

Reframing the Rally: Markets Advance as Oil Retreats on Ceasefire Signals, Setting a Constructive Start to Q2

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The U.S. and European stock markets opened the new month and quarter with renewed momentum, as equities extended their rally while oil prices pulled back—reflecting a growing market conviction that the U.S.-Iran conflict may be approaching a near-term inflection point. The shift in tone marks a notable repricing of geopolitical risk, with investors increasingly positioning for de-escalation while remaining mindful of residual volatility.

Comments from Donald Trump reinforced this evolving narrative. The President indicated that Iran had signaled interest in a ceasefire, while reiterating that any U.S. response would be contingent on the reopening and stabilization of the Strait of Hormuz. This followed prior guidance suggesting a potential withdrawal of U.S. forces within a two- to three-week timeframe. Markets are now actively discounting a scenario in which escalation risks begin to recede, even in the absence of a fully formalized agreement.

Energy markets responded accordingly. West Texas Intermediate crude oil declined 1.24% to settle near \$100.12 per barrel, while Brent crude oil fell 2.7% to approximately \$101.16, signaling a partial unwinding of the geopolitical risk premium embedded over recent weeks.

U.S. Markets

U.S. equities advanced in a coordinated move, supported by declining energy prices and improving sentiment around geopolitical outcomes.

The S&P 500 rose 0.72% to close at 6,575.32, while the Nasdaq Composite outperformed with a 1.16% gain, ending at 21,840.95. The Dow Jones Industrial Average added 224.23 points, or 0.48%, to close at 46,565.74.

The rally builds on the prior session's surge, which marked the strongest advance since May 2025, underscoring the speed with which sentiment has shifted from risk aversion to tactical re-engagement. Markets are effectively pricing in a narrowing distribution of downside scenarios tied to prolonged conflict, while simultaneously acknowledging that a definitive resolution has yet to materialize.

From a cross-asset perspective, the decline in oil prices has provided immediate relief to inflation expectations and, by extension, to equity valuations—particularly within rate-sensitive and growth-oriented segments of the market. Technology shares led the advance, reflecting both lower discount rate pressures and a renewed appetite for duration.

However, the forward path remains conditional. While reports suggest that Iran's leadership may be open to negotiations under specific guarantees, confirmation remains limited. As a result, markets are likely to remain headline-driven in the near term, with volatility persisting until a clear "all-clear" signal emerges.

Attention now turns to the President's scheduled national address, which is expected to provide further clarity on strategic direction. Until then, the current rally should be understood as a recalibration of expectations—not a full resolution of risk.

European Markets

European equities staged a decisive rebound to open the new month, recovering sharply from their worst monthly performance since 2022 as geopolitical rhetoric shifted toward potential de-escalation.

The Stoxx Europe 600 advanced approximately 2.3% in midday trading, with gains broadly distributed across sectors and geographies. Major benchmarks followed suit: the FTSE 100 rose 1.9%, Germany's DAX gained 2.4%, and France's CAC 40 added 1.9%. Notably, the rally was broad-based, with the exception of energy stocks, which lagged amid a modest pullback in crude prices.

The move reflects a rapid repricing of geopolitical risk following comments from Donald Trump indicating that U.S. involvement in the Iran conflict could conclude within weeks, regardless of a formal agreement. Markets interpreted the statement as a signal that the probability of prolonged disruption—particularly to global energy flows—may be receding at the margin.

In commodities, Brent crude oil traded modestly lower near \$103.8 per barrel, while West Texas Intermediate crude oil hovered just above \$101, reflecting a partial easing in the geopolitical risk premium. The divergence between oil stabilization and equity strength underscores a broader shift toward risk re-engagement across global markets.

From a corporate perspective, dispersion remained evident beneath the index-level rally. Vestas Wind Systems gained attention after securing new U.S. and U.K. orders, reinforcing momentum in renewable energy investment cycles. Conversely, Rightmove declined sharply following news of a £1.5 billion class action lawsuit, highlighting ongoing regulatory and pricing scrutiny within digital platforms. Meanwhile, Frankfurt-listed shares of Nike moved lower in sympathy with U.S. trading after the company signaled continued sales pressure, particularly tied to weakness in China.

