

# Consumption Carries the Market as Investors Balance Growth Signals and Geopolitical Risk

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**The U.S. and European stock markets closed lower as geopolitical uncertainty intensified**, with investors recalibrating risk ahead of the U.S.–Iran ceasefire deadline. Market sentiment deteriorated as negotiations showed signs of strain, even as President Donald Trump signaled a willingness to pursue a deal while maintaining a hard deadline for resolution. The evolving policy stance—combining conditional diplomacy with explicit military readiness—has created a binary market environment in which outcomes hinge on whether negotiations produce a last-minute agreement or give way to renewed escalation. Treasury yields remained elevated, while energy markets reflected rising risk premiums, with WTI crude settling above \$92 per barrel. The message from markets is increasingly clear: fundamentals remain intact, but geopolitics is dictating short-term direction.

## U.S. Markets: Volatility Returns

**U.S. equities closed lower, as investors reduced exposure amid growing uncertainty surrounding the ceasefire outcome and the trajectory of U.S.–Iran negotiations. The S&P 500 fell 0.63%, the Nasdaq Composite declined 0.59%, and the Dow Jones dropped 293.18 points.**

Market sentiment weakened following reports of stalled diplomatic momentum, including delays in planned negotiations and uncertainty around Iran's participation. While President Donald Trump reiterated expectations of achieving a "great deal," he also made clear that the United States is prepared to resume military action if an agreement is not reached within the established timeframe. This dual-track messaging—conditional openness to diplomacy combined with credible escalation risk—has introduced a high-conviction, binary framework into markets. Investors are increasingly pricing outcomes along two paths: resolution or rapid re-escalation.

Energy markets reflected this shift decisively. West Texas Intermediate rose 2.81% to \$92.13 per barrel, while Brent Crude gained 3.14% to \$98.48, reversing prior declines.

Despite the pullback, the broader market structure remains supported by earnings strength. UnitedHealth Group surged more than 8% after delivering strong results and raising guidance, while Amazon advanced following a significant AI investment, reinforcing that secular growth drivers remain intact.

The key takeaway is strategic: this is not a deterioration in fundamentals, but a volatility overlay driven by geopolitical uncertainty. Until there is clarity on the ceasefire trajectory, markets are likely to remain headline-driven, with price action reflecting shifts in perceived probabilities rather than changes in economic reality.

## European Markets: Ceasefire Uncertainty

European equities reversed earlier stability and moved decisively lower, as investors recalibrated risk exposure ahead of the imminent expiration of the U.S.–Iran ceasefire. The shift underscores how quickly sentiment across the region can deteriorate when geopolitical visibility declines, particularly given Europe's structural sensitivity to energy flows and external shocks.

Markets are now caught between two competing narratives: the potential for renewed diplomacy and the rising probability of escalation. President Donald Trump signaled confidence in reaching a "great deal" with Iran, while simultaneously warning that military action remains imminent, reinforcing

a highly asymmetric risk environment. The ceasefire deadline—initially framed as expiring imminently but with conflicting timelines—has only added to the uncertainty premium being priced into European assets.

At the corporate level, dispersion was pronounced. Associated British Foods declined after reporting weaker half-year results and announcing a strategic demerger of Primark, a move aimed at unlocking value but occurring against a challenging operating backdrop. In contrast, Puig rallied sharply on acquisition-driven momentum tied to financing activity involving Estée Lauder Companies and J.P. Morgan, highlighting pockets of idiosyncratic strength within the broader risk-off environment.

Meanwhile, Royal Unibrew posted one of the steepest declines in the region after terminating its distribution partnership with PepsiCo in Northern Europe—an example of how company-specific shocks are being amplified by fragile market sentiment.

### **Policy Watch: The Federal Reserve Leadership Transition Comes into Focus**

Investor attention is increasingly turning toward the future leadership of the Federal Reserve, as Kevin Warsh, President Donald Trump's nominee for Fed Chair, testified before the Senate Banking Committee. Warsh is expected to succeed Jerome Powell, whose term extends through mid-May. Warsh's policy stance is notably more dovish on interest rates relative to the current Fed leadership, coupled with a critical view of the central bank's balance sheet expansion. However, the Federal Reserve's structural realities temper the potential for abrupt policy shifts. The Federal Open Market Committee operates on a consensus-driven model, where all 12 voting members hold equal influence, and dissent is both common and institutionally embedded.

Political dynamics may introduce short-term uncertainty. Senator Thom Tillis has indicated resistance to confirming Fed nominees pending an investigation into central bank expenditures, potentially delaying the transition. Nevertheless, Powell has signaled continuity, stating he will remain in position until a successor is confirmed.

From a market perspective, the key takeaway is continuity with a marginally dovish tilt. The broader easing cycle remains intact, with expectations centered on one to two additional rate cuts over the current cycle—sufficient to support valuations without reigniting inflationary pressures.

### **Strategic View: Markets Anchored by Fundamentals, Not Headlines**

The current environment reinforces a critical investment principle: markets are being driven more by earnings and economic fundamentals than by episodic geopolitical shocks. While the U.S.–Iran situation introduces volatility—particularly through the oil channel—it has not materially altered the underlying growth trajectory.

Equities continue to offer a more compelling risk-reward profile relative to fixed income, particularly in a scenario where growth remains positive and inflation gradually moderates. Sector positioning should remain tilted toward cyclical and consumption-driven industries, where earnings are most sensitive to economic momentum.

At the same time, the market's behavior reflects a sophisticated recalibration of risk. Investors are neither ignoring geopolitical threats nor overreacting to them—they are pricing them. And in doing so, they are

### **GDPNow Update:**

- The **GDPNow for the first quarter of 2026** was updated today, falling to **1.20%** from 1.30%, a **decrease of 7.69%**.

