Markets in Turmoil as Oil Surges to $113 After Trump Address Signals Prolonged Iran Conflict, Europe Turns Volatile

April 2, 2026

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The U.S. and European stock markets closed under renewed pressure ending the session mixed, as optimism for a swift de-escalation in Iran gave way to a more uncertain and potentially prolonged conflict trajectory. Investor sentiment shifted decisively following President Trump's address, which failed to provide a clear diplomatic off-ramp and instead reinforced the risk of continued military engagement.

Energy markets have become the central driver of the macro narrative. WTI crude surged to approximately $113 per barrel, as concerns intensified over sustained disruptions through the Strait of Hormuz—one of the world's most critical oil transit corridors. What had initially been interpreted as a temporary supply shock is now being repriced as a more persistent risk, with potential spillover into inflation expectations and global growth dynamics.

The cross-asset response has been swift and coordinated. Equities are trading lower, sovereign yields are drifting higher globally, and the U.S. dollar is strengthening as capital rotates toward safety and liquidity. U.S. Treasuries have shown relative stability, supported by the Federal Reserve's current posture, which signals limited willingness to tighten policy in response to an energy-driven shock. Donald Trump struck a firm and combative tone in his national address, but stopped short of outlining a credible path to de-escalation. While references were made to ongoing discussions with Iranian leadership, the lack of specificity—and the indication that military operations may continue or intensify—has introduced renewed uncertainty around the duration of the conflict.

U.S. Markets

U.S. equities closed mixed following a volatile session that underscored the market's sensitivity to shifting geopolitical signals and energy price dynamics. Early risk-off sentiment—driven by renewed concerns that the U.S.-Iran conflict could extend for several weeks—gave way to a sharp intraday recovery as investors reacted to tentative signs of coordination around maritime stability.

The Dow Jones Industrial Average declined 60.89 points, or 0.13%, to finish at 46,504.67. In contrast, the S&P 500 edged higher by 0.11% to 6,582.69, while the Nasdaq Composite gained 0.18% to close at 21,879.18.

The session was defined by extreme intraday dispersion. At their lows, equities were under significant pressure, with the Dow down more than 600 points and the S&P 500 and Nasdaq falling as much as 1.5% and 2.2%, respectively. However, markets staged a notable reversal after reports indicated that Iran, in coordination with Oman, is exploring mechanisms to monitor vessel traffic through the Strait of Hormuz—a critical artery for global trade and energy flows.

This development introduced a tactical relief bid, as investors recalibrated the probability of sustained disruption to key supply routes. The reaction highlights the degree to which market direction is being dictated not only by the trajectory of the conflict itself, but by the operational status of strategic infrastructure.

Beyond oil, attention is increasingly turning to less visible but equally critical supply chains. The Strait of

Hormuz is also a transit point for helium, a resource essential to semiconductor manufacturing and advanced industrial processes. Constraints in this channel introduce a second-order risk to technology supply chains, reinforcing the complexity of the current macro environment.
Despite the late-session recovery, the broader message remains intact: markets are trading in a headline-driven regime, with elevated intraday volatility likely to persist. As the long weekend approaches, positioning is expected to remain cautious, with investors balancing tactical opportunities against the absence of a definitive geopolitical resolution.

European Markets

European equities closed mixed with pronounced volatility, initially selling off sharply before staging a partial recovery as investors recalibrated expectations around the trajectory of the U.S.-Iran conflict. The intraday reversal underscores a market struggling to price both the intensity and duration of the geopolitical shock.
The pan-European STOXX 600 closed lower, down 0.18%, recovering from deeper losses earlier in the session. The move reflects a tentative stabilization rather than a decisive shift in sentiment.
Regional performance diverged meaningfully. **Germany's DAX underperformed,** declining 0.56%, as its industrial and export-heavy composition remains particularly exposed to global growth risks and energy cost pressures. In contrast, **the FTSE 100 advanced 0.69%**, supported by its heavier weighting in energy and commodity-linked names, which continue to benefit from the surge in oil prices.
Donald Trump added to the market's uncertainty by signaling that the conflict could last another 2 to 3 weeks, with indications of continued, potentially intensified military action. This guidance has reinforced duration risk, particularly for European markets, where elevated energy prices pose a more immediate and structural challenge to growth.
The broader implication is a market caught between short-term technical recovery and unresolved macro risks, with volatility likely to persist as investors respond to incremental developments in both energy markets and geopolitics.

