

S&P 500 and Nasdaq Reach New Records as AI-Driven Tech Surge Overpowers Inflation Shock

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The U.S. and European stock markets closed mixed, as a powerful rally in technology and semiconductor stocks propelled the S&P 500 and Nasdaq Composite to fresh all-time highs, even as a hotter-than-expected inflation report reinforced concerns about rising price pressures. The session highlights a defining divergence in today's market: concentrated leadership in artificial intelligence and semiconductor names offsetting broader market weakness and macroeconomic headwinds. Despite a sharp acceleration in producer price inflation and continued upward pressure from energy markets tied to the Iran conflict, investor conviction in structural growth themes—particularly artificial intelligence—remains dominant. This dynamic continues to anchor equity indices at record levels, even as underlying breadth deteriorates.

U.S. Markets

U.S. equities delivered a bifurcated performance, with headline indices hitting new highs while most stocks declined. The S&P 500 rose 0.58% to close at 7,444.25, and the Nasdaq Composite advanced 1.20% to 26,402.34, with both indices setting new intraday and closing records. In contrast, the Dow Jones Industrial Average fell 67.36 points, or 0.14%, to 49,693.20.

Market leadership was once again dominated by technology and semiconductor stocks, which extended their recent momentum. Shares of Nvidia rose more than 2%, while Micron Technology gained over 4%. The VanEck Semiconductor ETF (SMH) climbed approximately 2%, underscoring the continued strength of the AI-driven investment cycle.

However, beneath the surface, market breadth weakened significantly. Roughly two-thirds of S&P 500 constituents closed lower, with cyclical sectors—including financials and consumer discretionary—facing pressure. Stocks such as JPMorgan Chase and Home Depot declined, reflecting sensitivity to higher interest rates and concerns about inflation-linked demand.

The divergence reflects a market increasingly driven by structural growth narratives rather than cyclical fundamentals. Investors continue to treat AI and semiconductor stocks as secular winners, relatively insulated from near-term macro pressures, including rising oil prices and persistent inflation. That said, the macro backdrop remains a growing counterweight. The latest producer price index (PPI) report showed a 1.4% monthly increase—the largest since March 2022—and a 6.0% year-over-year rise, both significantly above expectations. The data reinforce concerns that inflation, particularly energy-driven inflation, could remain elevated longer than anticipated.

Adding a geopolitical and strategic dimension, Jensen Huang accompanied President Trump in meetings with Xi Jinping, signaling potential progress on semiconductor trade restrictions. This development contributed to optimism surrounding future access to Chinese markets for advanced AI chips, further fueling the sector's rally.

European Markets

European equities closed higher, rebounding from the prior session's weakness as bond market volatility eased and corporate earnings provided support. The Stoxx 600 advanced 0.7%, with gains broadly distributed across sectors and major indices.

In the United Kingdom, gilt markets stabilized after prior volatility tied to fiscal concerns and political

uncertainty. Yield declined across the curve, with the 2-year yield falling by approximately 6 basis points and longer maturities easing by 3 to 4 basis points. The moderation reflects a temporary calming of investor concerns, though political risks remain elevated.

Corporate developments were constructive. Major earnings reports across industrials, insurance, and energy supported sentiment, while Siemens announced a €6 billion share buyback program following stronger-than-expected profits—reinforcing confidence in European corporate balance sheets.

Inflation Watch: PPI Reaccelerates

Producer price inflation came in materially above expectations, reinforcing the narrative that upstream cost pressures remain elevated. Headline PPI rose 6.0% year-over-year, well above the 5.0% consensus estimate, while core PPI increased to 5.2%, also exceeding forecasts.

Energy remains the dominant driver, with prices up approximately 22% year-over-year, largely tied to ongoing disruptions in the Strait of Hormuz. However, the breadth of inflation is expanding. Notably, trade services prices are rising, suggesting tariffs and supply chain frictions are increasingly feeding into the cost structure.

From a corporate perspective, this introduces a critical variable: margin sustainability. Companies now face a binary challenge—either successfully pass through higher costs or absorb them, compressing margins. While energy-driven inflation may prove transitory, persistence at current levels would materially alter earnings quality in coming quarters.

Earnings: Strong Finish to a Robust Season

Despite inflation headwinds, the earnings backdrop remains exceptionally strong. With approximately 91% of S&P 500 companies reporting, 84% exceeded EPS expectations, delivering an average upside surprise of 19%.

