

# Relief Meets Resistance: Markets Advance as Ceasefire Holds, CPI Hits 2-Year High, and Growth Expectations Slide

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**The U.S. and European stock markets closed mixed, capping a week defined by diverging signals across asset classes as investors balanced easing geopolitical tensions with rising inflation and weakening growth expectations.** In the United States, the Nasdaq advanced 0.35%, supported by continued strength in technology and AI-linked sectors, while the Dow Jones Industrial Average declined 0.56% and the S&P 500 finished slightly lower, underscoring a market increasingly driven by selective leadership rather than broad participation. In Europe, gains were more measured, with the Stoxx 600 rising 0.35% while major indices finished essentially flat. Against this backdrop, U.S. inflation reached a two-year high, and the **Federal Reserve Bank of Atlanta continues to signal a sharp deterioration in economic momentum, with its estimate declining 58% from its February estimate.** Together, these forces underscore market advancing on geopolitical relief but increasingly constrained by inflation pressures and weakening growth.

The tone of the session reflected cautious optimism. Preparations for high-level talks this weekend have reinforced expectations that the two-week ceasefire could serve as a bridge toward broader de-escalation. This has allowed risk assets to grind higher, even as underlying fragility persists. Energy markets continue to anchor the narrative. WTI crude hovered near \$98 per barrel, modestly higher on the day but still reflecting a significant weekly retracement of roughly 11%, underscoring how quickly the geopolitical risk premium can compress when escalation fears recede. The moderation in oil has been a key stabilizing force across asset classes, particularly for equities and fixed income.

Inflation data provided additional, and arguably more durable, support. The latest CPI release confirmed that the initial shock from energy prices has flowed through to headline inflation, which accelerated to 3.3% year-over-year, driven by a sharp surge in gasoline prices. However, the more policy-relevant core measures told a different story. Core inflation rose a more contained 2.6%, while the supercore services component decelerated to its slowest pace in eight months. This divergence is critical. It suggests that while energy remains a volatile exogenous input, underlying inflationary pressures—particularly those tied to labor-intensive services—are not re-accelerating. In market terms, this reduces the probability of additional restrictive action from the Federal Reserve and reopens the path toward rate normalization in the second half of the year, contingent on continued stabilization in energy markets.

## **U.S. Markets: Divergence Emerges as Growth Leads While Cyclical Lag**

**U.S. equities closed mixed, highlighting an increasingly fragmented market structure in which leadership remains concentrated** in growth-oriented sectors while cyclicals face renewed pressure. The Nasdaq Composite gained 0.35%, extending its outperformance as investors continued to favor technology and AI-linked names, while the Dow Jones Industrial Average declined 0.56%, reflecting weakness in industrial and economically sensitive components. The S&P 500 edged lower by 0.11%, reinforcing the absence of broad-based participation.

The session's internal dynamics point to a barbell positioning framework. Mega-cap technology and semiconductors continue to benefit from strong earnings visibility and structural demand tied to AI investment cycles, while financials provided an additional layer of support, with the Birling Capital U.S. Bank Index rising 1.02%. In contrast, traditional cyclicals and industrials lagged, signaling growing sensitivity to slowing macro momentum.

This divergence is consistent with a market recalibrating around competing force. On one side, easing geopolitical tensions and resilient earnings expectations support risk appetite. On the other, the combination of \*\*elevated inflation and deteriorating growth expectations—highlighted by the continued decline in GDPNow—\*\*is beginning to weigh on sectors most exposed to economic cyclicality.

Treasury yields were broadly stable, with the 10-year note closing near 4.31% and the 2-year at 3.81%, suggesting that bond markets are not yet pricing a sharp growth slowdown, even as forward indicators weaken.

