Popular's Profit Climbs 26% and Firstbank's Slips 4% as the Nasdaq Posts Its Worst Day Since June on AI Spending Worries and Surging Oil

October 22, 2026

by Francisco Rodríguez-Castro
frc@birlingcapital.com

The U.S. and European stock markets closed lower Thursday as renewed doubts about artificial intelligence spending and a jump in oil prices on Middle East tensions sent investors toward safer assets. The Nasdaq Composite suffered its steepest drop since June, the S&P 500 had its weakest session since July, and the Dow Jones Industrial Average finished nearly unchanged. Demand for U.S. Treasuries pushed yields to their lowest level in almost a month while French government debt came under strain, underscoring that investors were becoming more selective about where they sought safety.

U.S. Markets

Technology shares drove Thursday's decline as investors again questioned how much money artificial intelligence companies were spending. The Nasdaq Composite dropped 2.6% to 26,008.86, its worst session since June, while the S&P 500 fell 1.21% to 7,663.43, its weakest day since July. The Dow Jones Industrial Average finished nearly unchanged, edging up 11.89 points, or 0.02%, to 52,867.98.

Meta Platforms fell 8% even though its quarterly revenue topped expectations and its outlook was encouraging. Wells Fargo traders said the company's remarks about how much funding AI requires weighed on the shares and on the broader market. Advanced Micro Devices lost more than 8%, Micron Technology fell 6%, and Nvidia declined 4%.

CoreWeave, a leading neocloud provider whose bond yields and credit default swaps remain elevated, dropped more than 10%. Nvidia CEO Jensen Huang told CNBC that neocloud demand was extremely strong, but that scarce capital was limiting growth, a message Wells Fargo traders said revived concerns that credit markets had little appetite left for more AI-related financing. JPMorgan traders added that Wednesday's optimism faded overnight as Meta slid in premarket trading and talk grew of renewed conflict with Iran after the midterm elections.

Oil added to the pressure after The New York Times reported that the U.S. and Israel were planning new strikes on Iran following next month's midterm elections, and President Trump said Washington was not negotiating with Tehran. Brent crude settled 4% higher at $113.17 per barrel, while West Texas Intermediate rose 2.39% to $99.47.

Investors sought safety in Treasuries. The benchmark 10-year yield fell more than 18 basis points to 4.965%, its lowest level in almost a month, and the 2-year yield dropped more than 17 basis points to 4.65%.

The investment implications centered on selectivity. Strong balance sheets and dependable cash generation remained valuable, while heavy exposure to a single growth theme or a handful of large stocks increased vulnerability to abrupt shifts in expectations.

European Markets

European equities closed lower, led by sharp declines in the Stoxx 600 and the DAX, while the FTSE 100 held up best. French sovereign stress and weakness in China added to a cautious global backdrop.

France's government bond market remained under pressure as investors demanded greater compensation for fiscal and political uncertainty. The French 10-year sovereign yield exceeded 5%,

while its spread over comparable German debt widened to levels associated with the European sovereign debt crisis.
Higher sovereign borrowing costs threatened to create a difficult cycle: rising interest expenses could constrain the government's budget. At the same time, limited fiscal flexibility could complicate efforts to support growth and stabilize debt.
The divergence between French bonds and U.S. Treasuries was particularly significant. Investors bought American government debt while reducing exposure to France, showing that sovereign bonds did not offer uniform protection during market stress.
Elsewhere, China's CSI 300 declined 1.8%. Based on the figures provided, its cumulative decline from the June peak exceeded 20%, crossing the conventional threshold for a bear market and adding to the cautious global backdrop.
The three indexes we follow closed lower: Stoxx 600, down 6.75 points; FTSE 100, down 27.85 points; and DAX Index, down 273.29 points.

