

# Markets Pause at Highs as U.S.–Iran Tensions Disrupt Momentum; Nasdaq Streak Ends

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by Francisco Rodríguez-Castro  
[frc@birlingcapital.com](mailto:frc@birlingcapital.com)

The U.S. and European equity markets closed on a cautious note, as geopolitical tensions between the United States and Iran reintroduced volatility into markets that had been trading at record levels. Despite the escalation—including the seizure of an Iranian vessel and renewed threats tied to the Strait of Hormuz—the overall pullback remained contained, underscoring the market's reluctance to price in a prolonged disruption scenario.

Oil markets reacted more decisively, with West Texas Intermediate surging nearly 7% to close at \$89.61 per barrel, while Brent crude advanced to \$95.48 per barrel. Treasury yields held relatively steady, reinforcing the view that while geopolitical risk has increased, systemic stress has not yet materialized.

## U.S. Markets: Modest Declines Mask Underlying Resilience

U.S. equities ended the session slightly lower, pausing after a powerful rally that had pushed multiple indices to record highs. The S&P 500 declined 0.24% to 7,109.14, while the Nasdaq Composite fell 0.26% to 24,404.39, snapping a 13-day winning streak, its longest since 1992. The Dow Jones Industrial Average was essentially unchanged, slipping just 4.87 points to 49,442.56.

Beneath the surface, market breadth offered a more constructive signal. The Russell 2000 rose 0.58% to a new record close, also reaching an intraday all-time high. This divergence highlights a continued rotation into domestically oriented and economically sensitive companies, suggesting that investor confidence in the underlying U.S. economy remains intact despite geopolitical noise.

Sector dynamics further reinforced this resilience. Software and technology segments outperformed, with the iShares of the Expanded Tech-Software Sector ETF gaining more than 1%, indicating that growth leadership remains firmly in place even as headline risk intensifies.

From a macro perspective, the market's reaction reflects a disciplined recalibration rather than a repricing of risk. Investors appear unwilling to discount a worst-case geopolitical scenario, instead anchoring expectations on continued earnings strength and economic durability. The fact that equities remain near all-time highs—even after a week of escalating tensions—suggests that the dominant market narrative remains driven by fundamentals, not fear.

## European Markets: Geopolitical Shock Reverses Relief Rally

European equities moved decisively lower, with the Stoxx 600 closing down 0.9%, as renewed tensions in the Gulf of Oman disrupted the fragile ceasefire narrative and reintroduced geopolitical risk. The decline was broad-based, with all major sectors finishing in negative territory except energy, highlighting a classic risk-off rotation driven by rising oil prices and uncertainty.

The catalyst was a sharp escalation in U.S.–Iran tensions following the seizure of an Iranian-flagged vessel by the U.S. Navy, coupled with renewed restrictions on traffic through the Strait of Hormuz, a critical global energy chokepoint. This development reversed Friday's optimism and underscored the fragility of the ceasefire, shifting investor sentiment back toward caution.

Sector performance reflected this abrupt repositioning. Travel and leisure stocks—highly sensitive to fuel costs and geopolitical stability—came under significant pressure. Airlines and tourism operators,

including Lufthansa, EasyJet, and TUI Group, posted notable declines amid rising oil prices and potential airspace disruptions.

In contrast, energy stocks outperformed, benefiting directly from the surge in crude prices. Major players such as BP, TotalEnergies, and Shell plc advanced, while Norwegian producers Equinor and Vår Energi led gains. Brent crude surged to approximately \$95 per barrel (+5.4%), reinforcing sector divergence and serving as the primary transmission mechanism for geopolitical risk into equity markets.

Financials also faced pressure, with UniCredit declining after strategic M&A developments involving Commerzbank, though the broader weakness in the sector was more closely tied to macro uncertainty and risk repricing.

### **Geopolitics: Markets Price De-escalation, Not Disruption**

The renewed focus on the Strait of Hormuz underscores its role as the single most important artery in global energy markets. Yet, the current price action—oil below \$90 and equities only marginally lower—indicates that markets are assigning a low probability to a prolonged supply disruption. Instead, investors are interpreting the situation as part of a tactical escalation within a broader diplomatic framework. The expectation of renewed negotiations this week is anchoring sentiment, preventing a disorderly repricing of risk assets.

That said, sensitivity to headlines will remain elevated. The market is now operating in a regime where geopolitical developments can rapidly reprice volatility, particularly across energy, transport, and industrial sectors.