Looking ahead, investors remain focused on incoming eurozone labor market data, which will provide further clarity on regional economic resilience amid external shocks. For now, the sharp rebound suggests that European markets are highly responsive to shifts in geopolitical expectations—but remain equally sensitive to energy dynamics and macro data flow.

Quarter in Review: Volatility, Rotation, and the Case for Diversification

The first quarter of 2026 will be remembered as a period of elevated volatility driven by geopolitical escalation and a sharp repricing of energy risk. Major indices ended the quarter lower, interrupting a multi-quarter streak of gains and underscoring the fragility of sentiment in a headline-driven environment.

Yet beneath the surface, the market told a more nuanced story.

Breadth improved even as headline indices declined. The equal-weight S&P 500 finished the quarter in positive territory, alongside gains in small- and mid-cap equities. International markets demonstrated relative resilience, with emerging markets closing the period broadly flat.

Sector dynamics further highlighted the transition underway. Leadership rotated decisively toward energy and materials, while mega-cap technology stocks—long the dominant force—faced pressure amid valuation recalibration and shifting rate expectations. Financial and consumer discretionary sectors lagged, reflecting sensitivity to both interest rates and consumer sentiment.

At a structural level, the quarter reinforced the value of diversification. Portfolios with broader exposure across market capitalizations, geographies, and sectors were better positioned to absorb volatility and capture pockets of relative strength.

Strategic Outlook: Repricing Risk, Not Resolving It

As the second quarter begins, markets are not signaling the end of uncertainty—but rather a repricing of its probability distribution.

The current rally reflects a partial unwinding of worst-case geopolitical scenarios, not a full resolution. Oil remains elevated, supply chains are still constrained, and policy clarity is pending. At the same time, the U.S. economy continues to demonstrate resilience, supported by consumption, employment, and steady earnings expectations.

In this environment, the investment framework remains clear: Volatility is likely to persist, leadership may continue to rotate, and diversification will remain a critical tool—not just for risk management, but for opportunity capture. Markets are adjusting. The signal is improving. But the landscape remains conditional.

GDPNow Update:

- The GDPNow for the first quarter of 2026 was updated, falling to 1.90% from 2.00%, a 5% decrease.

Economic Data:

- **ADP Employment Change:** fell to 62,000, down from 66,000 last month, a change of -6.06%.
- **ADP Median Pay YoY:** is unchanged at 4.50%, compared to 4.50% last month.
- **US Retail and Food Services Sales MoM:** rose to 0.60%, compared to -0.10% last month.
- **US ISM Manufacturing PMI:** rose to 52.70, up from 52.40 last month.
- **US Business Inventories MoM:** fell -0.06%, compared to -0.01% last month.
- **US Wholesalers Inventories MoM:** fell -0.55%, compared to -0.15% last month.
- **Eurozone Unemployment Rate:** fell to 6.20%, compared to 6.30% last month.

Eurozone Summary:

- **Stoxx 600:** closed at 597.69, up 14.55 points or 2.50%.
- **FTSE 100:** closed at 10,364.79, up 188.34 points or 1.85%.
- **DAX Index:** closed at 23,298.89, up 618.85 points or 2.73%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 46,565.74, up 224.23 points or 0.48%.
- **S&P 500:** closed at 6,575.32, up 46.80 points or 0.72%.
- **Nasdaq Composite:** closed at 21,840.95, up 250.31 points or 1.16%.
- **Birling Capital Puerto Rico Stock Index:** closed at 4,055.49, up 85.93 points or 2.16%.
- **Birling Capital U.S. Bank Index:** closed at 8,459.45, up 337.97 Points or 4.16%
- **U.S. Treasury 10-year note:** closed at 4.33%.
- **U.S. Treasury 2-year note:** closed at 3.81%.