Energy Markets
Brent crude jumped 4% to settle at $113.17 per barrel, its highest level since May, while West Texas Intermediate rose 2.39% to $99.47. Reports that the U.S. and Israel were preparing renewed strikes on Iran after next month's midterm elections, together with Washington's stance that it was not negotiating with Tehran, kept supply risks at the forefront of investor concerns.
The economic consequences extended beyond energy producers. Sustained fuel price increases could raise transportation and manufacturing costs, compress corporate margins, and reduce household purchasing power.
For financial markets, expensive oil also complicated the inflation outlook. Even as Treasury yields fell to their lowest level in almost a month, a prolonged energy shock could limit the relief lower borrowing costs would otherwise provide.

Economic & Policy Outlook
Markets confronted two competing forces: higher energy prices threatened inflation, while defensive demand for Treasuries reflected concern about growth and financial conditions. The decline in yields offered relief, but its implications depended on whether it reflected easing inflation expectations or deteriorating confidence.
France's difficulties also renewed attention to Europe's financial safeguards. The European Central Bank had tools to address severe disruptions in sovereign debt markets, but support was subject to eligibility requirements and policy conditions. These mechanisms strengthened the region's ability to manage stress without eliminating the need for credible national fiscal policies.
France's challenge therefore extended beyond short-term market stabilization. Restoring confidence required a workable budget strategy, a sustainable debt trajectory, and sufficient political support to implement corrective measures.
For AI investment, the longer-term opportunity remained substantial. However, investment growth alone could not establish shareholder value. Companies needed to demonstrate that additional capacity generated revenue, protected margins, and ultimately strengthened free cash flow.

Puerto Rico Stocks Update
Puerto Rico's four largest listed stocks closed Thursday with solid gains for 2026, and every one of them is trading well above where it started the year. **First BanCorp (FBP)** leads the group, up 31.79% year to date after closing at $27.32.

- **Popular (BPOP)** closed at $157.80, up 26.73% for the year, and **OFG Bancorp (OFG)** closed at $51.38, up 25.39%. Together with First BanCorp, the three banks have each returned more than 25% so far this year, a strong showing for the island's financial sector.
- **EVERTEC (EVTC),** the payments and technology processor, closed at $33.35 and is up 14.64% year to date. It tries the banks, but it is still posting a healthy double-digit gain.

Our price objectives point to more room to run, most of all in Popular at $195.20, about 23.7% above its close, and First BanCorp at $31.43, about 15.0% higher. OFG's objective of $56.75 is about 10.5% above its closing and EVERTEC's $35.20 is about 5.6% higher, so those two have less upside left.

The Final Word
Higher oil prices, costly AI expansion, and sovereign debt concerns reinforced the same lesson: financing capacity and financial discipline mattered. Investors increasingly demanded credible returns from corporate spending and credible plans for government borrowing.

Corporate Earnings Parade:

- **Popular, Inc. (BPOP):** reported third-quarter 2026 earnings with revenues of $874.6 million, up 6.94%, net income of $266.334 million, up 26.01%, earnings per share of $4.21, and the Tier 1 Capital Ratio of 16.12%. Popular has a Stock Price Target of $195.20.
- **First BanCorp (FBP)**: reported third-quarter 2026 earnings with revenues of $260.1 million, down 4.58%, net income of $96,115, down 4.38%, earnings per share of $0.63, and the Tier 1 Capital Ratio of 16.90%. Firstbank has a Stock Price Target of $31.43.

Economic Update:

- **US Initial Jobless Claims:** fell to 194,000, down from 200,000 last week, a decrease of 3.00%.
- **US Initial Jobless Claims 4-Week Moving Average**: fell to 197,750, down from 198,750 last week, a decrease of 0.50%.
- **Kansas City Fed Manufacturing Production Index:** fell to 14, down from 17 in the prior reading.
- **US 30-Year Fixed Mortgage Rate**: fell to 7.32%, down from 7.40% last week, a decrease of 0.08 percentage points.
- **Canada New Housing Price Index YoY:** fell -2.04%, compared to -2.03% last month.
- **Japan Consumer Price Index YoY:** is unchanged at 2.00%, compared to 2.00% last month.

