

Markets Struggle to Sustain Rebound as Energy Shock Pressures Equities and Volatility Re-emerges

March 30, 2026

by Francisco Rodríguez-Castro
frc@birlingcapital.com

The U.S. and European stock markets delivered a mixed start to the week, as equity markets struggled to sustain early gains **amid a renewed surge in energy prices and persistent geopolitical uncertainty**. While **European bourses closed higher**, supported by commodity-linked sectors, U.S. markets moved lower amid mounting pressure on growth equities and a reassessment of inflation risks tied to oil prices.

Investor sentiment remains fragile, oscillating between optimism around potential geopolitical de-escalation and concern that elevated energy prices could delay monetary easing and weigh on economic momentum. The result is a market increasingly defined by sector rotation, volatility spikes, and regional divergence.

U.S. Markets & Macro Pulse

U.S. equities closed mixed to lower, with the S&P 500 declining 0.39%, marking its third consecutive loss and extending its drawdown to just over 9% from recent highs. The weakness was concentrated in growth-oriented sectors, as technology stocks fell by more than 1%, highlighting the market's sensitivity to rising energy prices and expectations of higher interest rates.

The **Nasdaq Composite dropped 0.73%**, continuing to underperform as higher input costs and discount-rate pressures weighed on valuations. In contrast, the **Dow Jones Industrial Average managed a modest gain of 49.50 points**, supported by strength in financials and utilities—sectors that tend to benefit in periods of rising commodity prices and defensive rotation.

Volatility reasserted itself, with the CBOE Volatility Index briefly surpassing the 30 threshold during the session, signaling heightened investor anxiety and a repricing of near-term risk.

Energy markets remain the dominant macro driver. **West Texas Intermediate surged 3.25% to \$102.88 per barrel, marking its highest close since mid-2022, while Brent crude hovered near \$112.78**, in pace for one of the strongest monthly advances on record. The persistence of elevated oil prices continues to reinforce inflation concerns and complicate the policy outlook.

Despite this backdrop, Jerome Powell reiterated that longer-term inflation expectations remain “well anchored,” signaling that the Federal Reserve is not yet compelled to alter its policy trajectory.

Treasury markets responded accordingly, with the 10-year yield easing to approximately 4.35%, reflecting a partial unwinding of recent rate pressures.

Geopolitical signals remain mixed. Donald Trump indicated that discussions to end the conflict with Iran are progressing, offering a potential pathway to de-escalation. However, his concurrent warning of significant escalation should negotiations fail underscores the binary nature of the current risk environment—where markets must price both resolution and intensification simultaneously.

From a behavioral perspective, trading patterns continue to reflect a compressed risk cycle, with investors reducing exposure ahead of weekends and re-engaging at the start of the week. However, this pattern appears to be shifting, as risk reduction is occurring earlier, suggesting a more cautious institutional stance.

Notably, Wall Street enters the week following five consecutive weekly declines across major indices, with both the Dow and Nasdaq approaching correction territory—highlighting the cumulative impact of energy-driven macro volatility and geopolitical uncertainty.

Looking ahead, markets will contend with a shortened trading week due to Good Friday, even as the March labor market report is scheduled for release, potentially creating a disconnect between market liquidity and critical macro data.

European Markets

European equities closed higher, demonstrating notable resilience despite intensifying geopolitical risks and a measurable deterioration in economic sentiment across the region. The STOXX Europe 600 advanced **0.8%**, recovering from earlier losses as investors rotated into energy and materials, while selectively reducing exposure to rate-sensitive sectors such as technology and travel.

The FTSE 100 outperformed, rising **1.6%**, supported by strength in mining and energy constituents—sectors directly leveraged to the surge in commodity prices. Meanwhile, Germany's DAX gained **0.85%**, reflecting a broader cyclical bid despite macro headwinds.

This upward move occurred even as forward-looking indicators weakened. The European Commission reported declines in both its Economic Sentiment Indicator and Employment Expectations Index for March, while DG ECFIN's flash estimate showed consumer confidence falling sharply across both the EU and euro area. The divergence between softer sentiment data and rising equity prices underscores a market increasingly driven by **sectoral rotation and earnings leverage to energy**, rather than pure macro optimism.