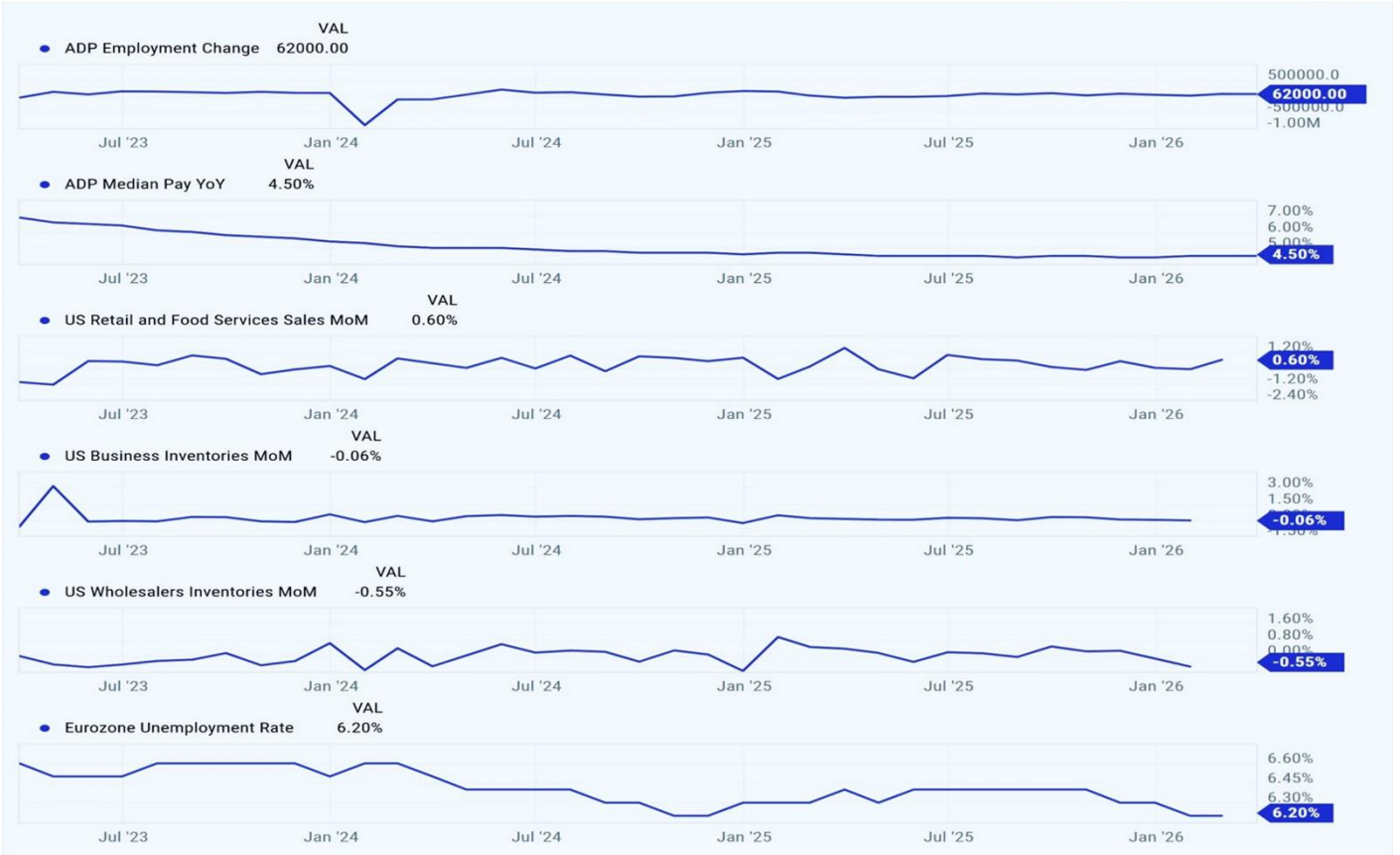
1Q2026



US ISM Manufacturing PMI; US ISM Manufacturing New Orders Index; US ISM Manufacturing Employment Index & US ISM Manufacturing Prices Paid Index



ADP Employment Change; ADP Median Pay YoY; US Retail and Food Services Sales MoM; US Business Inventories MoM; US Wholesalers Inventories MoM & Eurozone Unemployment Rate





Wall Street Recap

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