Earning Strength and Cooler Oil Lift the Dow 529.85 Points as AI Worries Linger

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The U.S. and European stock markets diverged as Wall Street rallied on strong corporate results and a pullback in oil prices, while European equities closed modestly lower. The Dow Jones Industrial Average climbed 529.85 points, and the S&P 500 added 0.28%, while the Nasdaq Composite slipped 0.02% as technology shares stayed under pressure. The economic picture highlighted the Federal Reserve's balancing act: hiring continued to support household spending, but elevated borrowing costs kept housing constrained.

U.S. Markets

U.S. equities finished higher, with industrial and defense companies doing most of the lifting. 3M jumped more than 5% after beating profit expectations and raising its full-year outlook, and Northrop Grumman gained more than 4% on stronger-than-expected results. The 10-year Treasury yield closed at 5.12% as yields continued to ease.

Technology remained the weak spot. Elice, a South Korean AI company, fell more than 30% in its market debut overnight and weighed on Asian markets, renewing concerns about how sustainable AI spending is amid heavy borrowing. Some AI-linked names recovered during the session, including Western Digital, up more than 3%, and Seagate, up more than 2%. CoreWeave and Marvell each gained nearly 2%. The next test comes as the large cloud and data-center companies report over the coming weeks, when investors will focus on spending plans and returns on AI investment.

European Markets

European equities closed modestly lower, following a mixed finish in Asia. The contrast with Wall Street underscored the uneven global response to lower U.S. yields and continued Middle East disruptions. For European businesses and consumers, elevated energy costs remained a potential constraint on margins, purchasing power, and growth. Lower bond yields could provide some financial relief, but persistent fuel pressures complicated the outlook. The three indexes we follow closed lower: Stoxx 600, down 0.92 points; FTSE 100, down 31.69 points; and DAX Index, down 15.35 points.

Energy Markets

Oil gave back earlier gains, with WTI crude near $103 a barrel and Brent near $108, which helped sentiment even as Middle East tensions kept traders cautious. Lower energy prices and softer yields eased some of the pressure on equity valuations.

Economic & Policy Outlook

Hiring Slowed but Continued to Support Economic Activity

Private employers added an average of **18,500 jobs per week** during the four weeks ended October 3, down from **26,000**in the previous report—a **28.85% slowdown** in weekly hiring.

The softer reading followed six consecutive weeks of improvement. One reversal did not signal a lasting downturn, though it warranted attention as businesses faced higher financing and operating costs.

With unemployment at **4.2%** and approximately **7.1 million job openings**, labor demand and available workers appeared more closely aligned. Continued job creation supported incomes and consumption, while a gradual moderation in hiring could help contain wage pressures.

Housing Highlights the Cost of High Interest Rates

September housing starts fell **5.2%** to a seasonally adjusted annual rate of **1.221 million**, below expectations of approximately **1.31 million**. Building permits were nearly unchanged, slipping **0.2%** to **1.400 million**. However, single-family permits fell **4.0%**, suggesting that stability in the overall figure masked weakness in this key segment.

With the average 30-year fixed mortgage rate near **7.4%**, affordability remained a substantial obstacle. Resilient overall permits offered some support for future construction but permits represented potential activity rather than a commitment to begin building.

Data-center and other nonresidential projects could help cushion the investment outlook, although strength in those areas would not resolve the pressures facing homebuyers.

The Fed: A Pause Remained the Most Likely Outcome

Holding rates steady at the October meeting remained the most likely outcome. Slower hiring and housing weakness supported patience, while elevated energy prices argued against declaring inflation contained. Further tightening remained possible if incoming data showed renewed price pressures.

The Final Word: SpaceX revenue jumps 161%

After the close, SpaceX reported third-quarter revenue of $14.58 billion, up 161% from a year earlier and well above the $12.72 billion analysts expected, as growth in its artificial intelligence business and Starlink subscribers more than offset its launch operations. Earnings were 35 cents per share, though it was unclear whether that figure is comparable to analyst estimates. Operating income was $2.8 billion and net income was $4.4 billion. Starlink ended the quarter with 13.6 million subscribers, up from 12 million, generating $3.12 billion from consumers and $2.13 billion from government and enterprise customers. The company also completed its $60 billion acquisition of AI coding startup Cursor. Investors are also watching Starlink's plans for a U.S. mobile network after the spectrum purchase and the FCC's approval of a 15,000-satellite constellation. The shares edged higher in extended trading.

