



From Wall Street's Record Highs to Puerto Rico's Doubtful Forecasts: Four Days That Repriced Two Economies at Once

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The Week In Wall Street Weekly Market Comparison: June 1 to June 5, 2026

The first week of June 2026 was a study in reversals. Monday, June 1, opened with the S&P 500 and Nasdaq both closing at all-time record highs. An AI-fueled technology rally—led by Nvidia, Dell, and HP Inc.—overwhelmed the impact of escalating geopolitical risks and surging oil prices. By Thursday, June 5, that optimism had been overtaken by multiple blows. A stunning jobs report, rising Treasury yields, a Broadcom earnings disappointment, and renewed pressure from the Iran conflict reversed the mood. What began as confirmation of bull market momentum concluded as the Nasdaq's worst week since the April 2025 tariff turmoil.

In just four trading sessions, Wall Street plunged from euphoria to a technology rout. The trigger wasn't economic fragility—it was the jarring arrival of economic strength at the worst possible moment for a market desperately reliant on rate-cut expectations.

The Week On Wall Street Ending June 5, 2026

The contrast between the two sessions is stark. On June 1, the Dow added 46 points. The S&P 500 posted a 0.26% gain to close at the then-record 7,599.96. The Nasdaq led with a +0.42% advance to 27,086.81. Technology was the engine: Nvidia surged 5% on news of a new AI processor. Dell Technologies soared more than 10%. HP Inc. gained over 8%. Geopolitical risk—intensifying U.S.-Iran tensions and oil near \$92—was discounted by a market confident in earnings momentum. By June 5, the calculus had inverted. The May nonfarm payrolls report delivered 172,000 jobs—nearly double the 80,000 consensus. This forced a rapid repricing of Federal Reserve expectations. The probability of at least one rate hike by year-end climbed toward 70% on the



The Week on Wall Street June 1-5, 2026

Index	Jun 1 Close	Jun 5 Close	Wk Change (pts)	Wk Change (%)
Dow Jones (DJIA)	51,078.88	50,687.07	▼ -391.81	▼ -0.77%
S&P 500	7,599.96	7,553.68	▼ -46.28	▼ -0.61%
Nasdaq Composite	27,086.81	26,853.97	▼ -232.84	▼ -0.86%
Birling Capital PR Stock Index	4,310.77	4,308.30	▼ -2.47	▼ -0.06%
Birling Capital U.S. Bank Index	9,375.11	9,745.80	▲ +370.69	▲ +3.95%

CME FedWatch Tool. The 10-year Treasury yield rose above 4.50%. Broadcom's failure to raise its AI chip guidance added sector-specific disappointment to the macro shock. The Dow fell 621 points. The S&P 500 gave back 56 points. The Nasdaq lost 240 points on Thursday alone, with Friday's session delivering the larger blow at -4.18%.

The Birling Capital Indexes: A Divergent Story

The Birling Capital Puerto Rico Stock Index closed essentially flat for the week: **4,310.77 on June 1 versus 4,308.30 on June 5**. This was a week-over-week decline of just 2.47 points (-0.06%). Within that flat headline, however, June 5 itself was strongly positive: +104.33 points (+2.48%). This result was driven by the banking sector's outperformance on a day when higher yields benefited net interest margin expectations. The standout performer of the week was the Birling Capital U.S. Bank Index. It gained 370.69 points (3.95%), rising from 9,375.11 to 9,745.80. On June 5 alone, the index fell 151.05 points (-1.53%). The jobs shock that devastated technology stocks simultaneously repriced banks' earnings outlook upward. Higher-for-longer rates translate directly into expanded net interest margins, and the labor market's resilience reduces credit loss provisions. While Wall Street's technology complex absorbed the week's blow, the financial sector—both on the mainland and in Puerto Rico—demonstrated that the rate environment remains structurally favorable for banking.