### European Markets: Relief Extends as Geopolitical Crosscurrents Reprice Risk

European equities closed higher, sustaining the week's recovery as investors balanced improving diplomatic signals against the still-fragile geopolitical framework. The pan-European Stoxx 600 advanced approximately 0.6%, with gains broad-based across sectors and all major bourses finishing in positive territory—an indication that risk appetite continues to rebuild, albeit cautiously.

The session was defined by a notable rotation away from defense-linked equities, reflecting a partial unwinding of the geopolitical risk premium that had previously driven the sector higher. Shares of Rheinmetall declined sharply, alongside Renk Group and Hensoldt, as investor positioning adjusted to the possibility—however preliminary—of de-escalation in Eastern Europe. Similarly, Saab AB and BAE Systems traded lower, underscoring the sensitivity of defense valuations to incremental shifts in geopolitical expectations.

At the core of the move was a shift in narrative. Signals from Ukrainian leadership suggesting that negotiations with Russia may be approaching a potential framework for resolution introduced a new variable into market pricing. While far from definitive, the prospect of progress added to an already evolving backdrop shaped by the U.S.–Iran ceasefire and broader Middle East diplomacy.

However, the geopolitical picture remains complex and, at times, contradictory. Developments in the Middle East—including Israel's stated willingness to engage in negotiations with Lebanon, contrasted with Iranian accusations of ceasefire violations—highlight that de-escalation is uneven and regionally fragmented, limiting the extent to which markets can fully price in stability.

Macro data reinforced the market's cautious tone. Germany's inflation rate accelerated to 2.8% in March, with energy costs once again acting as the primary driver. The persistence of energy-led inflation underscores Europe's structural sensitivity to external supply shocks, even as crude prices have recently moderated. This dynamic keeps the European Central Bank in a delicate position, balancing slowing underlying inflation against renewed commodity-driven pressures.

Global context also provided support. Strength across Asian markets—led by gains in Japan and South Korea—contributed to the constructive tone in Europe. Notably, Japan's decision to release strategic oil reserves signals a coordinated effort among major economies to mitigate energy volatility, reinforcing a broader narrative of stabilization.

### Prices Are Much Higher Since Trump Took Office

**Overall inflation has barely moved since Trump's inauguration — 3.0% in January 2025, 3.3% in March 2026 — but that stability masks sharply divergent trends beneath the surface.**

Energy is the clearest pressure point. Gasoline, essentially flat at the inauguration, is now up 18.9% year-over-year, with a cumulative price increase of 12.7% since January 2025, driven largely by supply disruptions in the Strait of Hormuz. Airline fares have followed a similar arc, surging from near zero to +14.9% and adding 11.3% to ticket costs over the period.

Food tells a more mixed story. Overall grocery inflation is unchanged, but the composition has

shifted. Meats, poultry, fish, and eggs — running hot at +6.1% at inauguration — have turned deflationary at -0.9%. Fruits, vegetables, and beverages, however, have accelerated. Core inflation — excluding food and energy — has actually improved. The rate has decelerated from 3.3% to 2.6%. Shelter has cooled from 4.4% to 2.6%, motor vehicle insurance has collapsed from +11.8% to +0.8% and used car prices have turned negative. These are genuine disinflationary gains. **The bottom line: energy and travel are meaningfully more expensive than at the inauguration. Core goods and shelter have cooled. But with cumulative all-items prices up 4.1% since January 2025, households are paying more — even if the headline rate has barely budged.**

### Strategic View

Markets are transitioning from a purely headline-driven environment to a more balanced framework in which geopolitics, inflation, and earnings jointly shape investor behavior. The current advance reflects a selective market that, to some extent, masks underlying macro deterioration—supported by tangible easing in worst-case geopolitical scenarios, but not yet fully underwritten by durable, long-term certainty.

The next phase will depend on confirmation:

- Whether diplomatic efforts translate into sustained de-escalation
- Whether energy prices continue to normalize
- Whether earnings deliver on elevated expectations

Until then, the market remains in a state of measured optimism—supported, but not secured.