Geopolitical developments remain central to the European narrative. Escalation in the Iran conflict—now extending beyond initial theaters—has introduced additional uncertainty into energy markets and supply chains. Comments from Donald Trump regarding potential actions targeting Iran's oil infrastructure, alongside direct involvement from regional actors such as Yemen's Houthis, signal a broadening risk profile that European markets must continuously price.

Despite these pressures, European equities diverged from weaker Asia-Pacific performance, highlighting the region's current **commodity-linked resilience** and tactical investor positioning. Corporate activity also provided support, with Ørsted rallying sharply after a favorable analyst upgrade shifted the perceived risk-reward profile.

From a strategic perspective, Europe is exhibiting a **two-speed market dynamic**:

- Cyclical and commodity-exposed sectors are benefiting from higher input prices and global demand signals.
- Consumer and sentiment-driven segments are weakening under the weight of declining confidence indicators.

This bifurcation suggests that, while headline indices remain supported, underlying dispersion is increasing—creating a more selective and opportunity-driven environment for investors.

Energy Markets

Oil markets remain the central macro variable. West Texas Intermediate extended its advance, trading above \$100 per barrel amid continued disruptions in the Strait of Hormuz—one of the world's most critical energy chokepoints.

Despite the price surge, North American rig counts have declined in recent weeks, signaling producer discipline and skepticism regarding the durability of the current price spike. Futures markets reinforce this view, with forward curves suggesting a normalization toward the mid-\$70s by year-end. This divergence—spot tightness versus forward moderation—suggests that markets continue to interpret the current energy shock as **transitory**, though it remains impactful in the short term for inflation expectations and sector performance.

Fixed Income & Policy Outlook

U.S. Treasury yields edged lower, with the 10-year hovering near 4.35%, retracing part of the recent upward move. The prior rise in yields was largely driven by a reassessment of inflation risks—

particularly energy-driven—and a corresponding repricing of the Federal Reserve's easing trajectory. Markets have materially pushed back the expected timing of rate cuts, now embedding a slower normalization path than the Federal Reserve's latest projections indicate. However, the underlying macro structure remains intact:

- Labor markets continue to exhibit resilience.
- Inflation, while sticky, shows signs of gradual moderation.
- The Fed retains its optionality, allowing for a **measured, data-dependent easing cycle**.

Importantly, higher yields are not purely a headwind. They enhance **income generation**, which is now the dominant driver of total returns in fixed income. Moreover, any stabilization or decline in inflation expectations would provide a tailwind to bond prices, given the inverse relationship between yields and valuations.

From an allocation standpoint:

- **International bonds** offer diversification across policy regimes and rate cycles.
- **Emerging market debt** provides incremental yield and exposure to improving global liquidity conditions.

Strategic View — The Signal Beneath the Noise

Markets are once again demonstrating a familiar pattern: short-term volatility driven by geopolitical shocks, followed by a disciplined reassessment anchored in fundamentals. The current environment is not devoid of risk—but neither is it structurally impaired.

The key takeaway is that **market leadership is broadening, not narrowing**, and that is historically constructive. Energy-driven volatility may continue to influence inflation expectations and policy timing, but it has not altered the underlying trajectory of global growth.

For investors, the implication is clear:

Periods of dislocation are not signals to retreat—they are opportunities to **reposition with discipline across asset classes, sectors, and geographies**.

Economic Data:

- **Eurozone Consumer Confidence Indicator:** fell to -16.30, down from -12.30 last month.
- **Eurozone Economic Sentiment Indicator:** fell to 96.60, down from 98.20 last month.
- **Germany Consumer Price Index YoY:** rose to 2.70%, up from 1.90% last month.
- **Japan Industrial Production Index MoM:** rose to 4.29%, compared to 0.60% last month.