This has driven a substantial upward revision in earnings growth, now tracking near 26%, more than double the 12% estimate at the end of the quarter. If sustained, this would mark the sixth consecutive quarter of double-digit earnings expansion—an outcome that continues to underpin equity valuations.

Technology remains the dominant growth engine, with earnings up more than 50% year-over-year, fueled by structural demand in artificial intelligence and cloud infrastructure. Communication services and materials are also delivering robust growth exceeding 40%, while 10 of 11 sectors are reporting positive year-over-year EPS gains.

The significance is strategic: earnings growth is no longer narrowly concentrated. Broader participation enhances market durability, reduces concentration risk, and strengthens the case for diversified portfolio construction.

Global Macro & Strategic View

The market is navigating a complex but structured environment defined by three intersecting forces:

1. Inflation Persistence – The PPI surprise confirms that inflationary pressures remain embedded, particularly through energy and trade channels.
2. Earnings Strength – Corporate profitability continues to exceed expectations, providing a critical counterbalance to macro risks.
3. Geopolitical Influence – Energy markets remain tightly linked to geopolitical developments, particularly in the Middle East, with direct implications for inflation and growth.

The strengthening U.S. dollar and rising yields indicate tightening financial conditions at the margin, which could challenge equity multiples if sustained. However, the breadth and strength of earnings growth continue to anchor the market's underlying trajectory.

Looking ahead, investor focus will shift toward the upcoming high-level meeting between President Trump and President Xi Jinping, where trade dynamics and geopolitical tensions—including the Iran

conflict—are expected to be central. The outcome could influence both risk sentiment and the inflation outlook.

The Final Word

The market is exhibiting increasing internal divergence: index-level strength driven by a narrow set of AI-linked leaders, against a backdrop of weakening breadth and rising macro risks. While the structural AI narrative remains intact and powerful enough to push markets higher, inflation surprises and geopolitical uncertainty are building as potential catalysts for volatility.

The key question is no longer whether earnings and AI can drive markets higher—they clearly can—but whether they can continue to do so amid tightening financial conditions and persistent inflation.

Economic Data:

- **US Producer Price Index YoY:** rose to 6.00%, compared to 4.30% last month.
- **US Core Producer Price Index YoY:** rose to 5.20%, compared to 4.00% last month.
- **US Crude Oil Stocks WoW:** is at -2.313M, up from -6.234M last week.

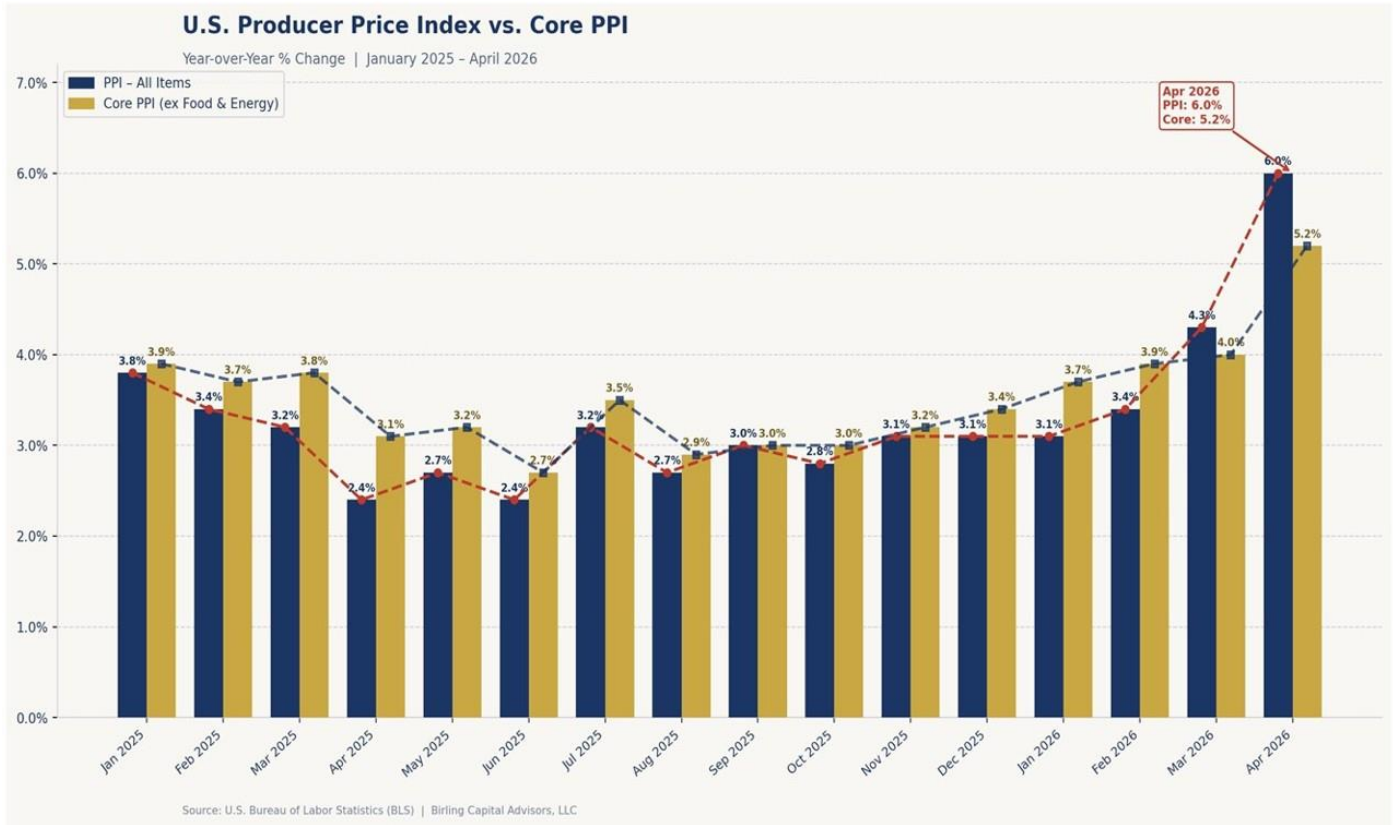
Eurozone Summary:

- **Stoxx 600:** closed at 611.42, up 4.79 points or 0.79%.
- **FTSE 100:** closed at 10,325.35, up 60.03 or 0.58%.
- **DAX Index:** closed at 24,136.81, up 181.88 points or 0.76%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 49,693.20, down 67.36 points or 0.14%
- **S&P 500:** closed at 7,444.25, up 43.29 points or 0.58%.
- **Nasdaq Composite:** closed at 26,402.34, up 314.14 points or 1.20%.
- **Birling Capital Puerto Rico Stock Index:** closed at 4,191.56, down 8.51 points or 0.79%.
- **Birling Capital U.S. Bank Index:** closed at 9,076.50, up 76.29 points or 0.85%
- **U.S. Treasury 10-year note:** closed at 4.46%.
- **U.S. Treasury 2-year note:** closed at 3.98%.

US Producer Price Index vs US Core Procucer Price Index January 2025 to April 2026





European Markets Summary

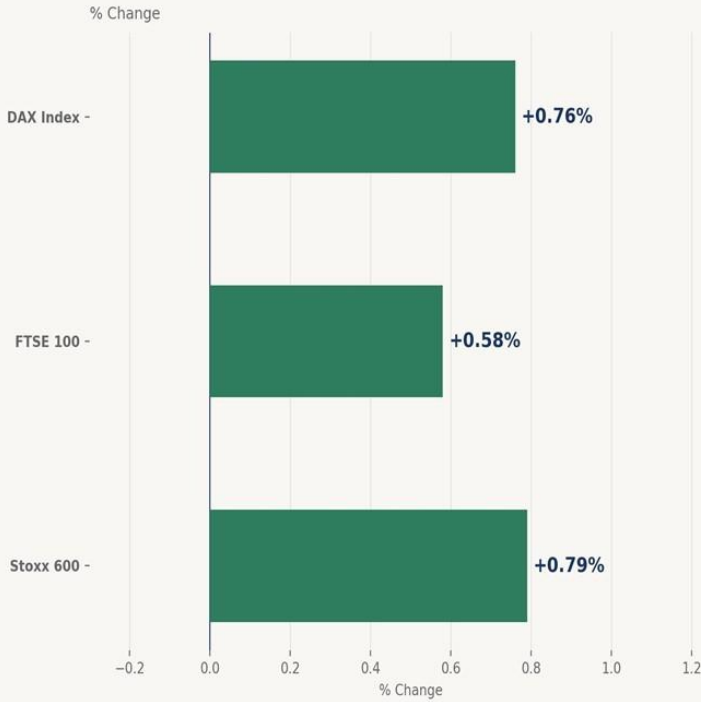
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European Markets Summary