GDPNow Update:

- GDPNow updated the third-quarter 2026 estimate today to 3.50%, down from 3.60%.

Economic Update:

- **US Housing Starts:** fell to 1.221 million, down from 1.288 million last month, a decrease of 5.20%.
- **US Pending Home Sales YoY:** fell by -11.30%, compared to -4.69% last month a 140.93% decrease
- **US Building Permits:** fell to 1.40 million, down from 1.403 million last month.
- **US Retail Gas Price:**

Eurozone Summary:

- **Stoxx 600**: Closed at 639.56, down 5.18 points, or 0.80%.
- **FTSE 100**: Closed at 10,764.69, down 117.21 points, or 1.08%.
- **DAX Index:** Closed at 25,319.77, down 302.89 points, or 1.18%.

Wall Street Summary:

- **Dow Jones Industrial Average**: closed at 52,498.85, up 529.85 points, or 1.02%.
- **S&P 500**: closed at 7,712.57, up 21.84 points, or 0.28%.
- **Nasdaq Composite**: closed at 26,424.81, down 6.06 points, or 0.02%.
- **Birling Capital Puerto Rico Stock Index:** closed at 4,959.91, down 38.35 points, or 0.77%.
- **Birling Capital US Bank Index:** closed at 9,159.20, down 152.90 points, or 1.64%.
- **US Treasury 10-year note** closed at 5.12%.
- **US Treasury 2-year note**: closed at 4.79%.



Housing Dashboard

Tuesday, October 20, 2026

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US housing starts

1.221M

Month: −5.2%

Year: −7.4%

12-month average 1.345M

US building permits

1.400M

Month: −0.2%

Year: −3.0%

12-month average 1.421M

US pending home sales

−11.30%

Prior month: −4.69%

Change: −6.61 points

Year over year, September 2026

US Housing Starts

Millions of units, annualized rate, by month



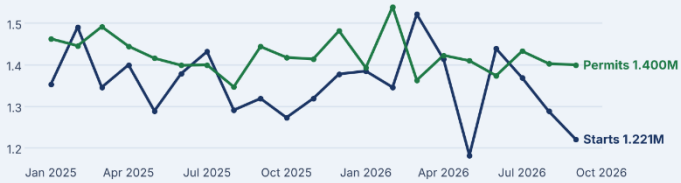
US Building Permits

Millions of units, annualized rate, by month



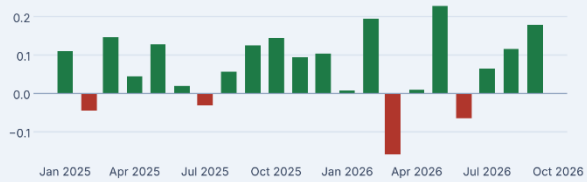
Starts Versus Permits

Permits lead starts; a gap above zero points to future construction



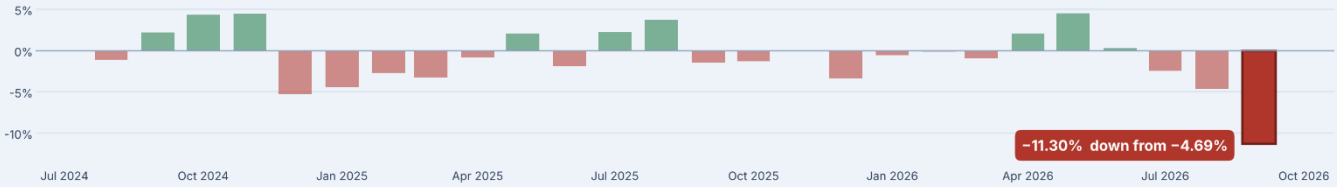
Permits Minus Starts

Millions of units; green means permits exceeded starts



US Pending Home Sales Year Over Year

Percent change from a year earlier, by month



Source: Birling Capital Advisors

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European stock indexes close

