

Global Markets Drift Lower as Oil Reasserts Control and Geopolitical Uncertainty Persists

March 24, 2026

by Francisco Rodríguez-Castro
frc@birlingcapital.com

The U.S. and European stock markets closed lower, as rising energy prices and conflicting geopolitical signals surrounding the Iran conflict drove a renewed risk-off tone across global equities. Markets continue to trade inversely to oil, reinforcing a late-cycle pattern in which crude acts as both an inflation trigger and a constraint on equity valuations. **West Texas Intermediate (WTI) crude rose 4.79% to settle at \$92.35 per barrel, while Brent crude advanced 4.55% to \$104.49 per barrel, underscoring persistent concerns about supply disruptions** as the conflict enters its fourth week. Investor sentiment remains fragile as markets attempt to reconcile mixed messaging on diplomacy.

Donald Trump stated that the United States is “in negotiations” with Iran and that both sides are interested in reaching a deal, extending optimism from the prior session. However, denials from Tehran and continued military exchanges between Israel and Iran have injected uncertainty into the credibility and timing of any resolution. Additional reports of potential U.S. troop deployments to the region further elevated the geopolitical risk premium embedded in energy and equity markets. **The bond market continues to reinforce tightening financial conditions. U.S. Treasury yields remain elevated, with the 10-year note closing at 4.39%**, reflecting a market repricing of inflation expectations amid rising energy costs. This dynamic complicates the policy outlook, as higher oil prices feed directly into inflation while simultaneously weighing on growth expectations. From a macroeconomic perspective, early indicators are beginning to reflect the economic transmission of geopolitical stress. Preliminary March Purchasing Managers' Index (PMI) data and eurozone consumer confidence have weakened, signaling a slowdown in activity and a deterioration in sentiment. The current environment presents a classic stagflationary impulse—growth-negative and inflation-positive—yet the broader economic foundation remains more resilient than in prior cycles due to stronger household balance sheets, steady labor market conditions, and continued investment in productivity-enhancing technologies such as artificial intelligence. Monetary policy remains at the center of market focus. The Federal Reserve continues to balance downside risks to growth against renewed upside risks to inflation. While the Fed has signaled a willingness to look through a temporary energy-driven spike in inflation, the persistence of above-target inflation levels complicates the timing of rate cuts. Markets are increasingly pricing a delay rather than a cancellation of easing, with yields reflecting a higher-for-longer stance. In this environment, asset allocation is shifting incrementally toward defense. Fixed income becomes more attractive as yields approach the upper end of recent ranges, while equities face near-term pressure from valuation sensitivity to both oil and interest rates. The key variable remains the duration and escalation path of the Iran conflict, which continues to dictate the direction of both energy markets and investor sentiment.

U.S. Markets

U.S. equities closed lower, giving back part of Monday's gains as oil prices resumed their upward trajectory and uncertainty surrounding diplomatic progress with Iran intensified. The S&P 500 declined 0.37%, while the Dow Jones Industrial Average fell 84.41 points and the Nasdaq Composite dropped 0.84%, reflecting a broad but measured pullback across risk assets.

Sector performance highlighted the market's defensive rotation. Energy stocks led the session, rising approximately 2% and extending their month-to-date gains to over 9%, making the sector the only positive performer in that period. The strength underscores how elevated oil prices are directly translating into earnings support for energy producers while simultaneously acting as a drag on broader market performance.

Technology and growth-oriented sectors lagged amid rising Treasury yields, which pressured valuations, while financials faced headwinds from tightening financial conditions and evolving credit risks. The market's tone suggests that equities are no longer trading primarily on earnings momentum, but rather on macro variables—oil, rates, and geopolitics.

Investor uncertainty remains elevated amid conflicting narratives surrounding U.S.-Iran negotiations. While diplomatic overtures have been signaled, continued military activity and inconsistent messaging have limited investor confidence. Market participants are increasingly adopting a wait-and-see approach, with volatility expected to remain elevated until greater clarity emerges.