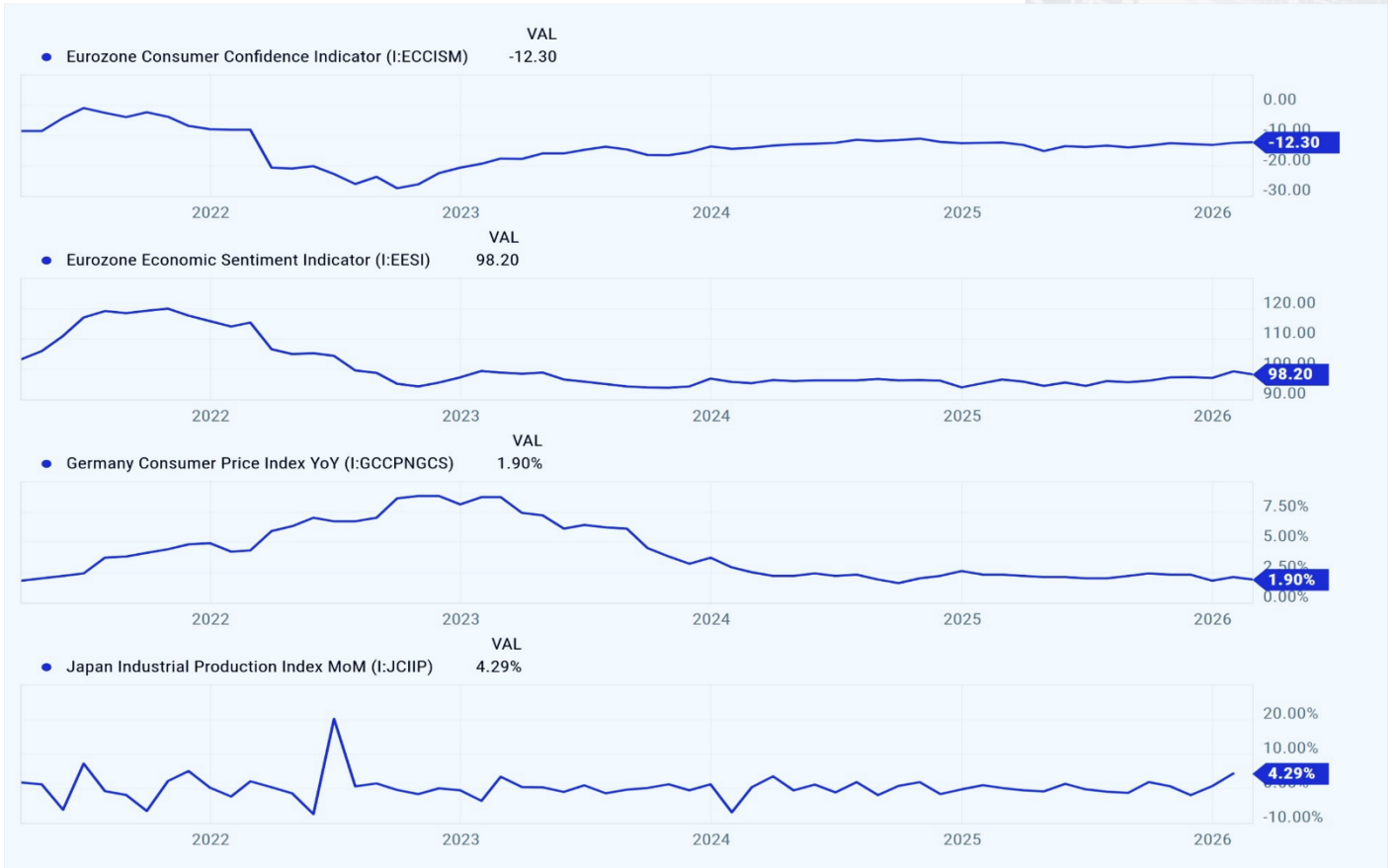
Eurozone Summary:

- **Stoxx 600:** closed at 580.73, up 5.43 points or 0.94%.
- **FTSE 100:** closed at 10,127.96, up 160.61 points or 1.61%.
- **DAX Index:** closed at 22,562.88, up 262.13 points or 1.18%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 45,216.14, up 49.50 points or 0.11%.
- **S&P 500:** closed at 6,343.72, down 25.13 points or 0.39%.
- **Nasdaq Composite:** closed at 20,794.64, down 153.71 points or 0.73%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,949.35, down 83.65 points or 2.07%.
- **Birling Capital U.S. Bank Index:** closed at 8,110.18, down 249.30 Points or 2.98%
- **U.S. Treasury 10-year note:** closed at 4.35%.
- **U.S. Treasury 2-year note:** closed at 3.82%.