### GDPNow Update:

- **The Atlanta Fed's GDPNow model was updated on April 9 and remained unchanged at 1.30%, yet the cumulative damage is stark — a 1.80 percentage point collapse, or 58.1%, from its initial 3.10% forecast on February 20, reflecting a dramatic and accelerating deterioration in economic momentum over the past seven weeks.** What began as a modest downward drift in late February has turned into a near-freefall, with four consecutive downward revisions through April alone.

### Economic Data:

- **US Consumer Price Index YoY:** rose to 3.30%, up from 2.40% last month.
- **US Core Consumer Price Index YoY:** rose to 2.60%, up from 2.50% last month.
- **US Inflation Rate:** rose to 3.30%, compared to 2.40% last month.
- **US Index of Consumer Sentiment:** fell to 53.30, down from 56.60 last month.
- **Canada Employment Net Change** rose to 14,100, up from -83,900 last month.
- **Canada Unemployment Rate:** is unchanged at 6.70%, compared to 6.70% last month.
- **Canada Labour Force Participation Rate:** is unchanged at 64.90%, compared to 64.90% last month.

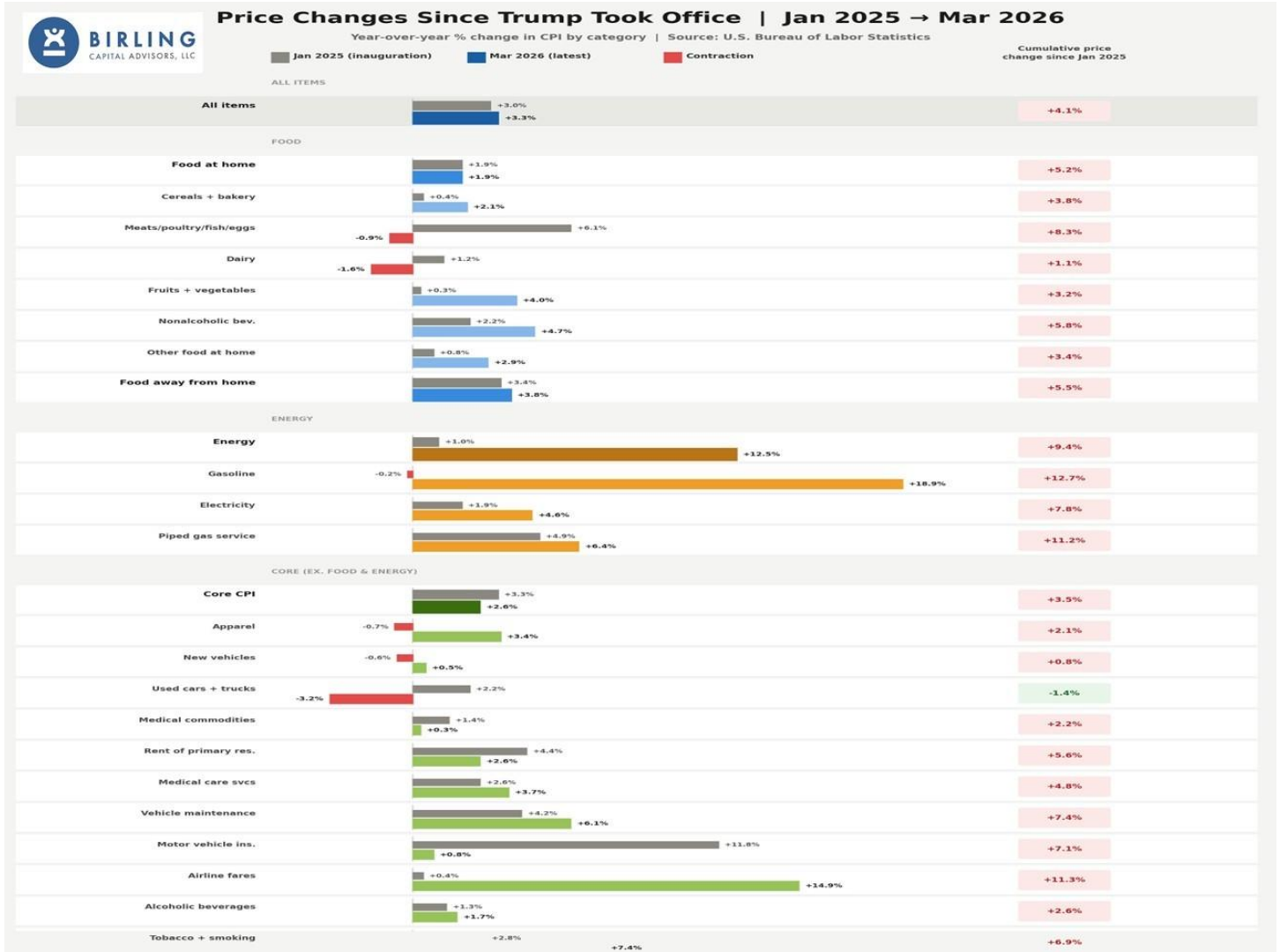
### Eurozone Summary:

- **Stoxx 600:** closed at 614.84, up 2.25 points or 0.35%.
- **FTSE 100:** closed at 10,600.53, down 2.95 points or 0.03%.
- **DAX Index:** closed at 23,803.95, down 3.04 points or 0.01%.

### Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 47,916.33, down 269.47 points or 0.56%
- **S&P 500:** closed at 6,816.89, down 7.77 points or 0.11%.

- **Nasdaq Composite:** closed at 22,902.89, up 80.47 points or 0.35%.
- **Birling Capital Puerto Rico Stock Index:** closed at 4,314.86, up 49.49 points or 1.16%.
- **Birling Capital U.S. Bank Index:** closed at 9,128.29, up 92.19 Points or 1.02%
- **U.S. Treasury 10-year note:** closed at 4.31%.
- **U.S. Treasury 2-year note:** closed at 3.81%.





# GDPNow First Quarter 2026

## GDPNow 1Q26 — Real-Time GDP Tracker

Atlanta Fed GDPNow estimates | Feb 20 - Apr 9, 2026 | Birling Capital Advisors, LLC

Latest Estimate  
**1.30%**  
Apr 9, 2026

Initial Forecast  
**3.10%**  
Feb 20, 2026

Total Decline  
**-1.80 pp**  
-58.1% from peak



Date	GDPNow	Change
2/20/26	3.10%	Initial
2/24/26	3.10%	0.00%
2/27/26	3.10%	0.00%
3/2/26	3.00%	-3.23%
3/6/26	2.10%	-30.00%
3/12/26	2.70%	+28.57%
3/12/26	2.70%	0.00%
3/19/26	2.30%	-14.81%
3/23/26	2.00%	-13.04%
4/1/26	1.90%	-5.00%
4/2/26	1.60%	-15.79%
4/7/26	1.30%	-18.75%
4/9/26	1.30%	0.00%

Source: Federal Reserve Bank of Atlanta — GDPNow Model | Birling Capital Advisors, LLC | April 2026  
This chart is for informational purposes only and does not constitute investment advice.

# U.S. Index of Consumer Sentiment 2025 to YTD 2026

## U.S. Index of Consumer Sentiment

University of Michigan Surveys of Consumers · January 2025 – March 2026

Latest (Mar 2026)

Peak (Jan 2025)