On the corporate front, Jefferies surged following reports that Sumitomo Mitsui Financial Group is evaluating a potential acquisition, highlighting that strategic activity continues despite broader market uncertainty. The development reflects ongoing consolidation interest in capital markets firms, particularly those with strong deal-making franchises.

In aggregate, U.S. markets remain range-bound and highly sensitive to geopolitical developments, with downside risks tied to further energy escalation and upside potential contingent on credible progress toward de-escalation.

European Markets

European equities closed higher, reversing earlier weakness as investors navigated a volatile, headline-driven session dominated by conflicting signals on the Iran conflict and renewed strength in energy prices. The STOXX Europe 600 advanced nearly 0.5%, with most major regional bourses finishing in positive territory despite intraday oscillations around the flatline.

Sector performance reflected a market still anchored to energy dynamics. Oil & gas, telecoms, and chemicals led gains, supported by a sharp rebound in Brent crude, which rose approximately 4% to trade near \$104 per barrel. In contrast, cyclically sensitive sectors—including mining, industrials, and retail—lagged, highlighting persistent concerns that elevated energy costs could pressure margins and dampen consumer demand across the region.

The geopolitical backdrop remained the dominant driver of sentiment. Markets initially took direction from comments by Donald Trump indicating that the United States was engaged in “productive” discussions aimed at a potential resolution with Iran. However, subsequent denials from Tehran reinforced uncertainty, leaving investors to balance cautious optimism with the risk of prolonged conflict. The result is a European market that continues to trade tactically, with positioning shifting rapidly in response to incremental developments.

On the corporate front, earnings sensitivity to inflation and financing conditions became increasingly evident. Bellway declined 17.5% after warning of heightened volatility in the mortgage market and margin compression, including a 50-basis-point reduction in operating margins, underscoring the strain on rate-sensitive sectors.

Conversely, strategic activity in the consumer and luxury space provided a counterbalance. Estée Lauder confirmed ongoing discussions with Puig regarding a potential transaction, driving a strong re-rating in Puig shares, which closed 13.4% higher. The development signals that despite macro uncertainty, capital markets activity remains active where long-term brand value and global demand provide structural support.

In aggregate, European markets are demonstrating resilience but remain tactically driven, with energy prices, geopolitical developments, and interest rate sensitivity shaping sector rotation. Until there is clearer resolution on the Iran conflict and a stabilization in oil markets, European equities are likely to continue trading in a volatile, range-bound pattern with a defensive bias.

Economic Data:

- **U.S. Productivity:** fell to 2.80% from 5.20% last quarter.
- **U.S. Retail Gas Price:** rose to \$3.854, up from \$3.633 last week, a 6.08% increase.
- **U.S. Unit Labor Costs: Nonfarm Business QoQ:** rose to 2.80%, compared to -1.80% last quarter.

Eurozone Summary:

- **Stoxx 600:** closed at 578.28, up 2.50 points or 0.43%.
- **FTSE 100:** closed at 9,965.16, up 71.01 points or 0.72%.
- **DAX Index:** closed at 22,636.91, down 16.95 points or 0.07%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 46,124.06, down 84.41 points or 0.18%.
- **S&P 500:** closed at 6,556.37, down 24.63 points or 0.37%.
- **Nasdaq Composite:** closed at 21,761.89, down 184.86 points or 0.84%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,999.15, up 73.69 points or 1.88%.
- **Birling Capital U.S. Bank Index:** closed at 8,331.32, up 119.29 Points or 1.45%
- **U.S. Treasury 10-year note:** closed at 4.39%.
- **U.S. Treasury 2-year note:** closed at 3.90%.



U.S. Productivity 2022–2025

Nonfarm Business Sector

■ Positive ■ Negative



Source: U.S. Bureau of Labor Statistics · Quarter-over-quarter annualized % change

US Productivity; US Retail Gas Price & US Unit Labor Costs: Nonfarm Business QoQ





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