Eurozone Summary:

- **Stoxx 600:** Closed at 637.74, down 6.75 points, or 1.05%.
- **FTSE 100:** Closed at 10,725.03, down 27.85 points, or 0.26%.
- **DAX Index:** Closed at 25,371.75, down 273.29 points, or 1.07%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 52,867.98, up 11.89 points, or 0.02%.
- **S&P 500:** closed at 7,663.43, down 93.74 points, or 1.21%.
- **Nasdaq Composite:** closed at 26,008.85, down 693.99 points, or 2.60%.
- **Birling Capital Puerto Rico Stock Index:** closed at 5,051.62, up 91.70 points, or 1.85%.
- **Birling Capital US Bank Index:** closed at 9,224.44, up 65.24 points, or 0.71%.
- **US Treasury 10-year note:** closed at 4.96%.
- **US Treasury 2-year note:** closed at 4.65%.

BIRLING
CAPITAL ADVISORS, LLC

Economic Update

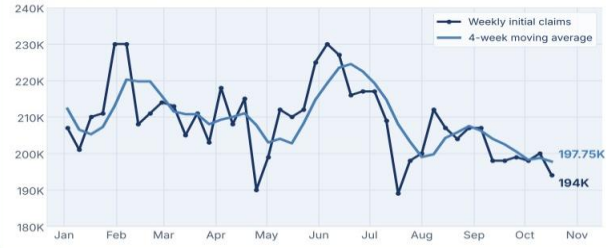
Thursday, October 22, 2026

BIRLING
CAPITAL ADVISORS, LLC

Initial jobless claims, latest week	Claims, 4-week moving average	Kansas City Fed production index	Production index, 3-month average	30-year fixed mortgage rate
194,000	**197,750**	**14**	**14.7**	**7.32%**
▼ -6,000 vs prior week	▼ -1,000 vs prior week	▼ -3 vs prior month	Average of the latest three months	▼ -0.08 pts vs prior week

U.S. Initial Claims For Unemployment Insurance

Weekly filings and 4-week moving average, January to October 2026



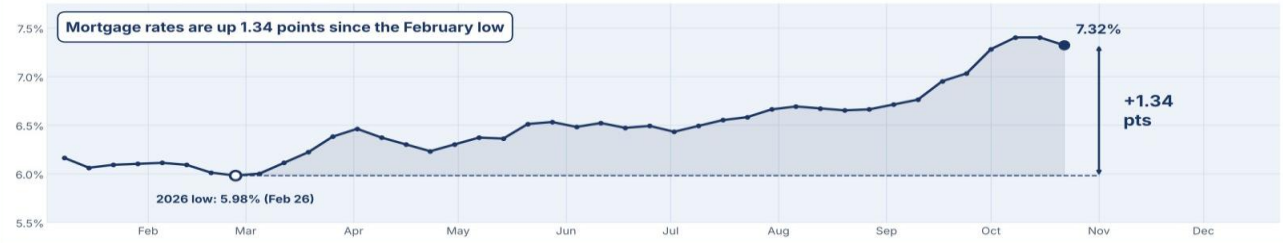
Kansas City Fed Manufacturing Production Index