“The Birling Capital U.S. Bank Index gained +3.95% for the week, advancing from 9,375.11 to 9,745.80 — one of its strongest weekly performances of 2026. In a market rout driven by rate anxiety, banks were the beneficiaries, not the victims”.

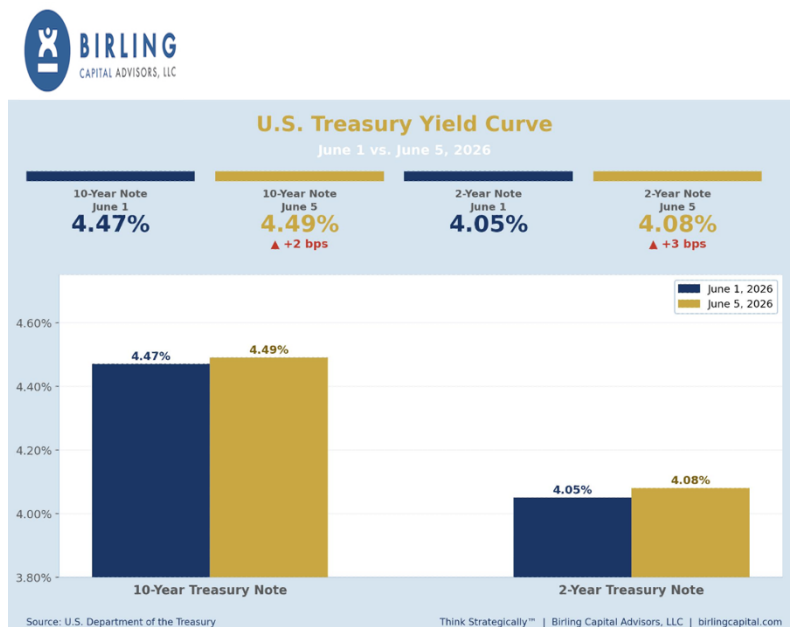
U.S. Treasury Yields | June 1 vs. June 5, 2026

Treasury yields rose across the curve during the week. The 10-year note climbed 2 basis points from 4.47% to 4.49%. The 2-year note advanced 3 basis points, moving from 4.05% to 4.08%. Following the Friday jobs report (not yet reflected in the June 5 close), the 10-year surged further to 4.54%. The 2-year reached 4.16%, levels not seen since late May. The spread between the 2-year and 10-year remains positive but compressed, reflecting a market that sees growth without a clear path to Fed easing.

Macro Context: What the Week Revealed

Four developments defined the week, and their implications extend well beyond the closing prices.

- 1. The Jobs Shock.** May nonfarm payrolls were 172,000 versus an 80,000 consensus. Upward revisions of 93,000 for March and April confirmed that the U.S. labor market remains robust despite war-driven inflation and elevated energy costs. Average hourly earnings rose 0.3% MoM and 3.4% YoY. The unemployment rate held at 4.3%.
- 2. The Fed Is Not Moving.** Goldman Sachs Asset Management called the report a “Payroll Blowout.” The firm concluded the Fed “doesn't have to be worried about the labor market”. Multiple strategists noted that job creation above 150,000—well above breakeven—alongside above-



