

Global Markets Climb on De-escalation Signals and Falling Energy Stress

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The U.S. and European stock markets closed higher, as a sharp shift in geopolitical tone triggered a powerful relief rally across global equities. Investor sentiment rebounded decisively after President Trump confirmed that the United States and Iran had engaged in “productive” discussions and announced a five-day pause on potential strikes targeting Iranian energy infrastructure. The move temporarily reduced fears of escalation around the Strait of Hormuz and catalyzed a rapid compression of the geopolitical risk premium that had dominated markets in recent sessions. The response across asset classes was immediate and coordinated. Oil prices collapsed sharply, removing a key pressure point on global growth expectations, while safe-haven demand eased. U.S. Treasury yields moved modestly lower, and the U.S. dollar weakened, signaling a partial unwind of defensive positioning. The session ultimately reflected a market that had been heavily positioned for escalation and was forced to reprise quickly as the probability of near-term conflict declined.

U.S. Markets

On Wall Street, equities staged a strong rebound, with all major indices posting significant gains as investors moved aggressively back into risk assets. **The Dow Jones Industrial Average surged 631 points, while the S&P 500 advanced 1.15%, and the Nasdaq Composite gained 1.38%, reflecting broad-based participation across sectors.**

The rally was even more pronounced intraday. At session highs, the Dow was up more than 1,100 points, with the S&P 500 and Nasdaq both advancing more than 2%, highlighting the intensity of the relief-driven buying. The move was fueled by a combination of short-covering, systematic reallocation, and renewed institutional demand following several sessions of heavy selling pressure. Sector leadership reinforced the shift back toward growth and cyclical. Technology and consumer discretionary led the advance, while small caps and economically sensitive sectors outperformed, signaling a re-engagement with the growth outlook. In contrast, energy stocks lagged as crude prices declined sharply, reversing much of the geopolitical premium embedded during the escalation phase.

Importantly, the rally followed a period of significant market stress. Prior to Monday's rebound, both the Dow and Nasdaq were approaching correction territory, down approximately 9.8% from their recent highs, while the S&P 500 had declined roughly 7%, underscoring the degree of risk that had been priced into equities', supported by improving sentiment and stabilizing macro expectations.

European Markets

European equity markets closed mixed but broadly higher, reflecting a partial recovery from early-session weakness as investors responded to signs of geopolitical de-escalation in the Middle East. The pan-European **Stoxx 600 rose 0.61%**, while Germany's **DAX outperformed with a 1.22% gain**, supported by cyclical strength and renewed risk appetite. In contrast, **the U.K.'s FTSE 100 declined 0.24%**, highlighting continued pressure in energy-heavy and defensive segments.

The session was defined by a notable intraday reversal. European equities opened under pressure, tracking weakness in Asian markets and heightened concerns surrounding the Strait of Hormuz. However, sentiment shifted decisively following confirmation that President Trump would delay

potential strikes on Iranian energy infrastructure, allowing for further diplomatic engagement. This pivot helped compress the geopolitical risk premium and stabilize markets across the region. Sector performance reflected a selective rotation rather than a full risk-on surge. Cyclical segments, including travel and leisure, showed relative strength as markets repriced mobility and fuel costs under a less disruptive scenario. Meanwhile, the divergence in the FTSE 100 underscores the impact of declining oil prices on energy-weighted indices, reinforcing the role of commodity sensitivity in shaping regional performance.

In commodities, oil prices retraced from earlier highs, providing modest relief to European markets, which remain structurally dependent on imported energy. At the same time, safe-haven assets such as gold eased, signaling a partial unwind of defensive positioning.

March Performance Context: A Market Under Stress, Now Stabilizing

To fully understand today's rally, it is essential to contextualize the magnitude of the prior dislocation. The escalation phase of the Iran conflict drove crude prices more than 30% higher during March, acting as a direct headwind to global growth expectations and compressing equity valuations. Through last week:

- The S&P 500 declined approximately **5.4% month-to-date**
- The Russell 2000 fell by **over 7%**, reflecting heightened sensitivity to domestic growth risk
- International equities underperformed more sharply, declining roughly **10%**, with Europe at the center of that adjustment due to its energy dependency.

Despite this, U.S. equities demonstrated relative resilience, supported by the country's structural position as a net energy exporter since 2019, which has provided partial insulation from supply shocks. In fixed income, investment-grade bonds declined modestly as Treasury yields repriced higher amid inflationary pressures tied to elevated energy costs.

Today's rebound reflects a recalibration rather than a resolution. Markets are responding to a reduction in immediate tail risk, not the elimination of underlying geopolitical tensions. The durability of this recovery will ultimately depend on the continuity of energy flows—particularly through the Strait of Hormuz—and the evolution of diplomatic engagement in the days ahead.

In this environment, discipline and selectivity—not broad beta exposure—remain the defining characteristics of successful portfolio strategy.

GDPNow Update:

- The GDPNow for the First Quarter of 2026 was updated on March 23, 2026, falling to 2.00% from 2.30%, a -13.04% decrease.

Economic Data:

- **Eurozone Consumer Confidence Indicator:** is at -12.20, up from -12.40 last month.
- **Eurozone Economic Sentiment Indicator:** fell to 98.30, down from 99.30 last month.
- **Japan Consumer Price Index YoY:** fell to 1.50% from 2.10% last month.

