

From Relief to Reality: Markets Retreat as Iran Ceasefire Strains and Energy Risk Reemerges

April 9, 2026

by Francisco Rodríguez-Castro
frc@birlingcapital.com

The U.S. and European stock markets diverged, highlighting a market split between optimism and caution as investors reassess the durability of the U.S.–Iran ceasefire. While U.S. equities extended their relief rally, supported by expectations that the truce could hold, European markets retraced sharply, reflecting deeper skepticism around its sustainability. The divergence underscores a market in transition—caught between improving sentiment and persistent geopolitical fragility—while elevated oil prices continue to anchor the global risk narrative.

U.S. Markets

U.S. equities advanced for a second consecutive session, as investors continued to price in the possibility that the two-week ceasefire between the United States and Iran could stabilize the geopolitical backdrop. **The S&P 500 rose 0.62%, the Nasdaq gained 0.83%, and the Dow Jones climbed 275.88 points, turning positive for 2026.**

The rally comes even as energy markets signal unresolved stress. WTI crude rose over 3% to \$97.87, briefly exceeding \$100 intraday, while Brent closed at \$95.92, reflecting ongoing supply constraints tied to limited traffic through the Strait of Hormuz. Despite the ceasefire framework, the lack of normalization in physical oil flows indicates that markets are pricing a pause in escalation—not a resolution.

Sector performance reflected a balanced but cautious risk posture. Technology-led gains, supported by a 2.6% advance in Meta Platforms following new AI developments, reinforce confidence in structural growth themes. At the same time, defensive sectors—including consumer staples and utilities—moved higher, signaling that investors are maintaining hedges against potential downside risk.

Geopolitical developments provided intermittent support. Signals of potential regional de-escalation, including discussions involving Israel and Lebanon, helped equities hold gains and pushed oil off intraday highs. However, the ceasefire remains conditional, with Iran alleging violations and the United States maintaining an active military presence in the region.

The market's behavior reflects a key shift: investors are increasingly willing to re-engage with risk assets amid a ceasefire framework, even as underlying conditions remain unresolved. This creates a two-speed market dynamic—where equities advance on expectations, while energy and global markets continue to price in uncertainty.

Until clarity emerges on compliance and energy flows normalize, U.S. equities may continue to grind higher—but within a framework defined by geopolitical sensitivity rather than fundamental certainty.

European Markets: Relief Rally Fades as Ceasefire Fragility Reprices Risk

European equities closed lower, reversing part of the prior session's sharp relief rally as investors reassessed the durability of the U.S.–Iran ceasefire. The pan-European Stoxx 600 declined approximately 0.4%, with losses broad-based across sectors, signaling that geopolitical uncertainty has once again reasserted itself as the dominant market driver.

The pullback was particularly evident in travel and leisure, one of the most geopolitically sensitive

segments. Airlines and tourism-linked equities, which had rallied strongly on initial optimism over the ceasefire, retraced gains as risk sentiment deteriorated. Germany's Lufthansa and TUI led the sector's declines, underscoring how quickly cyclical exposure can reverse when geopolitical clarity fades. At the core of the market's reassessment is the rapid deterioration in confidence surrounding the ceasefire framework. Less than 24 hours after the agreement, tensions resurfaced as Iran's parliamentary leadership accused the United States of violating the terms. The accusations—ranging from continued regional military activity to disputes over airspace and nuclear rights—highlight the structural fragility of the truce.

Compounding concerns, President Donald Trump signaled that U.S. military forces would remain actively positioned in and around Iran until full compliance is achieved, warning that any breach would trigger a significantly escalated response. This conditional posture effectively shifts the ceasefire from a resolution framework to a contingent pause, keeping risk premia elevated across markets.

The reversal in Europe is best understood in the context of Wednesday's surge, when the Stoxx 600 rallied nearly 3.7% on expectations of de-escalation. Thursday's decline does not erase that move; rather, it recalibrates it, reflecting a market transitioning from relief to realism.

The transmission of this uncertainty was global. Asian markets closed lower overnight, with declines across major indices reinforcing the synchronized nature of the risk-off shift. Europe, given its greater dependence on imported energy and its proximity to geopolitical spillovers, remains particularly sensitive to disruptions in Middle Eastern stability.

In this environment, European equities are likely to remain reactive rather than directional—trading less on domestic fundamentals and more on the evolving credibility of the ceasefire. Until a clearer enforcement mechanism or durable de-escalation emerges, volatility tied to geopolitical headlines will continue to dominate price action.