Monthly diffusion index, January 2025 to September 2026



30-Year Fixed-Rate Mortgage Average

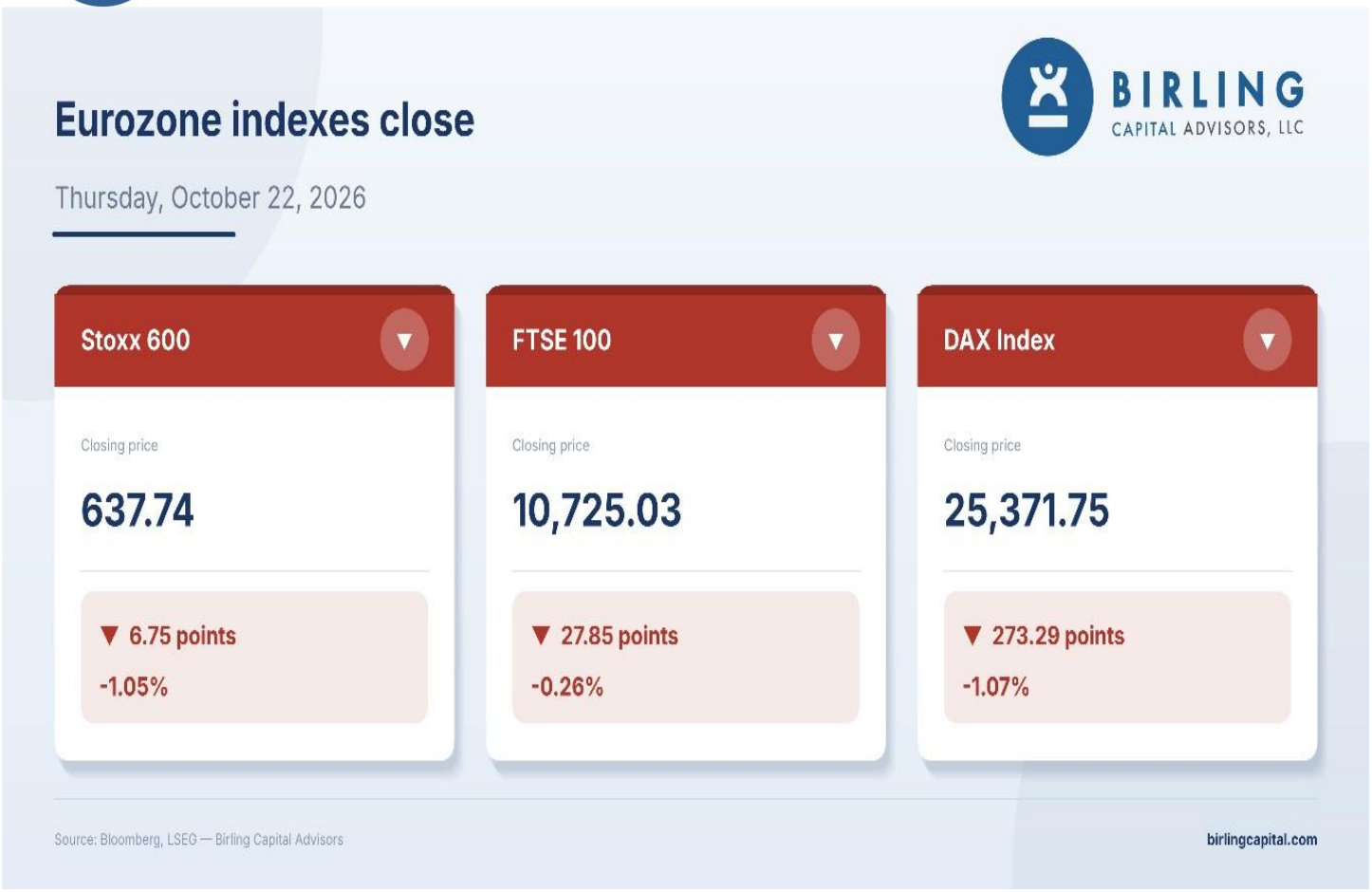
Freddie Mac weekly survey, January to October 2026

