

Markets Decline for Second Session as Oil Volatility, Geopolitical Risk, and Rising Yields Drive Uneven Repricing

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The U.S. and European stock markets closed lower for a second consecutive session, as elevated oil prices, escalating geopolitical tensions in the Middle East, and higher bond yields continued to weigh on investor sentiment. However, equities recovered from deeper intraday losses as oil prices eased modestly late in the session, allowing markets to finish off their lows. The combination of energy-driven volatility and policy uncertainty continues to define a more fragile and reactive market environment.

U.S. Markets

U.S. equities declined modestly but staged a late-session recovery, closing well above intraday lows as oil prices pulled back from earlier highs. The Dow Jones Industrial Average fell 203.72 points, after being nearly 500 points at session lows. The S&P 500 declined 0.27%, while the Nasdaq Composite slipped 0.28%, both recovering from earlier losses of approximately 1% and 1.4%, respectively. The session marked the second consecutive daily decline for all three major indices, reflecting continued sensitivity to geopolitical developments and energy market volatility.

Markets were initially pressured by a sharp rise in oil prices following escalating conflict in the Middle East, including attacks on critical energy infrastructure. However, sentiment improved late in the session as crude prices stabilized.

West Texas Intermediate crude settled marginally lower at \$96.14 per barrel, while Brent crude rose 1.2% to \$108.65, its highest closing level since July 2022. Oil prices eased in post-settlement trading following comments from Israeli Prime Minister Benjamin Netanyahu suggesting potential progress toward reopening the Strait of Hormuz and a possible earlier-than-expected resolution to the conflict. Despite the late-session recovery, the broader market tone remains cautious. Elevated energy prices continue to feed into inflation expectations, while higher Treasury yields maintain pressure on equity valuations, particularly in rate-sensitive sectors.

Geopolitical uncertainty remains a key overhang. Iran's strike on a major liquefied natural gas facility in Qatar—following Israeli attacks on Iran's South Pars gas field—has heightened concerns over global energy supply disruptions. President Trump further escalated rhetoric, warning that additional attacks on regional energy infrastructure could trigger a significant U.S. response.

At the same time, global coordination efforts are emerging. Leaders from major economies, including the United Kingdom, France, Germany, Italy, the Netherlands, and Japan, signaled their readiness to support efforts to ensure safe passage through the Strait of Hormuz, underscoring the waterway's strategic importance to global energy markets.

Taken together, U.S. markets are navigating a complex environment in which intraday volatility is increasingly driven by geopolitical headlines and energy prices, rather than purely domestic economic fundamentals.

European Markets

European equity markets closed sharply lower amid escalating geopolitical tensions tied to the Iran conflict and central bank policy decisions that weighed heavily on investor sentiment. The pan-European STOXX Europe 600 declined 2.4%, with all major bourses finishing in negative territory and

nearly every sector under pressure.

The selloff was led by the basic resources sector, which fell 4.2%, driven by a sharp correction in precious metals. Gold declined 4.7% while silver dropped 8%, triggering broad weakness across mining equities. FTSE 100-listed mining companies Antofagasta and Fresnillo closed significantly lower, down approximately 5.7% and 7.4%, respectively, amid rising energy costs and inflationary concerns that pressured margin expectations across the sector.

Losses were widespread, extending to financial and travel-related stocks, reflecting growing concern that sustained geopolitical instability and elevated energy prices could weigh on both economic growth and consumer demand across the region.

Energy stocks were the primary exception. Norwegian oil producer Equinor surged approximately 11% after reporting strong annual earnings, generating \$27.6 billion in operating income. The company also announced a new oil discovery near the Arctic Circle, estimated to contain between 14 and 24 million barrels, which reinforces its production outlook and supports the sector amid rising oil prices.

The market decline coincided with a significant escalation of the conflict in the Middle East. Israeli strikes on Iran's South Pars gas field prompted retaliatory missile attacks by Iran targeting Qatar's Ras Laffan liquefied natural gas terminal, intensifying concerns over global energy supply disruptions. Oil prices moved higher following the developments, further amplifying inflation risks.

Adding to geopolitical pressure, President Trump warned that continued Iranian attacks on regional energy infrastructure could trigger a severe U.S. response, further heightening uncertainty across global markets.