Economic Data Watch

Attention now turns to the upcoming U.S. nonfarm payrolls report, which will provide an important early signal of the labor market's resilience amid rising energy costs and geopolitical uncertainty. February's reported decline of 90,000 jobs appears to have been influenced by temporary factors, including strike activity and seasonal distortions. For March, consensus expectations point to a rebound of approximately 75,000 jobs, supported by low initial unemployment claims, modest improvement in private-sector hiring, and generally stable labor market indicators.
However, the forward risk profile is shifting. Sustained increases in energy prices could begin to weigh on corporate hiring decisions and broader economic activity. While any deterioration in labor conditions would likely emerge with a lag, a prolonged oil shock would increase the probability of a more meaningful slowdown in employment trends.

Policy & Market Outlook

The market narrative is transitioning from a short-duration geopolitical shock to a scenario increasingly defined by duration risk and second-order effects. Energy remains the primary transmission channel, feeding directly into inflation expectations and indirectly into growth concerns.
At the same time, policy remains a critical stabilizing force. The Federal Reserve's current posture suggests a willingness to tolerate an energy-driven inflation impulse, at least in the near term, reducing the likelihood of an immediate tightening response. This dynamic is helping to anchor U.S. rates even as global markets adjust.
Looking ahead, market direction will be driven by three key variables: the trajectory of oil prices, the evolution of geopolitical developments, and incoming macroeconomic data—particularly labor market resilience.

Until greater clarity emerges, markets are likely to remain headline-driven, with elevated volatility and rapid shifts in sentiment defining the near-term landscape.

How Trump's Iran Announcements Moved the Indices

Over the past sixty days, Wall Street has functioned less like a financial market and more like a real-time referendum on Donald Trump's words. Every statement out of the White House — every Truth Social post, every primetime address, every ultimatum — has sent the Dow, S&P 500, and Nasdaq lurching in one direction or another, sometimes within minutes. The pattern is now unmistakable: in the Iran war, the president's rhetoric is the market signal.

The Peak That Preceded Everything

On February 10, 2026, the Dow Jones Industrial Average closed above 50,000 for the first time in its history. The S&P 500 had already set its own record in late January. Markets were operating in what strategists called a "Goldilocks" environment — cooling inflation, robust AI-driven earnings, and the expectation of Federal Reserve rate cuts. The threats Trump had been making toward Iran since January — the "locked and loaded" post on January 2nd, the deployment of a naval "armada" on January 23rd — were being absorbed as noise. Investors had seen this movie before.

They were wrong.

The Shock of Operation Epic Fury

On February 28, Trump ordered Operation Epic Fury. U.S. and Israeli forces launched a coordinated assault on Iran, killing Supreme Leader Khamenei within hours. The initial market reaction was surprisingly contained — the Dow briefly plunged 1,200 points at the open but recovered to close down just 400. Investors had been watching the military buildup for weeks and had partially factored the strike into their valuations. What they had not priced in was what came next.

By March 3rd, Iran had closed the Strait of Hormuz, effectively removing approximately 20% of the world's daily oil and LNG supply from global markets in a single move. Brent crude surged past $85 a barrel — and kept climbing. The Dow fell another 785 points on March 5th. Oil jumped 8.5% in a single session, its largest one-day gain since May 2020. The energy shock was no longer theoretical. It was at the pump, in supply chains, and embedded in every inflation forecast the Federal Reserve was running.

Five Weeks of Whipsaw

What followed was one of the most volatile stretches in recent market memory. By late March, all three major indices were on pace for their worst month in years. The Dow had fallen 10% from its February peak, entering official correction territory. The Nasdaq — more sensitive to interest rate expectations and already facing valuation pressure from AI skepticism — was down more than 12.5% from its October 2025 record. The S&P 500 sat 8.74% below its all-time high, erasing trillions in market capitalization.

The driving mechanism was brutally simple: as oil prices rose, stocks fell. The 10-year Treasury yield climbed toward 4.5% as investors recalibrated for a higher-for-longer interest rate environment driven by energy inflation. The Federal Reserve, which had been expected to cut rates in early 2026, was now paralyzed. Gold — historically the refuge in times like these — paradoxically fell nearly 17% in March, its worst monthly performance since October 2008, as rising yields made yield-free assets less attractive.