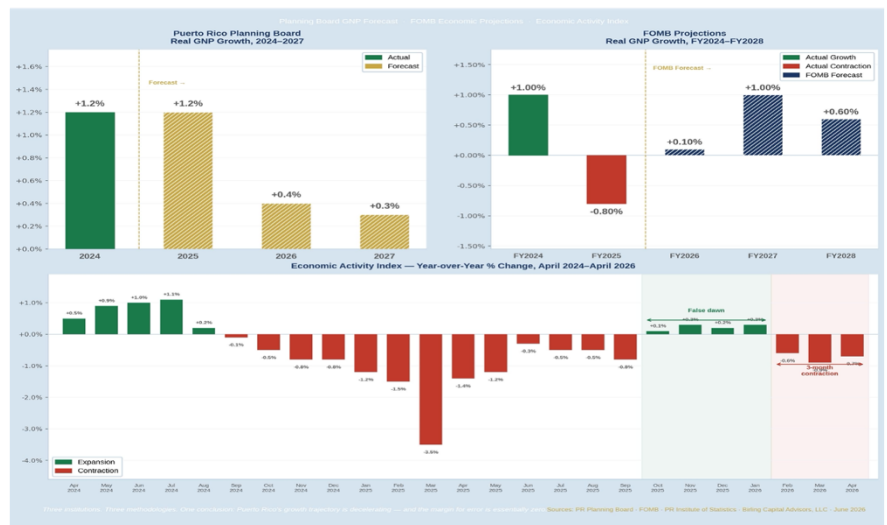
target inflation and the Iran conflict's upward pressure on energy prices, leaves the Federal Reserve with no basis for easing. Rate hike probabilities by year-end rose sharply.

3. **AI Earnings Must Now Justify Valuations.** Broadcom's failure to raise AI chip guidance was the sector's Achilles' heel. The Shiller P/E ratio is about 42.78. This is its second-highest level since the 1999 peak of 44.19. Any earnings disappointment now carries outsized downside risk. The AI investment cycle remains powerful, but the market is no longer willing to extend the benefit of the doubt.
4. **The Iran Conflict Remains the Wildcard.** Oil prices, while easing slightly on Friday, remain elevated. WTI is near \$92–\$96 per barrel. U.S. retail gasoline is up +57.4% YTD at \$4.605/gallon. The conflict that began on February 28 with Operation Epic Fury is now embedded in inflation and geopolitical risk calculations. The CPI (3.8% YoY), PCE (3.8% YoY), and the GDPNow forecast—decelerating from a 4.30% peak to 3.00% as of June 1—all reflect this reality.

Puerto Rico Economic Update: When Three Forecasts Tell One Uncomfortable Story

While Wall Street debated rate paths and semiconductor valuations this week, Puerto Rico's own economic data delivered a quieter but equally consequential message. Three independent institutional forecasts—the Puerto Rico Planning Board, the Financial Oversight and Management Board, and the Economic Activity Index—are telling the same story from three different angles. Taken together, they form a doubtful narrative. No amount of manufacturing investment or banking resilience can fully offset it. Puerto Rico's domestic economic growth trajectory is decelerating. The institutions charged with forecasting it are struggling to agree on how far it will fall.

BIRLING CAPITAL ADVISORS, LLC **Three Forecasts for Puerto Rico's Economy: PR Planning Board, Financial Oversight and Management Board and Economic Activity Index**



“Three forecasters. Three methodologies. One conclusion: Puerto Rico’s growth story is not a recovery—it is a deceleration dressed in cautiously optimistic language”.

The Planning Board: A Long Arc Bending the Wrong Way

The Puerto Rico Planning Board’s Real GNP Growth chart for 2006–2027 is one of the most instructive documents in the Island’s economic literature. It shows, with brutal clarity, the full arc of Puerto Rico’s economic history. Twelve consecutive years of contraction from 2006 through 2017 were interrupted only by brief positive readings in 2006 (+0.5%) and 2011 (+0.5%). The nadir was –4.2% in 2017—the year of Hurricane Maria.

What followed was a genuine, reconstruction-driven recovery. Growth was +2.1% in 2018, +1.4% in 2020 despite COVID, +2.6% in 2021, and a respectable +2.1% in 2023. That recovery trajectory has already begun to bend. Real GNP growth decelerated to +1.2% in FY2024. The Planning Board’s own forecast for

FY2025 is +1.2%—flat, not accelerating. Then the trajectory deteriorates further: +0.4% in FY2026, and +0.3% in FY2027.

This is not a recovery arc; it is a **deceleration arc**. After six years of post-Maria, post-earthquake, post-COVID reconstruction-fueled growth, the Planning Board now forecasts very thin growth rates—+0.4% and +0.3%. A single exogenous shock, a tariff escalation, an energy price spike, or an institutional governance failure could push the Island back into contraction. The margin for error is essentially zero.