Eurozone Summary:

- **Stoxx 600:** closed at 576.78, up 3.50 points or 0.61%.
- **FTSE 100:** closed at 9,894.15, down 24.18 points or 0.24%.
- **DAX Index:** closed at 22,653.86, up 273.67 points or 1.22%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 46,208.47, up 631.00 points or 1.38%.
- **S&P 500:** closed at 6,581.00, up 74.52 points or 1.15%.
- **Nasdaq Composite:** closed at 21,946.76, up 299.14 points or 1.38%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,925.46, down 19.37 points or 0.49%.
- **Birling Capital U.S. Bank Index:** closed at 8,212.04, up 46.14 Points or 0.57%.
- **U.S. Treasury 10-year note:** closed at 4.34%.
- **U.S. Treasury 2-year note:** closed at 3.83%.



GDPNow First Quarter 2026

LATEST ESTIMATE
2.00%

ATLANTA FED · GDPNOW MODEL · Q1 2026 REAL GDP GROWTH TRACKER

▼ **-13.04% from prior**

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GDPNow

First Quarter 2026

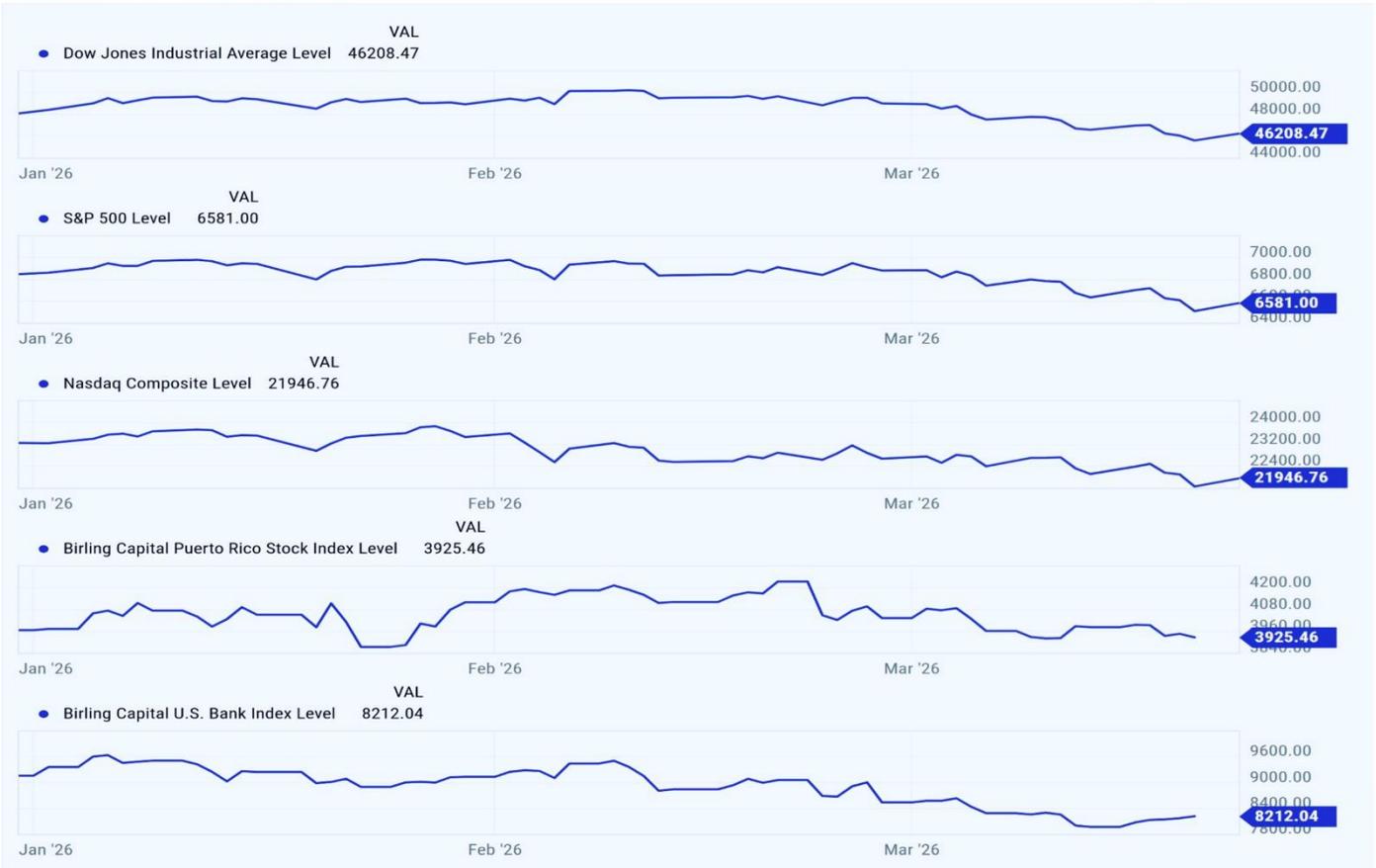
Date	GDPNow 1Q26	Change
2/20/2026	3.10%	Initial Forecast
2/24/2026	3.10%	0.00%
2/27/2026	3.00%	-3.23%
3/2/2026	3.00%	0.00%
3/6/2026	2.10%	-30.00%
3/12/2026	2.70%	28.57%
3/13/2026	2.70%	0.00%
3/19/2026	2.30%	-14.81%
3/23/2026	2.00%	-13.04%

Eurozone Consumer Confidence Indicator; Eurozone Economic Sentiment Indicator & Japan Consumer Price Index YoY



Wall Street Recap

March 23, 2026



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