Inflation Progress Meets an Energy Test

The latest inflation data did little to surprise markets—but it did reinforce a more nuanced and fragile equilibrium. The Federal Reserve's preferred gauge, Personal Consumption Expenditures (PCE), continues to show that inflation is moving in the right direction, but not yet at a pace that allows policymakers to declare victory.

Headline inflation held steady at 2.8%, a level that suggests progress but still sits meaningfully above the Fed's target. Beneath the surface, the composition tells a more constructive story. Goods inflation, long a source of volatility, remains subdued, while services inflation—historically the more persistent component—continues to ease gradually. Shelter costs, which have been a key driver of stickiness in services, are finally moderating, offering a critical signal that broader inflation pressures are beginning to soften.

Yet this progress exists within a delicate balance. Core inflation, still at 3.0%, underscores that underlying price pressures have not fully normalized. More importantly, the renewed rise in energy prices introduces a potential inflection point. Oil does not need to remain elevated indefinitely to matter—it only needs to persist long enough to feed through transportation costs, supply chains, and eventually consumer prices.

This creates a tension at the heart of the current macro environment: a disinflationary trend that is real, but not yet resilient to external shocks.

For the Federal Reserve, this reinforces a posture of strategic patience. The case for rate cuts has not disappeared; it has only been delayed. Policymakers are likely to remain on hold, not because inflation is accelerating today, but because the risk of reacceleration has increased.

Labor Market: Stability Without Excess

The labor market continues to evolve in ways that support this cautious optimism. Initial jobless claims edged higher, but not to levels that would suggest meaningful deterioration. At the same time, the decline in continuing claims points to an underlying strength: workers who lose jobs are still finding

new ones with relative ease.

This is the definition of a stabilizing labor market—not overheating but not weakening. Job creation is slowing, layoffs are contained, and wage growth remains modestly positive in real terms. However, energy plays a critical role here, too. If higher oil prices begin to translate into broader cost pressures, the gains in real wages could narrow. In that scenario, consumption—the backbone of the U.S. economy—could begin to soften at the margin.

Strategic View: A Market Defined by External Catalysts

Markets are no longer being driven solely by domestic fundamentals. Instead, they are operating at the intersection of steady internal progress and unpredictable external shocks.

Inflation is improving. The labor market is holding. Financial conditions, while tighter, remain manageable. Under normal circumstances, this combination would support a constructive outlook. But these are not normal circumstances.

Energy has reemerged as the dominant variable, capable of reshaping inflation expectations, the timing of monetary policy, and equity valuations in a matter of days. The market's challenge is not interpreting the data—it is determining how durable that data remains amid geopolitical disruption. Until that question is resolved, volatility will persist, and markets will continue to trade not just on what is known, but on what could change next.

Economic Data:

- **US PCE Price Index YoY:** fell to 2.80%, compared to 2.83% last month.
- **US Core PCE Price Index YoY:** fell to 2.97%, compared to 3.05% last month.
- **US Initial Claims for Unemployment Insurance:** rose to 219,000, up from 203,000 last week, a change of 7.88% from last week.
- **US Total Vehicle Sales:** rose to 16.69M, up from 16.13M last month, a change of 3.42% from last month and -9.07% from one year ago.
- **US Personal Income MoM:** fell to -0.07%, compared to 0.43% last month.
- **US Personal Spending MoM:** rose to 0.48%, compared to 0.31% last month.
- **US Wholesale Inventories MoM:** rose to 0.84%, compared to -0.27% last month.
- **30 Year Mortgage Rate:** rose to 6.46%, compared to 6.38% last week.

