled by artificial intelligence infrastructure spending and growing demand for advanced memory, have appreciated roughly 90% over that period. Following such extraordinary gains, a period of consolidation appears both expected and healthy.

Unlike previous speculative market advances, this year's rally has been supported by robust earnings growth rather than expanding valuation multiples. Forward price-to-earnings ratios for both the S&P 500 and Nasdaq Composite remain below where they began the year despite record highs reached earlier this month.

Consensus forecasts continue to project S&P 500 earnings growth exceeding 20% in 2026, supported by resilient labor markets, improving manufacturing activity, steady consumer spending, and moderating inflation pressures. Meanwhile, the U.S. dollar has strengthened in recent weeks as resilient economic data and relatively higher Treasury yields continue attracting international capital. While the dollar could remain firm in the near term, improving overseas economic conditions and lower energy prices may gradually reduce upward pressure on the currency later this year.

The Final Word: Market Perspective

Markets are experiencing the type of rotation that often follows an exceptional advance in a single sector. Technology and semiconductor companies have delivered extraordinary returns throughout the spring, making a period of profit-taking both natural and necessary. More importantly, the broader economic backdrop continues to support equities. Earnings growth remains strong, inflation pressures are easing, energy prices are lower, and economic activity continues to demonstrate resilience.

Rather than signaling the end of the current bull market, the recent weakness appears to represent a healthy broadening of market leadership. For long-term investors, maintaining diversified exposure across technology, financials, industrials, healthcare, and other cyclical sectors remains the most prudent strategy as opportunities expand beyond the market's largest technology companies.

Economic Data:

- **US Index of Consumer Sentiment:** rose to 49.50, up from 44.80 last month, a change of 10.49%.

Eurozone Summary:

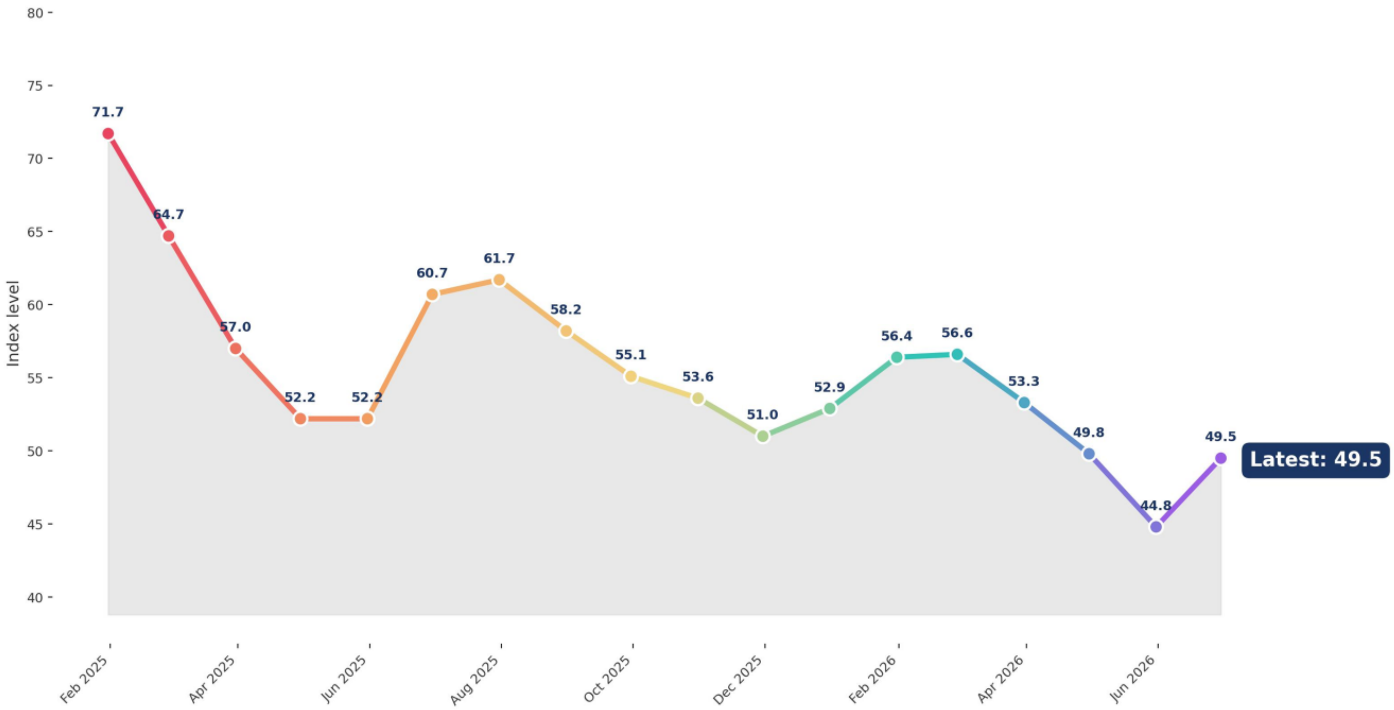
- **Stoxx 600:** closed at 635.88, down 4.33 points or 0.68%.
- **FTSE 100:** closed at 10,508.02, down 21.87 points or 0.21%.
- **DAX Index:** closed at 24,671.22, down 323.61 points or 1.29%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 51,876.11, down 44.51 points or 0.09%.
- **S&P 500:** closed at 7,354.02, down 3.47 points or 0.05%.
- **Nasdaq Composite:** closed at 25,297.61, down 60.98 points or 0.24%.
- **Birling Capital Puerto Rico Stock Index:** closed at 4,738.90, up 31.94 points or 0.68%.
- **Birling Capital U.S. Bank Index:** closed at 10,317.81, up 39.62 points or 0.39%.
- **U.S. Treasury 10-year note:** closed at 4.38%.
- **U.S. Treasury 2-year note:** closed at 4.07%.

U.S. Index of Consumer Sentiment

January 2025 to June 2026



Source: University of Michigan Surveys of Consumers

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Eurozone Markets Close

Friday, June 26, 2026

Stoxx 600

Closing Price

635.88

▼ -4.33 pts   -0.68%

FTSE 100

Closing Price

10,508.02

▼ -21.87 pts   -0.21%

DAX Index

Closing Price

24,671.22

▼ -323.61 pts   -1.29%

Source: Bloomberg, Birling Capital

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Wall Street and Birling Capital Indexes Close

Friday, June 26, 2026

	Closing Price		
Dow Jones Industrial Average	51,876.11	▼ -44.51	-0.09%
S&P 500	7,354.02	▼ -3.47	-0.05%
Nasdaq Composite	25,297.61	▼ -60.98	-0.24%
Birling Capital Puerto Rico Stock Index	4,738.90	▲ +31.94	+0.68%
Birling Capital U.S. Bank Index	10,317.81	▲ +39.62	+0.39%

U.S. Treasury 10-Year Note	U.S. Treasury 2-Year Note
4.38%	4.07%

10-Year / 2-Year Spread: 0.31 pts

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

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