On the policy front, European central banks maintained a cautious stance. The European Central Bank held its key interest rates unchanged, while the Bank of England kept its benchmark rate at 3.75% in a unanimous decision. Sweden's Riksbank maintained its policy rate at 1.75%, and the Swiss National Bank held rates at 0.0%.

Taken together, European markets are increasingly driven by external shocks—particularly energy and geopolitical developments—rather than domestic fundamentals, reinforcing a more fragile, volatile investment environment.

Labor Market Update

The U.S. labor market continues to signal stability, though with signs of gradual cooling. Initial jobless claims declined to 205,000, below expectations of 215,000, indicating that layoffs remain contained. Continuing claims rose modestly to 1.86 million, suggesting that displaced workers are taking slightly longer to secure new employment. This dynamic reflects a labor market transitioning toward balance rather than deterioration.

The combination of slower hiring and limited layoffs supports a “soft landing” narrative, although the risk remains that rising energy costs could erode real wage gains in the near term.

Fixed Income & Rates

Bond yields edged higher, with the 10-year Treasury yield approaching 4.26%, driven largely by rising inflation expectations. Market-based measures, including TIPS breakeven, indicate that 10-year inflation expectations have climbed to approximately 2.4%.

This shift reflects growing concern that higher oil prices could delay the disinflation process and complicate the Federal Reserve's policy trajectory.

As a result, market expectations for rate cuts have been pushed further out, with investors now anticipating a slower, more gradual easing cycle than previously. The Federal Reserve remains positioned to cut rates over time, but the timing is increasingly dependent on clear and sustained progress toward its 2% inflation target.

Energy & Geopolitics

Energy markets remain at the center of the global macro narrative. Oil prices continue to rise amid ongoing disruptions in the Strait of Hormuz and attacks on critical energy infrastructure in the Middle East.

The persistence of elevated oil prices introduces a direct upside risk to inflation and a potential drag on economic growth, particularly if supply disruptions intensify or broaden.

This dynamic raises the probability of a more complex macro environment, where inflation pressures persist even as growth moderates—an outcome that would challenge both policymakers and markets.

Fixed Income & Global Allocation

The current environment reinforces the importance of diversification and income generation.

Elevated yields continue to offer attractive opportunities in fixed income, particularly for investors seeking stability and predictable cash flows.

International bonds provide diversification benefits by exposing investors to different economic and interest-rate cycles, while emerging-market debt may enhance yields, albeit with higher volatility and selectivity requirements.

Within equities, the focus remains on quality, resilience, and earnings durability. U.S. large- and mid-cap companies continue to offer relative strength, while international equities present valuation opportunities that may become more compelling as global conditions stabilize.

Strategic View

Markets are increasingly being shaped by the intersection of rising energy prices, persistent inflation, and escalating geopolitical risk.

The transition from a demand-driven disinflation narrative to one influenced by supply-side shocks—particularly in energy—marks a critical shift in the macro environment.

While the labor market remains stable and the broader economy continues to expand, the path forward has become more complex, with inflation risks that could delay monetary easing.

For investors, this environment demands discipline, selectivity, and diversification. Maintaining exposure to high-quality assets, complemented by income-generating strategies, remains essential as markets navigate a higher-volatility and more uncertain landscape.

GDPNow Update:

- The **GDPNow for the First Quarter of 2026** was updated on March 19, 2026, falling to **2.30%** from 2.70% on March 13, 2026, a -14.81% decrease.

Economic Data:

- **U.S. Initial Claims for Unemployment Insurance:** rose to 205,000, down from 213,000 last week
- **U.S. Wholesale Inventories MoM:** fell to -0.55%, compared to -0.15% last month.
- **U.S. New Single-Family Houses Sold:** fell to 587.00K, down from 712.00K last month, a -17.56% decline.
- **30-Year Mortgage Rate:** rose to 6.11%, compared to 6.00% last week.
- **UK ILO Unemployment Rate:** Aged 16-64 is unchanged at 5.30%, compared to 5.30% last month.