The FOMB: A Starker Assessment

The Financial Oversight and Management Board's economic forecast for FY2024–FY2028 tells an even more sobering story. The Planning Board's numbers reflect calendar-year GNP. The FOMB's fiscal-year lens, instead, captures the actual budget and operational reality of the Puerto Rico government. By that measure, the picture is harder to defend.

FY2024 delivered real GNP growth of +1.00%—a solid, if modest, result. FY2025, however, recorded a contraction of –0.80%. That is not a rounding error or a statistical artifact. Puerto Rico's economy shrank for that fiscal year. The FOMB then projects a barely-positive recovery to +0.10% in FY2026. This number is so close to zero that it falls within virtually any margin of statistical uncertainty. It then improves to +1.00% in FY2027 and +0.60% in FY2028.

The FOMB's forecast sequence— **+1.00%, –0.80%, +0.10%, +1.00%, +0.60%**—is not the profile of an economy on a stable growth path. It shows an economy bouncing along the bottom of its potential. The numbers are highly sensitive to external conditions and institutional quality. The economy lacks the structural momentum to generate self-sustaining growth. The divergence between the FOMB's –0.80% for FY2025 and the Planning Board's +1.2% for the same period is itself a signal. These institutions are not reading the same economy.

The Economic Activity Index: The Real-Time Verdict

If the Planning Board and FOMB offer the forecast view, the Puerto Rico Economic Activity Index provides the real-time verdict. It is the most unambiguous signal of the three. The EAI's monthly trajectory over the past two years reads as a textbook illustration of a false dawn.

After 13 consecutive months of year-over-year contraction—a period that stretched from early 2024 through September 2025—the EAI finally returned to positive territory in October 2025 (+0.1%). It strengthened modestly through November (+0.2%), December (+0.3%), and January 2026 (+0.3%). For a brief moment, the data suggested that the worst was behind Puerto Rico's domestic economy. That moment did not last. February 2026 brought a return to negative territory (–0.6%). March deepened the contraction to –0.9%—the sharpest monthly decline since the 2024 contraction cycle. April moderated only slightly to –0.7%. The Island is now in its third consecutive month of EAI contraction, with the fiscal year 2026 average tracking at 127.7—below FY2025's 128.0 and well below the FY2024 peak of 128.7.

“The EAI's false dawn—four months of fragile positive readings followed by a return to contraction—is the most candid signal available about the true state of Puerto Rico's domestic economy”.

The fiscal-year bar chart reinforces the concern. After the COVID and earthquake contraction of FY2020 (117.8) and the strong reconstruction recovery through FY2024 (128.7), the index has plateaued and begun to slip. FY2025's 128.0 and FY2026's partial-year 127.7 suggest that the reconstruction dividend is exhausting itself—and that the domestic economy has not yet developed the organic momentum to sustain growth independently of federal transfer payments and reconstruction capital.

The Asymmetry at the Heart of Puerto Rico's Economy

What makes these three forecasts particularly significant is the context in which they arrive. Puerto Rico's manufacturing sector is experiencing one of the most powerful FDI investment cycles in its history—\$2.5 billion in confirmed investments, a Manufacturing PMI of 56.1 in March 2026, and a banking sector posting record earnings. The Birling Capital Puerto Rico Stock Index closed the week at 4,308.30, and the banking sector is a structural beneficiary of the higher-for-longer rate environment.

Yet none of that sectoral strength is translating into broad domestic economic expansion. Auto sales are down 21.9% year-to-date in 2026. Retail growth decelerated from +15.2% in FY2024 to +2.3% in 2025, then turned negative in January 2026. The Consumer Confidence Index stands at 91—down 4 points from 2024—with 86% of consumers believing the economy is in recession. And 60.6% of business leaders share that assessment, even as 6 in 10 anticipate sales growth in the next six months—a contradiction that speaks not to optimism, but to the selective, uneven nature of opportunity on the Island.