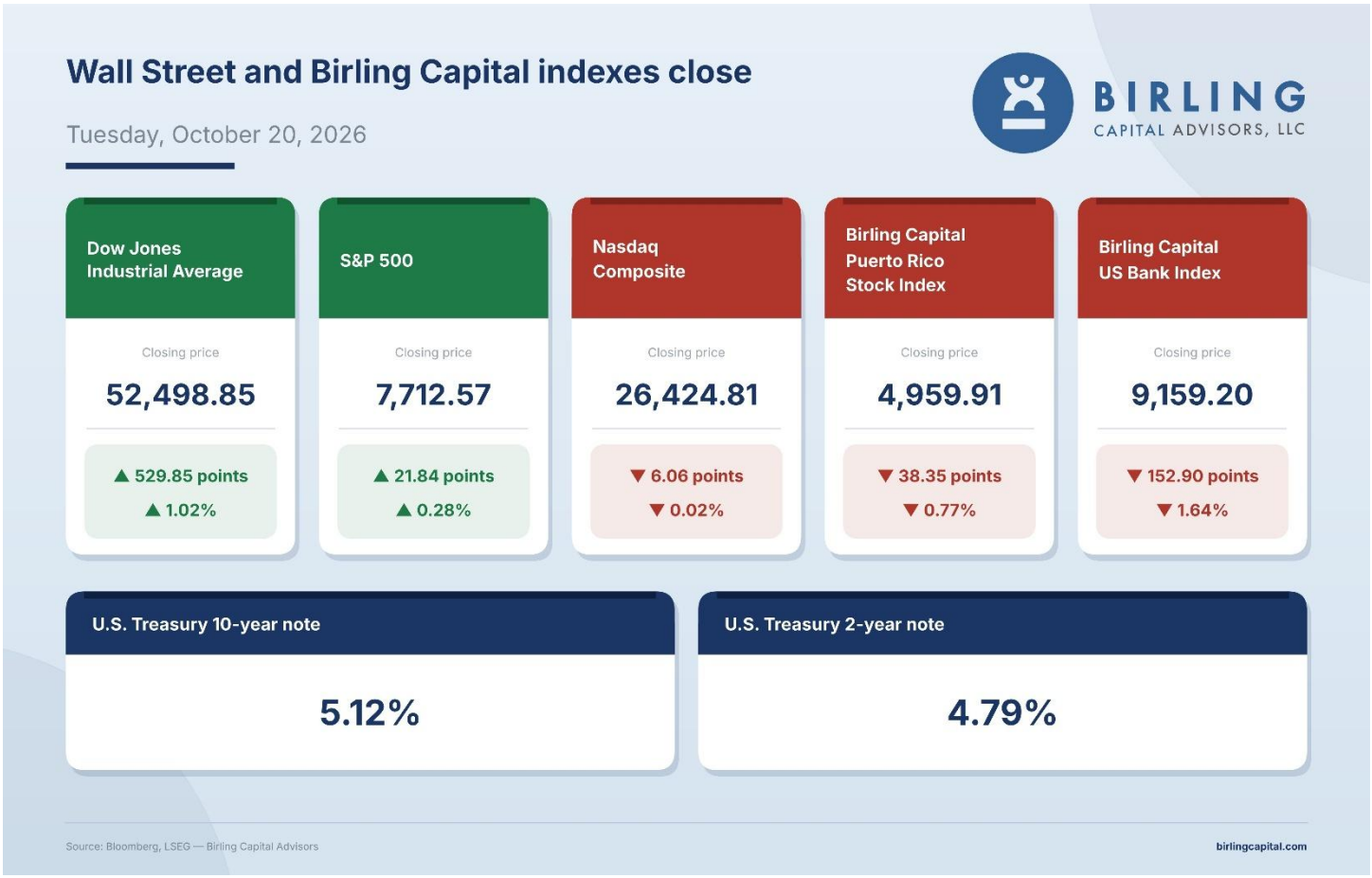
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Stoxx 600	FTSE 100	DAX Index
Closing price	Closing price	Closing price
638.64	10,733.00	25,304.42
▼ 0.92 points	▼ 31.69 points	▼ 15.35 points
▼ 0.14%	▼ 0.29%	▼ 0.06%

Source: Bloomberg, LSEG — Birling Capital Advisors

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