The TACO Trade

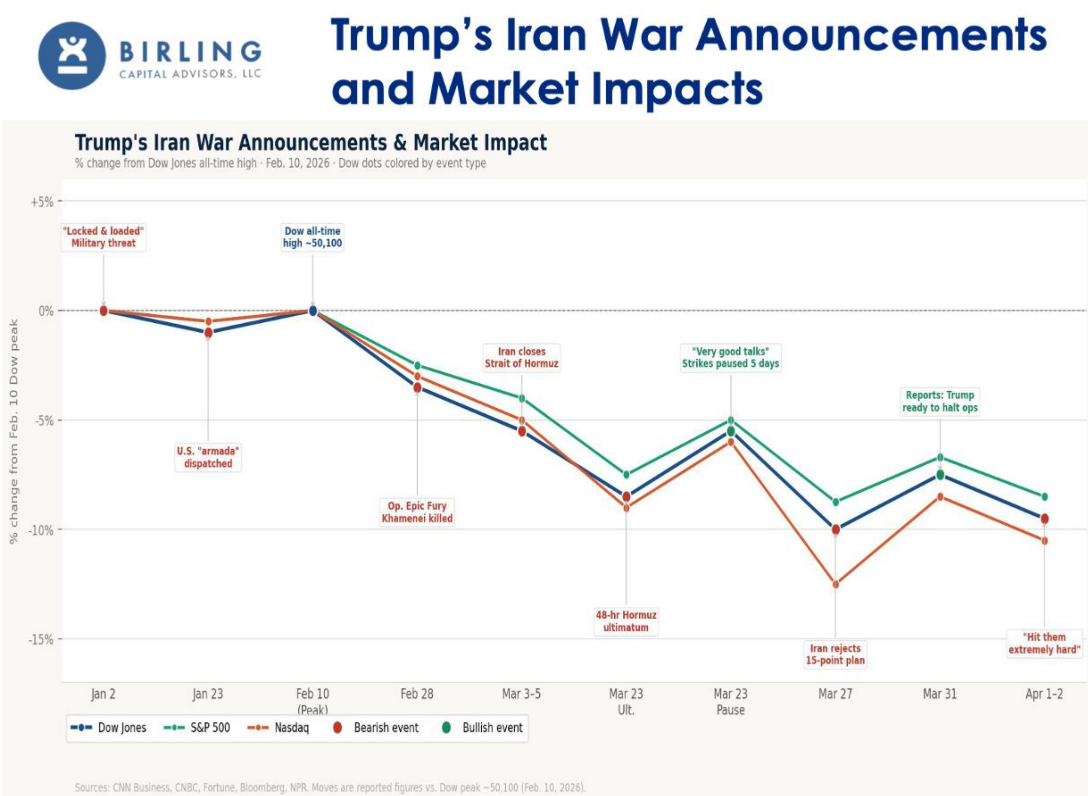
Then came March 23rd — and one of the most extraordinary mornings in modern financial history. At 7:05 a.m. Eastern, before markets opened, Trump posted in all-capital letters on Truth Social that the U.S. and Iran had engaged in **"VERY GOOD AND PRODUCTIVE CONVERSATIONS" toward "A COMPLETE AND TOTAL RESOLUTION" of hostilities**. He ordered the Pentagon to postpone all strikes on

Iranian energy infrastructure for five days. Oil plunged 13% within minutes. S&P 500 futures surged. By the time traders had their coffee, the index had added $1.7 trillion in market capitalization in under an hour.
Then Iran's foreign ministry denied any negotiations had taken place. Half the gains evaporated within the same session.
Wall Street had already coined a term for this dynamic: TACO — Trump Always Chickens Out. The acronym, popularized by the Financial Times, describes the now-familiar pattern of catastrophic threats followed by abrupt reversals before the full economic pain can set in. Investors who bought every dip, confident that Trump's tolerance for market damage had a ceiling, had minted money throughout his trade war the previous year. The Iran war was supposed to be different — you cannot TACO a shooting war the same way you walk back a tariff. But markets kept trading the pattern anyway, because it was the only pattern they had.