The top business challenges tell their own story: energy costs at 45.8%, tax burden at 44.4%, and the general economy at 42.6%. And the tariff environment compounds the effects: 63.2% of firms report being negatively affected by President Trump's tariff policy, with 36.6% citing direct cost increases. For an island economy that imports the vast majority of its consumption goods, tariffs are not an abstract trade policy debate—they are a direct tax on everyday commerce.

The strategic conclusion is uncomfortable but inescapable: **Puerto Rico's headline manufacturing strength is masking a domestic economy under sustained pressure.** The three institutional forecasts—Planning Board, FOMB, and EAI—do not contradict each other. They are each capturing a different dimension of the same structural reality: an economy with world-class export sectors and a fragile domestic foundation, navigating a global environment that is becoming simultaneously more inflationary, more geopolitically volatile, and less forgiving of institutional weakness.

For investors, policymakers, and business leaders, the question is not whether Puerto Rico's manufacturing sector will continue to attract capital—it will. The question is whether the Island's government will use the window created by that investment wave to address the structural conditions—energy costs, tax burden, institutional coherence, and the DDEC governance crisis—that are preventing manufacturing strength from translating into broad economic wellbeing. The data says the window is narrowing. The forecasts say it may not reopen.

The Final Word: Our Strategic Perspective

The week of June 1–5, 2026, was not simply a market correction. It was a recalibration — a moment in which four trading sessions stripped away the comfortable assumptions that had carried equities to record highs and forced investors to confront a harder reality: strong growth, persistent inflation, an unresolved war, and a Federal Reserve with no political or economic cover to cut rates. The bull market is not over. But it has changed its terms.

For investors, the strategic implications are clear and durable. Technology and semiconductor valuations remain hostage to yield-driven multiple compression every time strong economic data extinguishes rate-cut expectations. That dynamic will not resolve until inflation falls sustainably toward 2% — and with oil at \$92–\$96, CPI at 3.8%, and a labor market adding 172,000 jobs in a single month, that moment is not imminent. Position accordingly.

The financial sector told a different story this week — and it is one worth internalizing. The Birling Capital U.S. Bank Index gained +3.95% in a week when the Nasdaq lost 4.18%. That is not a coincidence. That is the market correctly repricing the structural advantage that higher-for-longer rates confer on institutions with strong deposit franchises, disciplined credit books, and expanding net interest margins. Puerto Rico's banking sector — BPOP, FBP, OFG — sits squarely in that camp.

But the most important message of this week may not be the one Wall Street is debating. It is the one embedded in three quiet institutional forecasts from San Juan. The Puerto Rico Planning Board, the FOMB, and the Economic Activity Index are not issuing alarms. They are doing something more insidious — they are projecting mediocrity. Growth rates of +0.4% and +0.3%. A fiscal year contraction of -0.80%. Three consecutive months of EAI decline after a false dawn. These are not the numbers of an economy capitalizing on a \$2.5 billion investment wave. They are the numbers of an economy that has not yet built the structural foundation to convert sectoral strength into broad prosperity.

Puerto Rico stands at a crossroads that does not announce itself loudly. There is no crisis headline, no Moody's downgrade, no fiscal emergency. There is simply a slow, data-confirmed drift toward irrelevance — offset, for now, by the extraordinary performance of a manufacturing sector that the rest of the world is paying attention to even when the Island's own government is not. The investment wave will not wait indefinitely for governance to catch up.

The market's verdict on this week is clear. The verdict on Puerto Rico's next chapter has not yet been written — but the forecasts are already sketching the outline. The question is whether those in a position to change it are paying attention.

“For Puerto Rico's banking sector, the week was a validation. For the Island's policymakers, it is a reminder: investor confidence is not self-sustaining. It must be earned—week by week, decision by decision, institution by institution”.



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