Birling Capital Advisors, LLC

Major European Equity Indices · May 13, 2026 · All 3 Indices Advanced

11:00 AM EDT



Index	Close	Change	% Chg
Stoxx 600	611.42	▲ +4.79	▲ +0.79%
FTSE 100	10,325.35	▲ +60.03	▲ +0.58%
DAX Index	24,136.81	▲ +181.88	▲ +0.76%

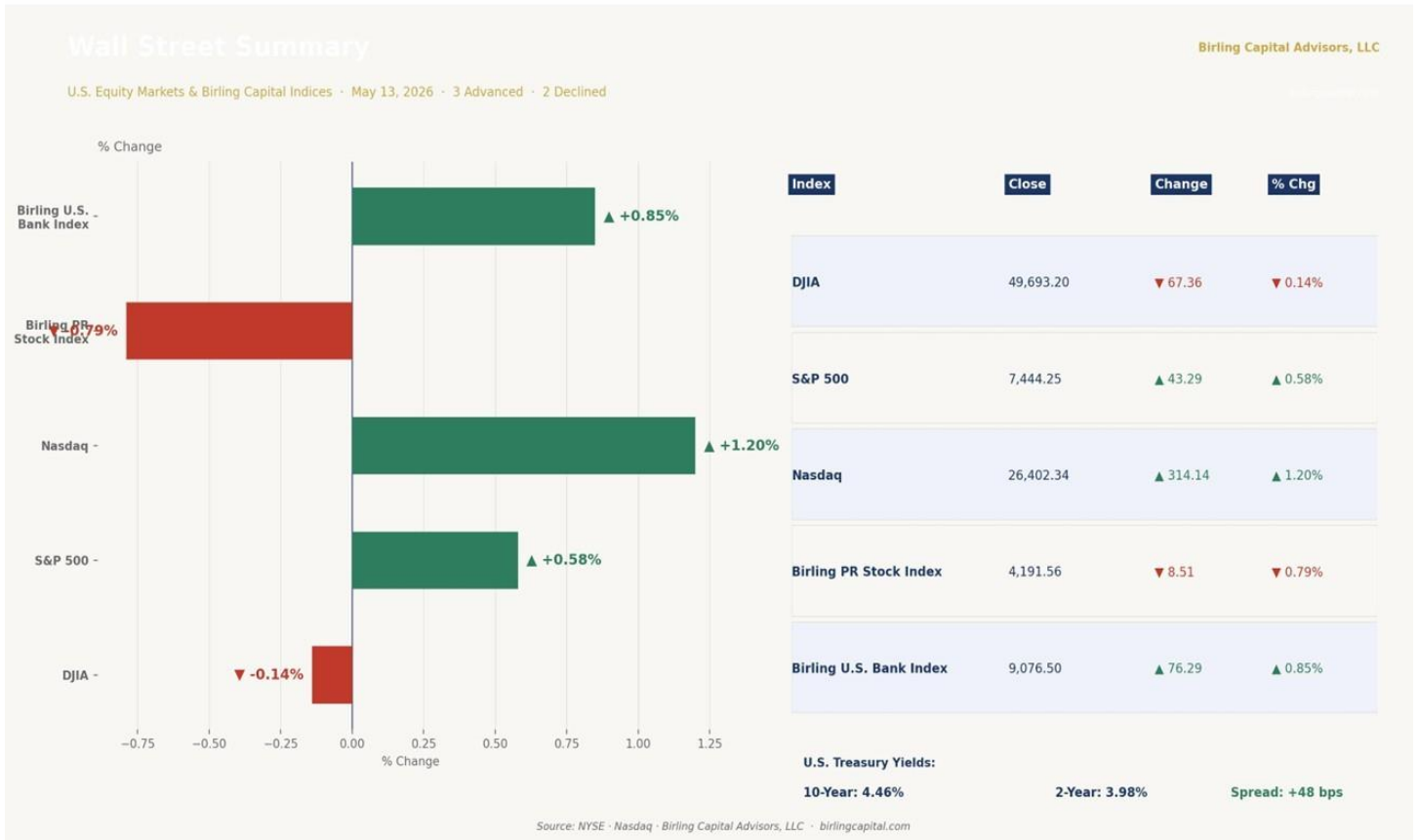
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Wall Street Summary

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