Eurozone Summary:

- **Stoxx 600:** closed at 583.73, down 14.20 points or 2.37%.
- **FTSE 100:** closed at 10,063.50, down 241.79 points or 2.35%.
- **DAX Index:** closed at 22,852.48, down 649.77 points or 2.76%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 46,021.43, down 203.72 points or 0.44%.
- **S&P 500:** closed at 6,606.49, down 18.21 points or 0.27%.
- **Nasdaq Composite:** closed at 22,090.69, down 61.73 points or 0.28%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,933.76, down 58.90 points or 1.48%.
- **Birling Capital U.S. Bank Index:** closed at 8,137.47, up 9.60 Points or 0.12%
- **U.S. Treasury 10-year note:** closed at 4.25%.
- **U.S. Treasury 2-year note:** closed at 3.79%.

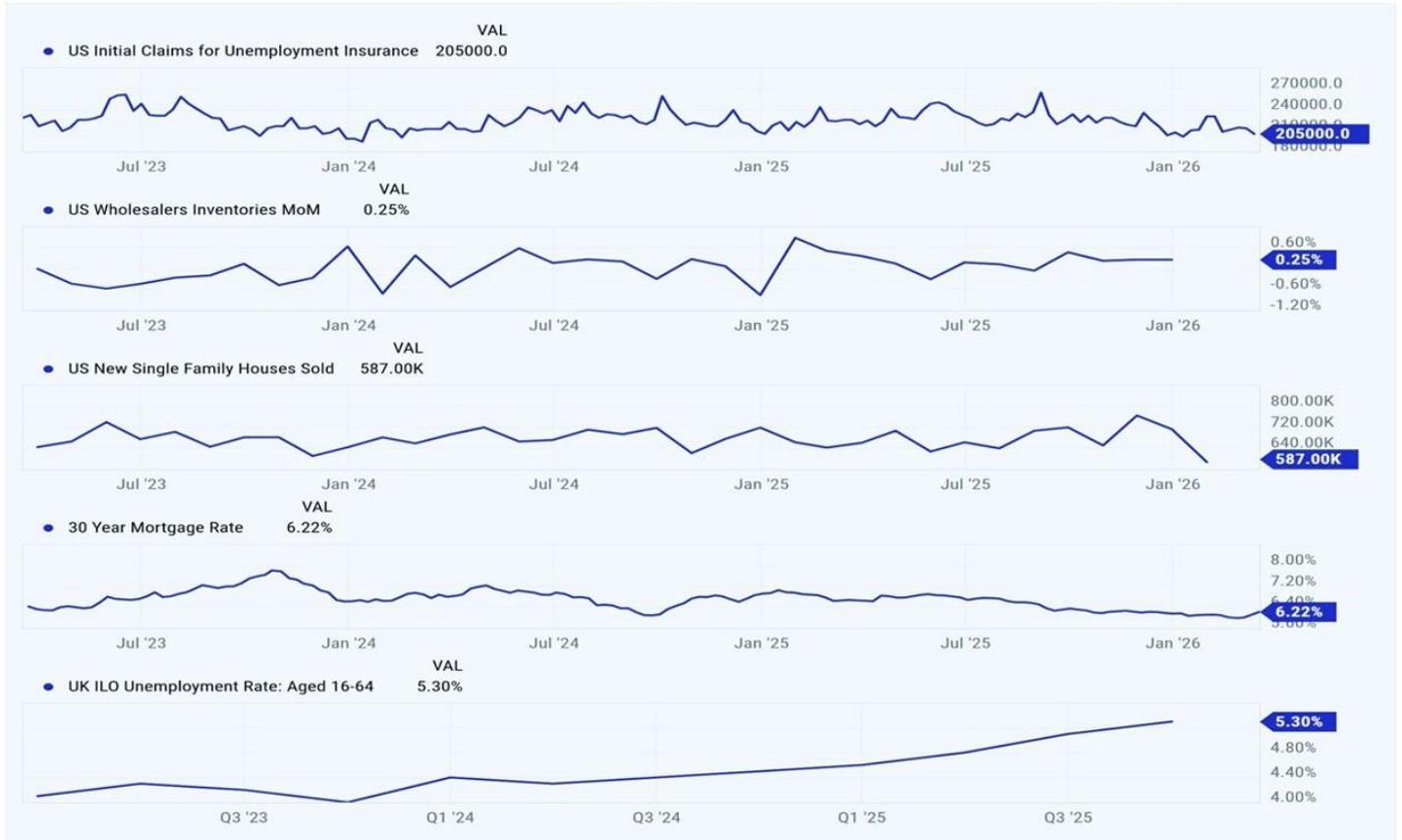


GDPNow First Quarter 2026





US Initial Claims for Unemployment, US Wholesalers Inventories, US Single-Family Houses Sold, 30-Year Mortgage Rate & UK ILO Unemployment Rate