The April 1st Address: No Off-Ramp

The March 31st session offered a brief reprieve. Reports that Trump was prepared to halt military operations sent the Dow up 841 points — the single best session since the conflict began. The Nasdaq surged 3.3%. For one afternoon, the "peace dividend" was back.
It lasted less than twenty-four hours.
On the evening of April 1st, Trump addressed the nation in a primetime speech from the White House. Markets had hoped for clarity — a timeline, a framework, a signal that the worst was behind them. Instead, Trump declared that the U.S. would hit Iran "extremely hard over the next two to three weeks" and threatened to destroy the country's power infrastructure if no deal was reached. Deutsche Bank told clients the address "delivered little to nothing new on potential timelines." UBS warned that further escalation risked Iranian counterattacks that could extend the economic damage well beyond any reopening of the Strait. The Dow opened down 600 points the following morning.

What the Chart Tells Us



The line chart for this period reveals something beyond standard geopolitical market analysis. In past conflicts — from the Gulf War to the post-9/11 period to Russia's invasion of Ukraine — markets absorbed the initial shock and then began a slow recovery as the range of uncertainty narrowed. Historically, the S&P 500 has lost an average of just 0.9% in the month following a major geopolitical event and recovered 3.4% over the subsequent six months.

This conflict is different for two reasons. First, the Strait of Hormuz closure is not a peripheral disruption — it is a systemic one, touching every economy that depends on seaborne energy. Second, and more unusually, the primary source of market volatility is not the war itself but the commander-in-chief's narration of it. Trump's statements — made on social media, in press gaggles, in primetime addresses — have become the most powerful short-term price signal in global equities. The market is not trading the war. It is trading Trump's next sentence.

For investors and advisors, this presents a sobering strategic reality. Traditional models of geopolitical risk assume a degree of informational opacity — markets price in what they know and hedge against what they don't. In this environment, the president himself is the information — unpredictable, unfiltered, and capable of moving trillions of dollars with a single Truth Social post at dawn. Until the Strait of Hormuz reopens and a durable ceasefire framework is established, volatility will remain the only certainty the market can count on.

GDPNow Update:

- The GDPNow for the First Quarter of 2026 was **updated on April 2, down to 1.60%** from 1.90%, a 15.79% decrease.

Economic Data:

- **US Initial Claims for Unemployment Insurance:** rose to 210,000, up from 205,000 last week.
- **US 4-Week Moving Average of Initial Claims for Unemployment Insurance:** fell to 210,500, down from 210,750 last week.
- **US Trade Balance on Goods:** fell -84.60B, down from -82.14B last month.
- **30 Year Mortgage Rate:** rose to 6.38%, compared to 6.22% last week.
- **Natural Gas Storage Change:** rose to 36.00B, up from -54.00B last week.

Eurozone Summary:

- **Stoxx 600:** closed at 593.63, down 1.06 points or 0.18%.
- **FTSE 100:** closed at 10,436.29, up 71.50 points or 0.69%.
- **DAX Index:** closed at 23,168.08, down 130.81 points or 0.56%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 46,504.67, down 61.07 points or 0.13%.
- **S&P 500:** closed at 6,582.69, up 7.37 points or 0.11%.
- **Nasdaq Composite:** closed at 21,879.18, up 38.23 points or 0.18%.
- **Birling Capital Puerto Rico Stock Index:** closed at 4,085.65, up 30.17 points or 0.74%.
- **Birling Capital U.S. Bank Index:** closed at 8,558.24, up 98.79 Points or 1.17%
- **U.S. Treasury 10-year note:** closed at 4.31%.
- **U.S. Treasury 2-year note:** closed at 3.79%.

GDPNow First Quarter 2026

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LATEST ESTIMATE

GDPNow Tracker — 1Q 2026

1.60%

Atlanta Fed real GDP growth nowcast (SAAR) · Updated April 2, 2026

April 2, 2026

Initial Forecast	Current Estimate	Total Decline	Largest Single Drop
3.10%	1.60%	−1.50pp	−30.00%
Feb 20, 2026	Apr 2, 2026	From initial	Mar 2 → 6

Nowcast evolution — percentage points (SAAR)