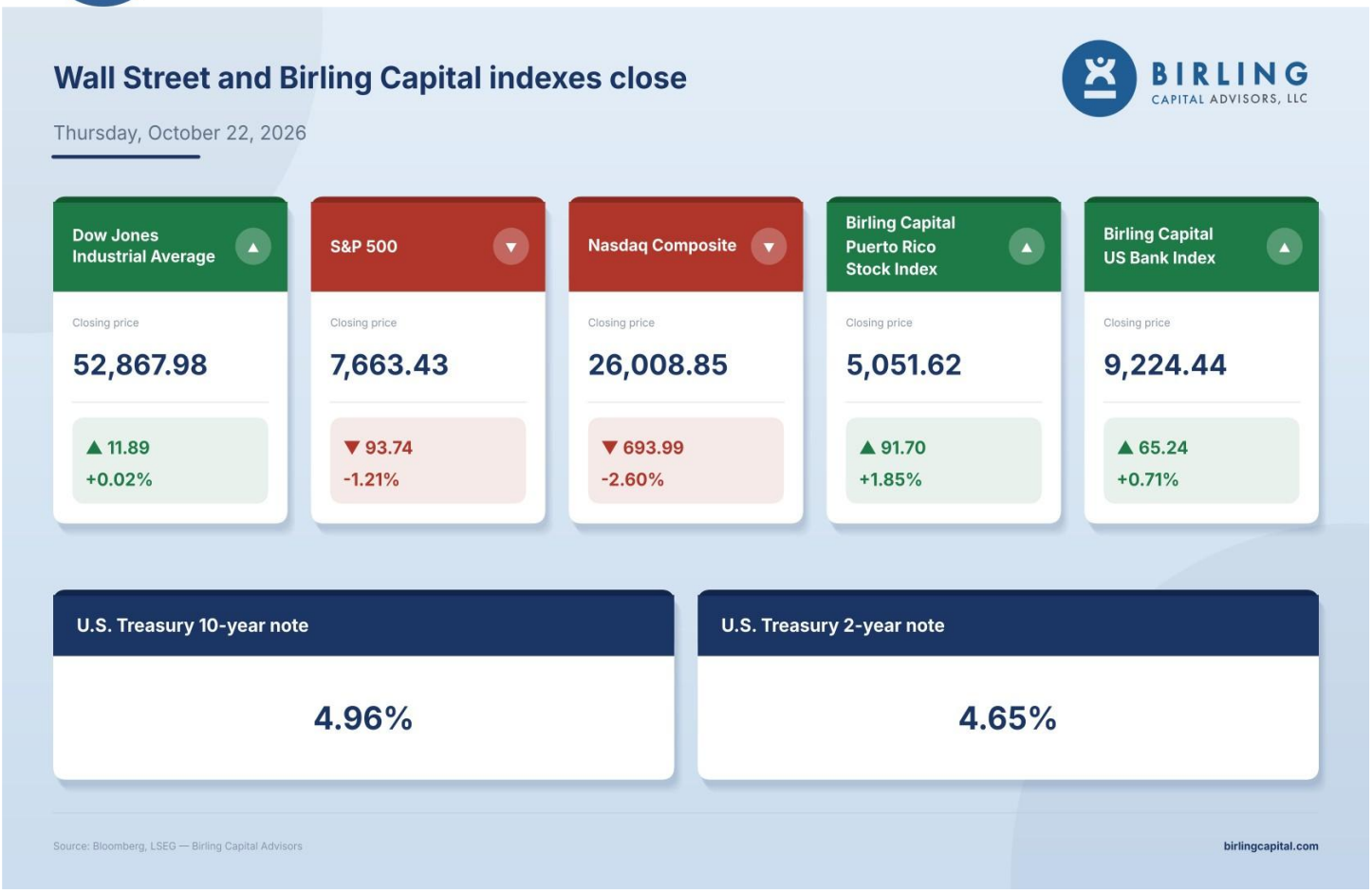


Sources: U.S. Department of Labor; Federal Reserve Bank of Kansas City; Freddie Mac — Birling Capital Advisors

birlingcapital.com

BIRLING
CAPITAL ADVISORS, LLC





Global Market Square © es una publicación preparada por Birling Capital LLC y resume los recientes desarrollos geopolíticos, económicos, de mercado y otros que pueden ser de interés para los clientes de Birling Capital LLC. Este informe está destinado únicamente a fines de información general, no es un resumen completo de los asuntos a los que se hace referencia y no representa asesoramiento de inversión, legal, regulatorio o fiscal. Se advierte a los destinatarios de este informe que busquen un abogado profesional adecuado con respecto a cualquiera de los asuntos discutidos en este informe teniendo en cuenta la situación de los destinatarios. Birling Capital no se compromete a mantener a los destinatarios de este informe informados sobre la evolución futura o los cambios en cualquiera de los asuntos discutidos en este informe. Birling Capital. El símbolo de registro y Birling Capital se encuentran entre las marcas registradas de Birling Capital. Todos los derechos reservados.