Change vs. Peak

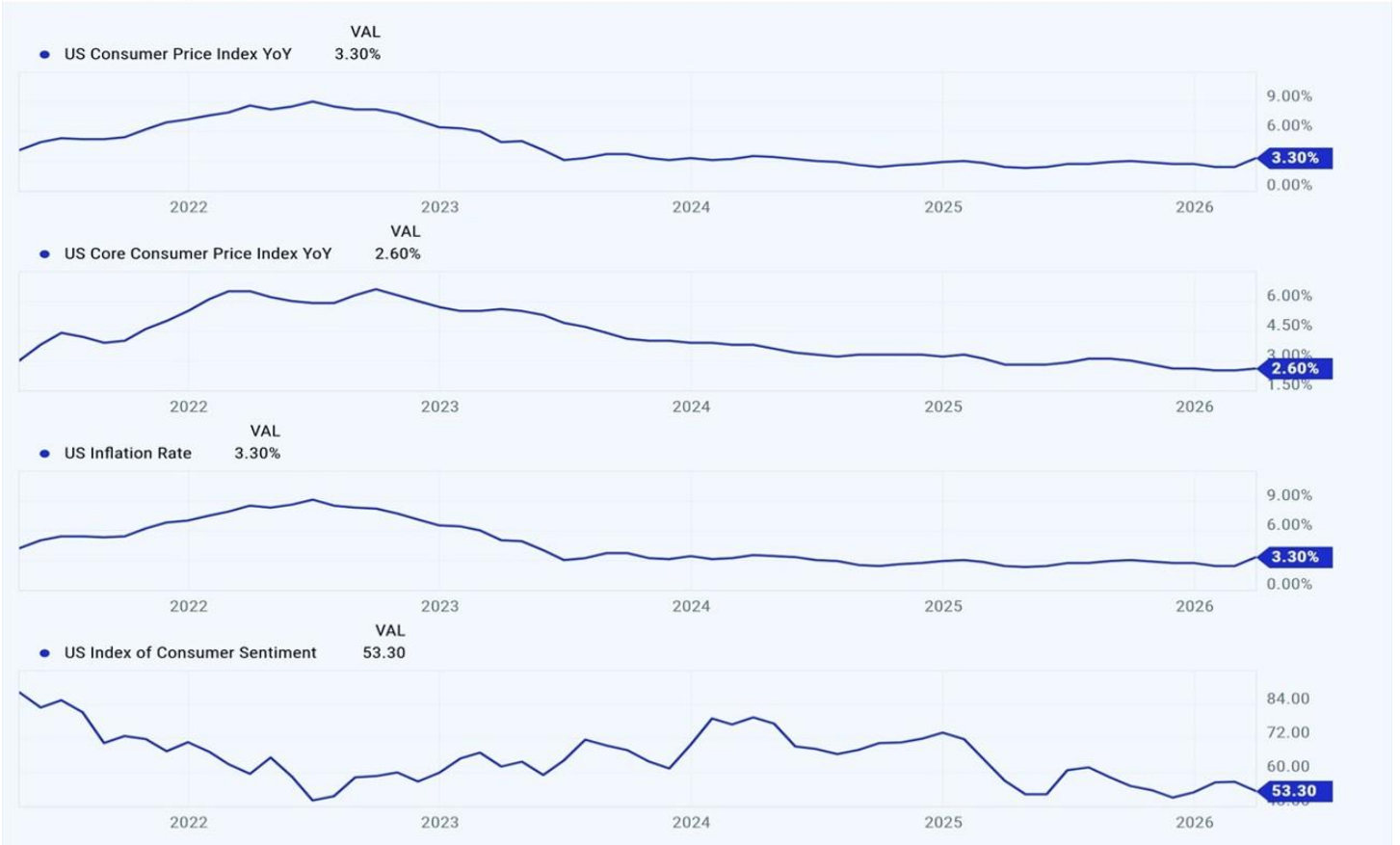
**71.7**

**▼ 18.4**



Birling Capital Advisors, LLC · San Juan, Puerto Rico

# US Consumer Price Index, US Core CPI, US Inflation Rate & US Index of Consumer Sentiment



# Canada Employment Net Change, Canada Unemployment Rate & Canada Labour Participation Rate



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