Date	GDPNow 1Q26	Change	Key Driver
2/20/26	3.10%	—	Initial forecast
2/24/26	3.10%	0.00%	Unchanged
2/27/26	3.10%	0.00%	Unchanged
3/2/26	3.00%	−3.23%	Modest softening
3/6/26	2.10%	−30.00%	PCE & investment ↓
3/12/26	2.70%	+28.57%	Mid-quarter rebound
3/12/26	2.70%	0.00%	Unchanged (rounding)
3/19/26	2.30%	−14.81%	Investment ↓, PCE partial
3/23/26	2.00%	−13.04%	Construction spending ↓
4/1/26	1.90%	−5.00%	Retail sales & ISM ↓
4/2/26 ★ NEW	1.60%	−15.79%	Tariff shock & trade drag

Source: Federal Reserve Bank of Atlanta · GDPNow model estimates are not official Fed forecasts

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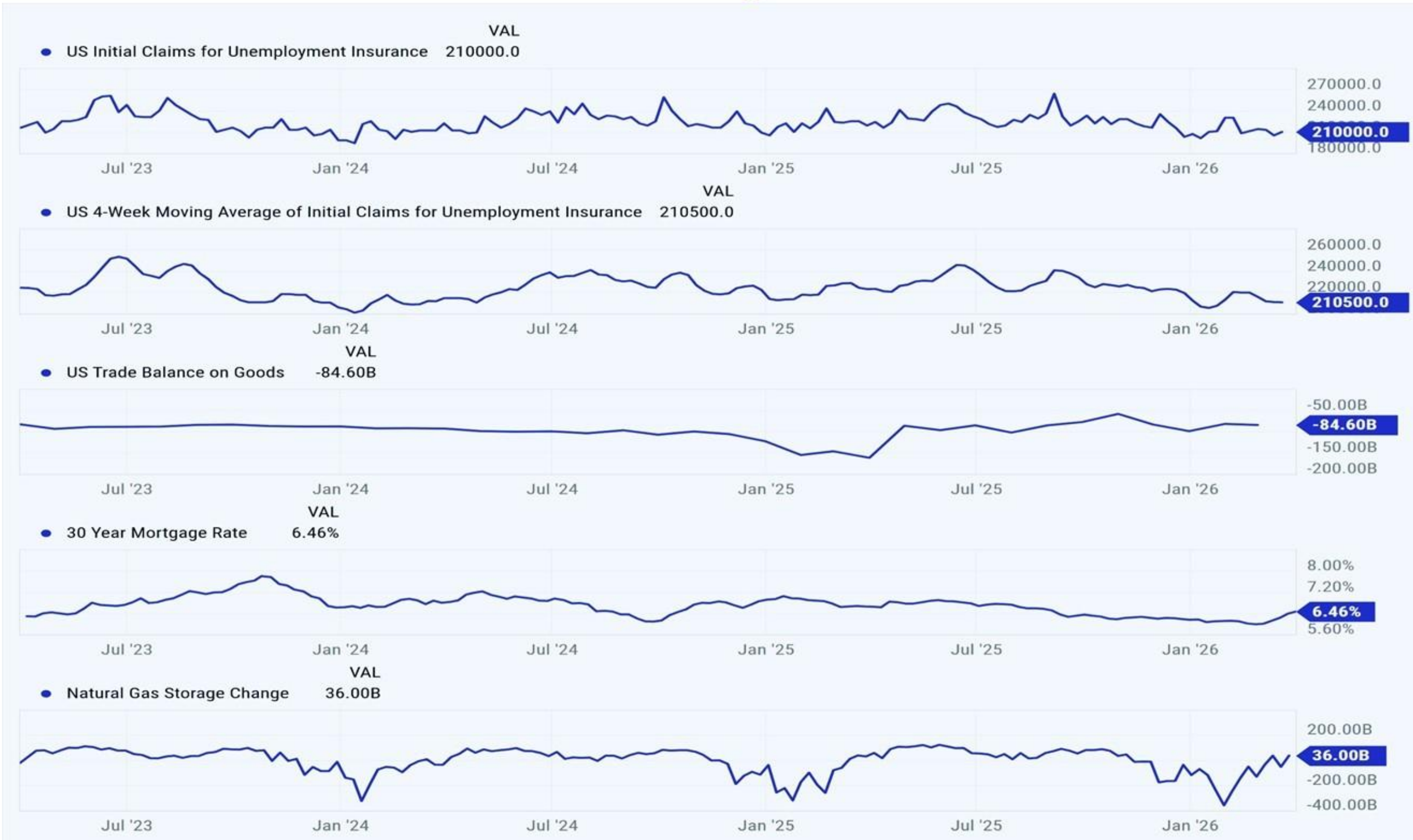
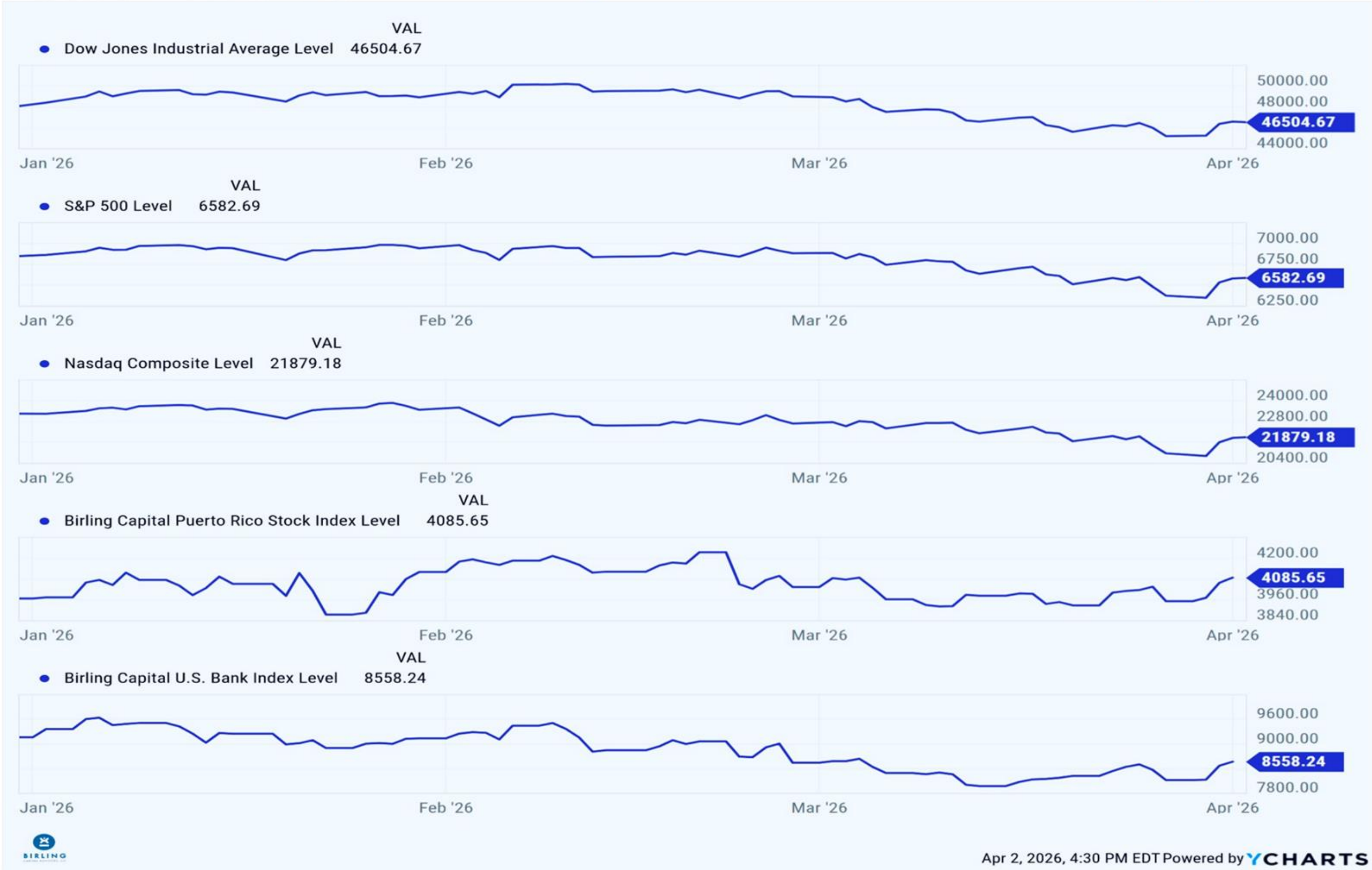
US Initial Claims for Unemployment, US 4-Week Moving Average of Initial Claims, US Trade Balance on Goods, 30-Year Mortgage Rate & Natural Gas Storage

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Mar '26
Apr '26
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