### **Earnings Outlook: Strong Growth Anchors Market Stability**

First-quarter of the earnings season accelerates this week, with nearly one-fifth of S&P 500 constituents set to report. Early results—particularly from large financial institutions—have exceeded expectations, reinforcing confidence in corporate balance sheets and demand conditions.

Consensus expectations call for:

- ~12% earnings growth in Q1 2026
- ~18% full-year earnings growth, marking a potential third consecutive year of double-digit expansion

While sectors such as industrials and consumer-facing industries have seen modest downward revisions due to higher energy input costs, these have been more than offset by upward revisions in energy, technology, and materials. Importantly, all eleven sectors are still expected to deliver positive earnings growth for the year—a rare breadth signal that strengthens the equity case.

### **Strategic View: Tactical Volatility, Structural Opportunity**

The current setup is best understood as a volatility overlay on a fundamentally constructive market. Geopolitical shocks are introducing episodic drawdowns but not altering the underlying earnings and growth trajectory.

At moments like this, it is worth your while to step back and understand the Investor Emotional Cycle—a framework we actively track and share in a chart as part of our discipline. It maps the progression from optimism and excitement to anxiety, fear, capitulation, and ultimately recovery and renewed optimism.

From an allocation perspective, the environment continues to favor equities over fixed income globally, with a cyclical bias. U.S. large- and mid-cap equities remain well positioned, supported by earnings momentum and relative macro strength. Internationally developed and emerging markets offer selective opportunities, particularly where valuations remain discounted relative to growth potential.

Sector positioning should remain tilted toward cyclicals—particularly consumer discretionary and industrials—while maintaining a defensive underweight in utilities and consumer staples.

The market is not ignoring risk—it is contextualizing it. And for now, the dominant narrative remains intact: earnings, not escalation, are setting the direction of travel.

### Economic Data:

- **Canada Consumer Price Index YoY:** rose to 2.39%, up from 1.78% last month.
- **Canada Inflation Rate:** rose to 2.39% from 1.78% last month.
- **Canada Consumer Price Index MoM:** rose to 0.48%, compared to 0.18% last month.
- **Canada Core Consumer Price Index MoM:** fell to 0.00%, compared to 0.13% last month.

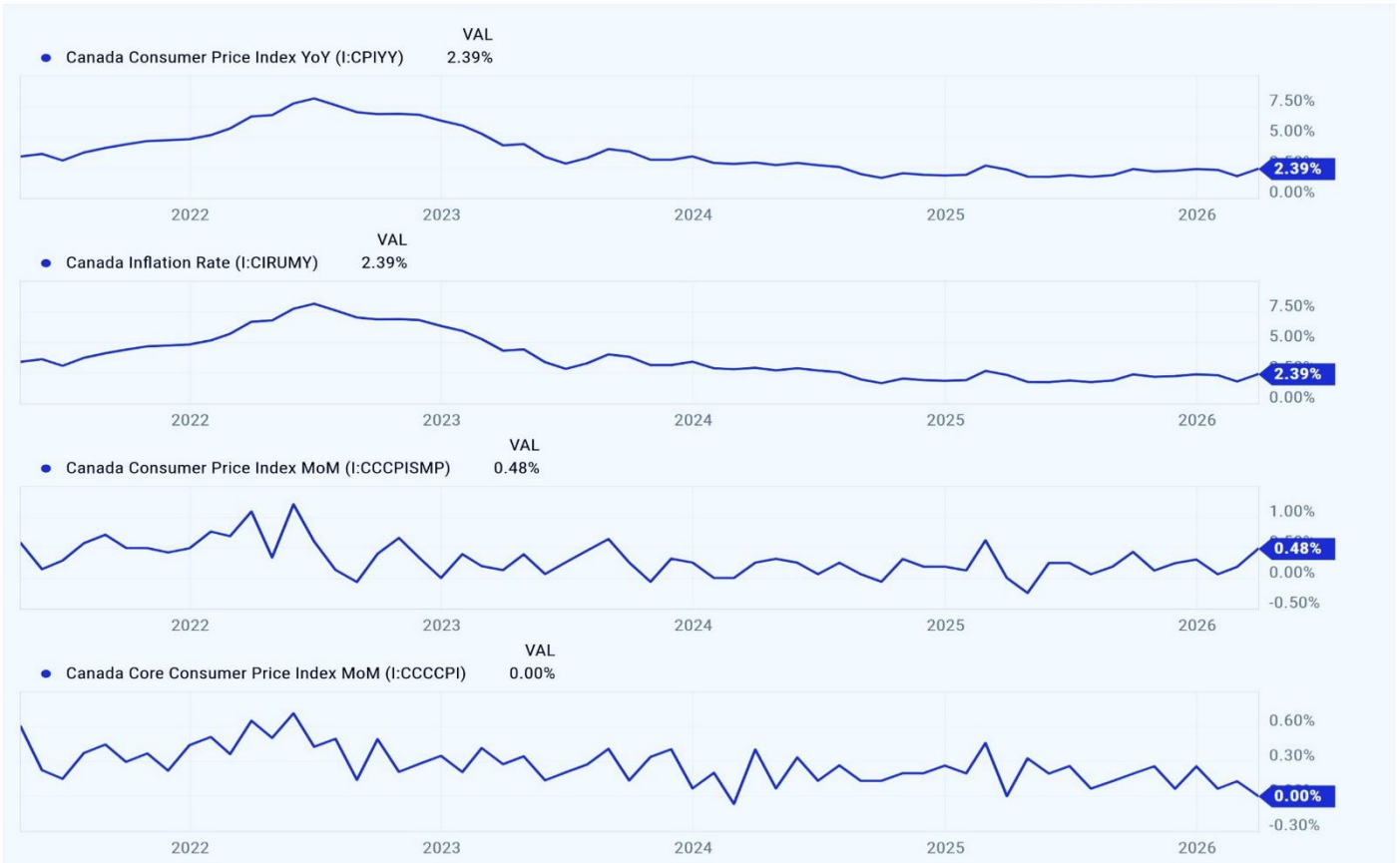
### Eurozone Summary:

- **Stoxx 600:** closed at 621.46, down 5.42 points or 0.82%.
- **FTSE 100:** closed at 10,609.08, down 58.55 points or 0.55%.
- **DAX Index:** closed at 24,417.80, down 284.44 points or 1.15%.

### Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 49,442.56, down 4.87 points or 0.01%
- **S&P 500:** closed at 7,109.14, down 16.92 points or 0.24%.
- **Nasdaq Composite:** closed at 24,404.39, down 64.09 points or 0.26%.
- **Birling Capital Puerto Rico Stock Index:** closed at 4,384.08, up 67.98 points or 1.58%.
- **Birling Capital U.S. Bank Index:** closed at 9,299.78, up 107.44 points or 1.17%
- **U.S. Treasury 10-year note:** closed at 4.26%.
- **U.S. Treasury 2-year note:** closed at 3.72%.

# Canada Consumer Price Index YoY; Canada Inflation Rate; Canada Consumer Price Index MoM & Canada Core Consumer Price Index MoM



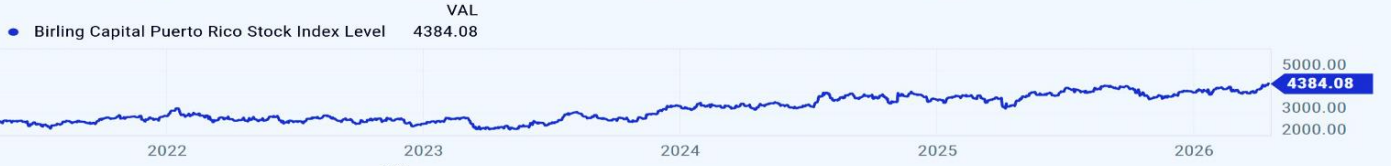
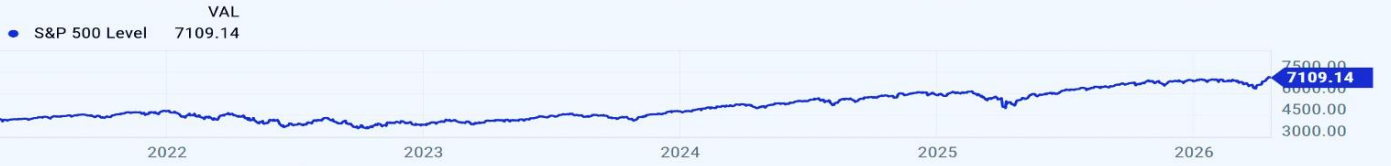
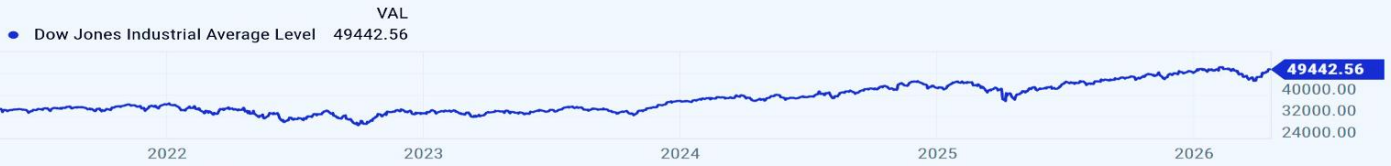