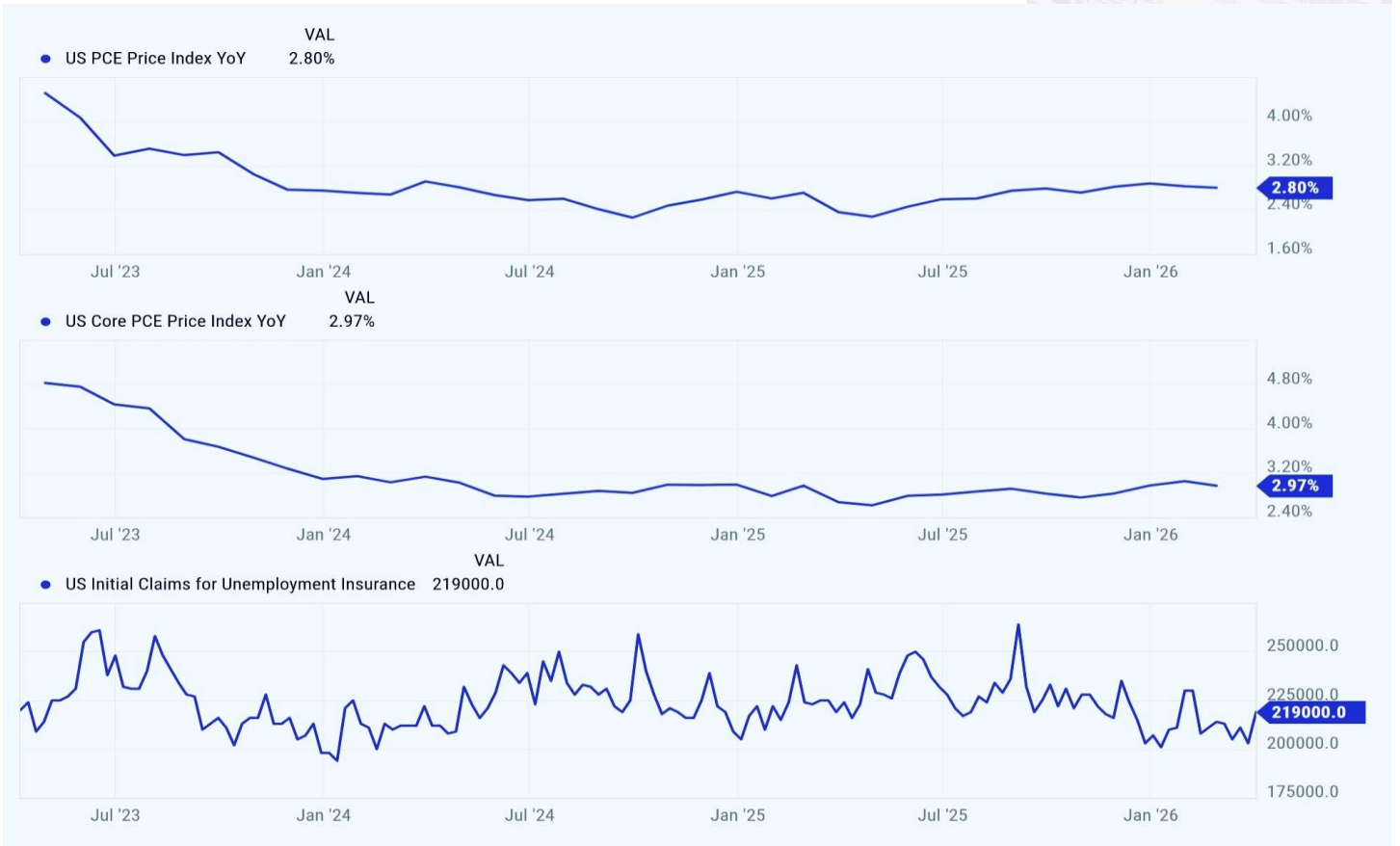
Eurozone Summary:

- **Stoxx 600:** closed at 612.59, down 0.91 points or 0.15%.
- **FTSE 100:** closed at 10,603.48, down 5.40 points or 0.05%.
- **DAX Index:** closed at 23,806.94, down 273.64 points or 1.14%.