## Economic Data:

- **US Retail and Food Services Sales MoM:** rose to 1.66%, compared to 0.72% last month.
- **US Pending Home Sales YoY:** fell to -0.83%, compared to -0.56% last month.
- **US Business Inventories MoM:** fell to -0.06%, compared to -0.01% last month.
- **US Wholesalers Inventories MoM:** fell to -0.55%, compared to -0.15% last month.
- **US Retail Gas Price:** is unchanged at \$4.254, from \$4.254 last week.

## Eurozone Summary:

- **Stoxx 600:** closed at 616.03, down 5.43 points or 0.87%.
- **FTSE 100:** closed at 10,498.09, down 110.99 points or 1.05%.
- **DAX Index:** closed at 24,270.87, down 146.96 points or 0.60%.

## Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 49,149.38, down 293.18 points or 0.59%
- **S&P 500:** closed at 7,064.01, down 45.13 points or 0.63%.
- **Nasdaq Composite:** closed at 24,259.96, down 144.43 points or 0.59%.
- **Birling Capital Puerto Rico Stock Index:** closed at 4,416.70, up 32.62 points or 0.74%.
- **Birling Capital U.S. Bank Index:** closed at 9,396.37, up 96.59 points or 1.04%
- **U.S. Treasury 10-year note:** closed at 4.30%.
- **U.S. Treasury 2-year note:** closed at 3.78%.



# GDPNow First Quarter 2026



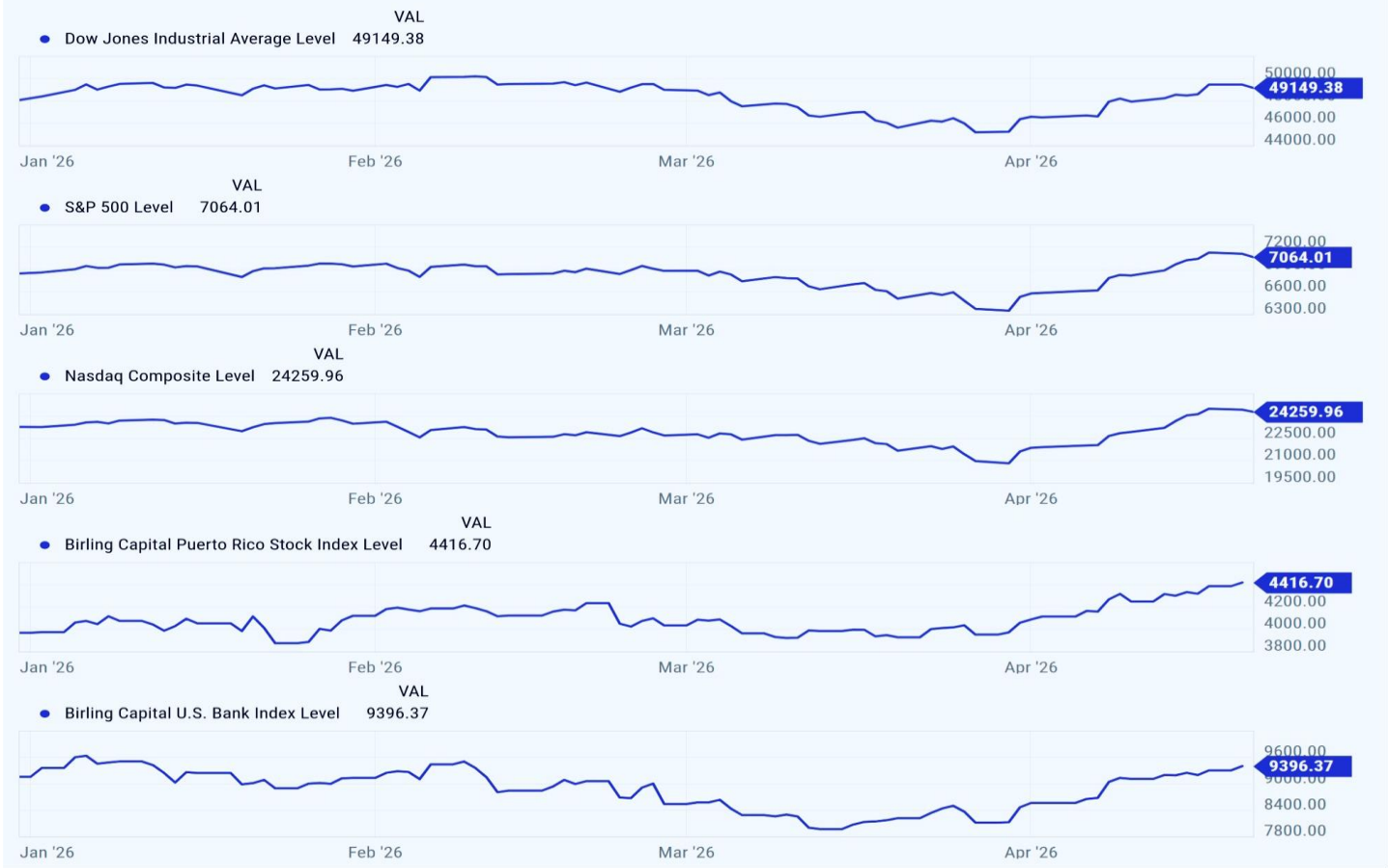
# US Retail and Food Services Sales MoM; US Retail Gas Price; US Pending Home Sales YoY; US Business Inventories MoM & US Wholesalers Inventories MoM





# Wall Street Recap

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