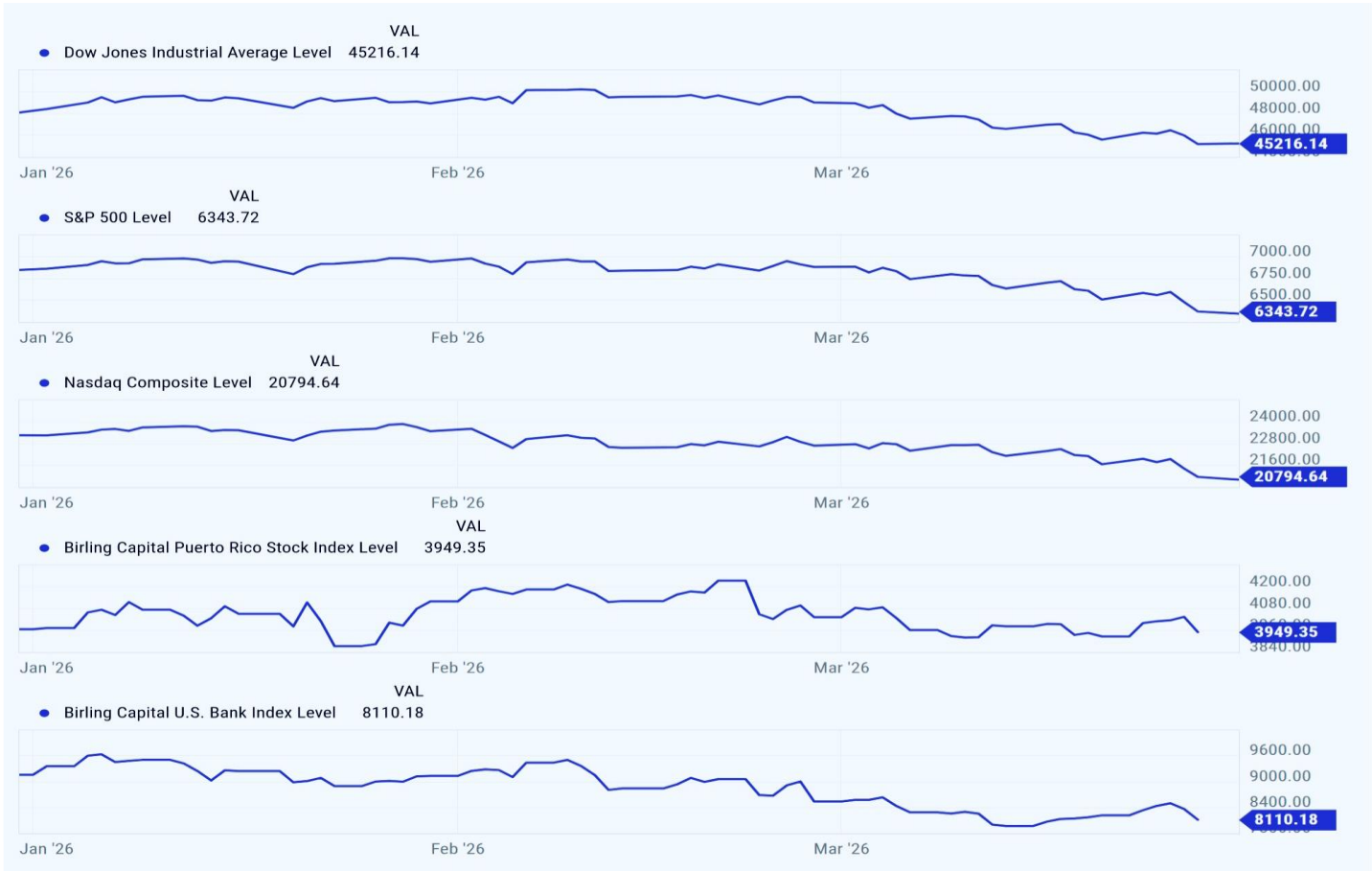
Eurozone Consumer Confidence Indicator; Eurozone Economic Sentiment Indicator; Germany Consumer Price Index YoY & Japan Industrial Production Index MoM





Wall Street Recap

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