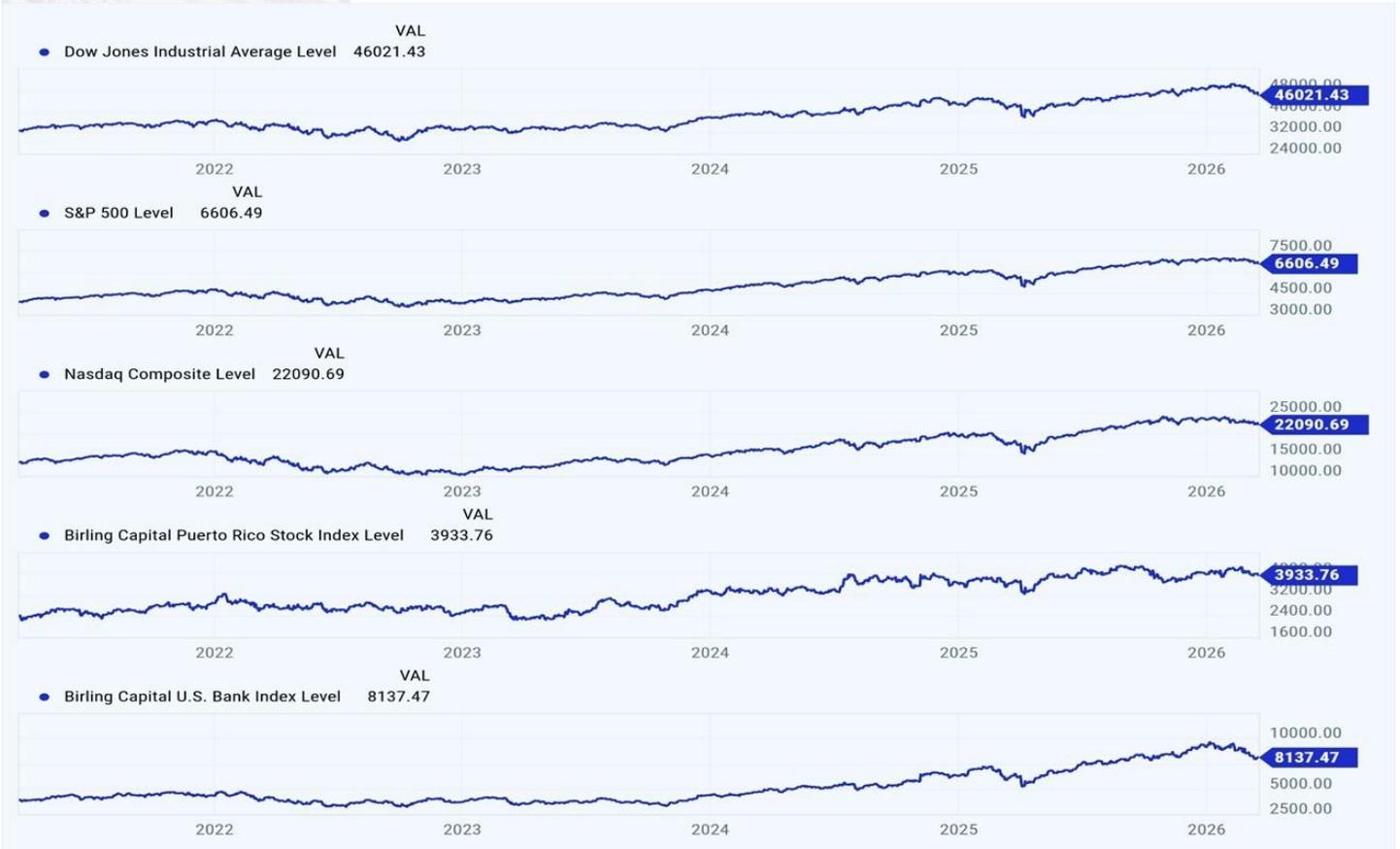




Wall Street Recap

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