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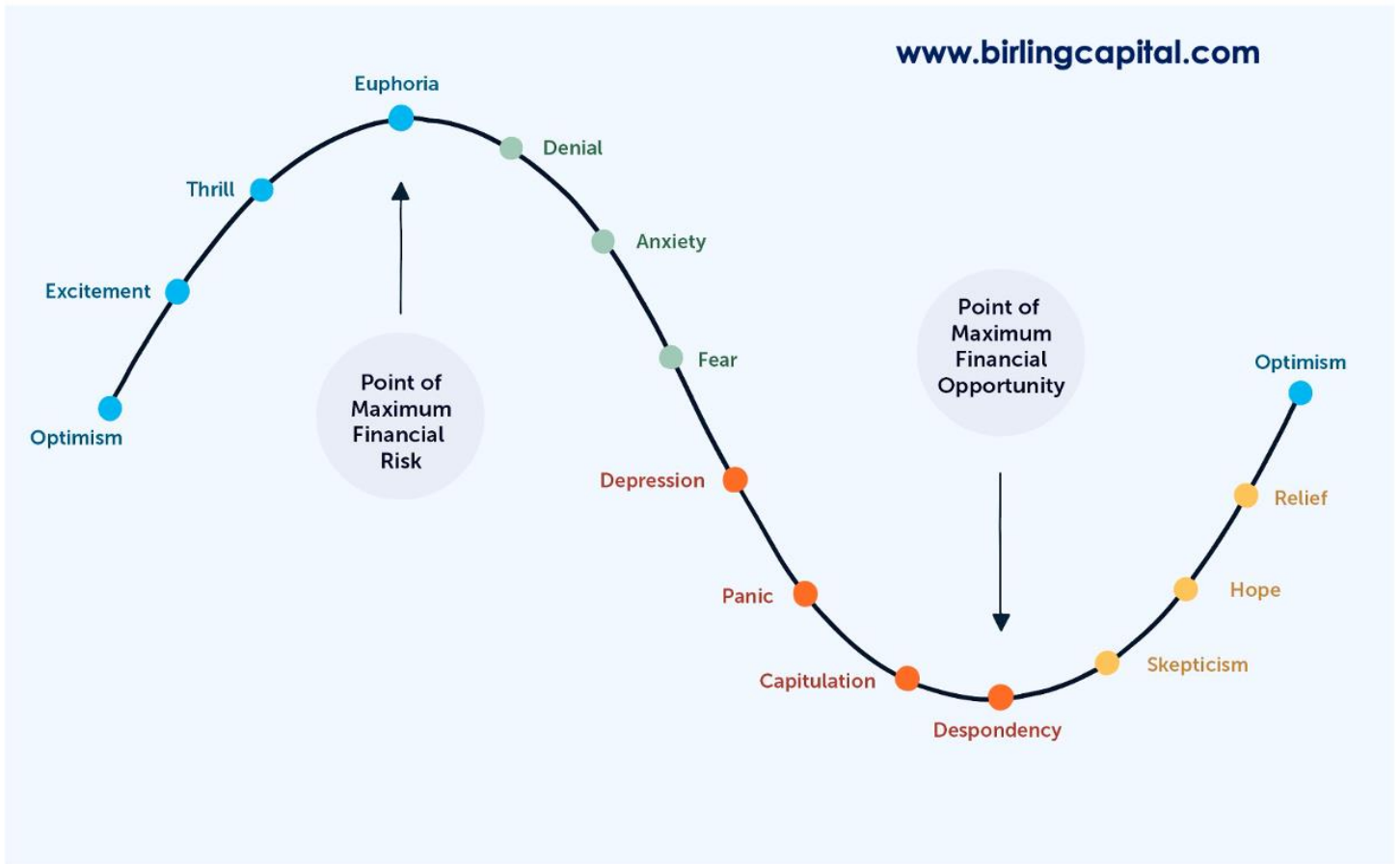
# Dow Jones, S&P 500, Nasdaq Composite, Birling Puerto Rico Stock Index & Birling U.S. Bank Index YTD Returns 4.20.26

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