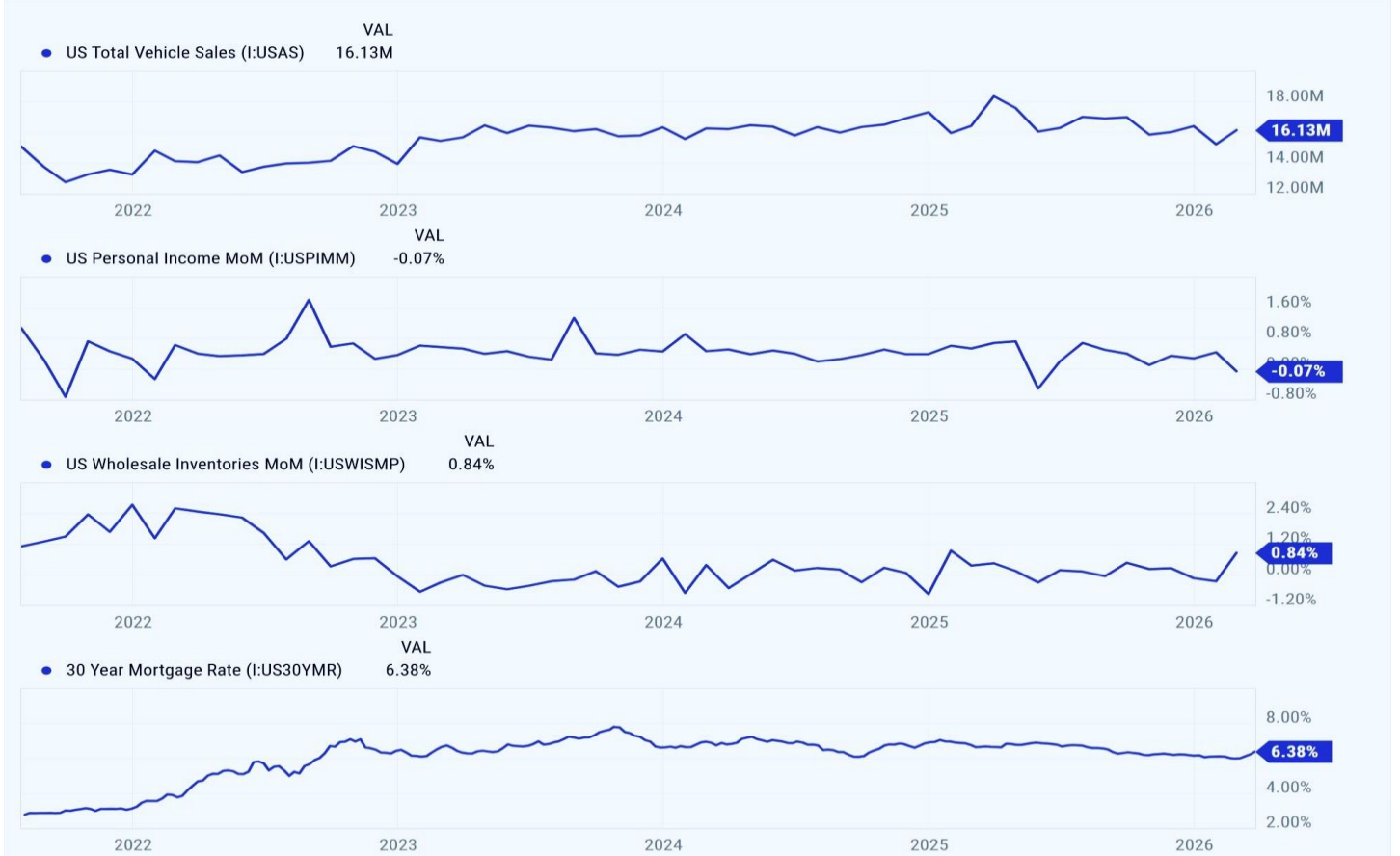
Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 48,185.80, up 275.88 points or 0.58%
- **S&P 500:** closed at 6,824.66, up 41.85 points or 0.62%.
- **Nasdaq Composite:** closed at 22,822.42, up 187.42 points or 0.83%.
- **Birling Capital Puerto Rico Stock Index:** closed at 4,265.37, up 110.03 points or 2.65%.
- **Birling Capital U.S. Bank Index:** closed at 9,036.10, up 362.15 Points or 4.18%
- **U.S. Treasury 10-year note:** closed at 4.29%.
- **U.S. Treasury 2-year note:** closed at 3.78%.

US PCE Price Index YoY; US Core PCE Price Index YoY & US Initial Claims for Unemployment Insurance



US Total Vehicle Sales; US Personal Income MoM; US Wholesale Inventories MoM & 30 Year Mortgage Rate





Wall Street Recap

April 9, 2026



Global Market Square © es una publicación preparada por Birling Capital LLC y resume los recientes desarrollos geopolíticos, económicos, de mercado y otros que pueden ser de interés para los clientes de Birling Capital LLC. Este informe está destinado únicamente a fines de información general, no es un resumen completo de los asuntos a los que se hace referencia y no representa asesoramiento de inversión, legal, regulatorio o fiscal. Se advierte a los destinatarios de este informe que busquen un abogado profesional adecuado con respecto a cualquiera de los asuntos discutidos en este informe teniendo en cuenta la situación de los destinatarios. Birling Capital no se compromete a mantener a los destinatarios de este informe informados sobre la evolución futura o los cambios en cualquiera de los asuntos discutidos en este informe. Birling Capital. El símbolo de registro y Birling Capital se encuentran entre las marcas registradas de Birling Capital. Todos los derechos reservados.