

Markets Retreat as Dow Falls 557 Points on Escalating Iran Conflict and Oil Surge Reprices Risk Across Asset Classes

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The U.S. and European stock markets closed lower, as a renewed spike in geopolitical tensions surrounding Iran triggered a sharp rise in oil prices and a broad recalibration of risk sentiment. What began as a headline-driven session quickly evolved into a macro repricing event, with energy markets, yields, and equities all responding to the increasing probability of prolonged instability in the Strait of Hormuz. Despite recent record highs, markets are now confronting the reality that geopolitical risk is no longer a tail scenario—but an active variable shaping valuation.

U.S. Markets

U.S. equities declined across all major indices, led by a pronounced selloff in the Dow Jones Industrial Average, as rising oil prices and conflict risk weighed on cyclical sectors. **The Dow fell 557.37 points (-1.13%) to close at 48,941.90, while the S&P 500 declined 0.41% to 7,200.75, and the Nasdaq Composite slipped 0.19% to 25,067.80**, demonstrating relative resilience driven by continued strength in large-cap technology.

The session was defined by rapidly evolving developments in the Middle East. The United Arab Emirates reported intercepting missiles launched from Iran—marking the first activation of its missile defense systems since the U.S.-Iran ceasefire began. Simultaneously, conflicting reports emerged regarding a potential Iranian strike on a U.S. naval vessel near the Strait of Hormuz, initially pushing oil sharply higher before partial retracement following a denial from U.S. Central Command that any ships had been hit.

Energy markets nonetheless maintained a strong upward trajectory. West Texas Intermediate crude rose 4.39% to \$106.42 per barrel, while Brent crude surged 5.8% to \$114.44, reinforcing inflation concerns and pressuring equity valuations—particularly in sectors sensitive to input costs and global trade flows.

Policy developments added another layer of uncertainty. Donald Trump announced “Project Freedom,” an initiative aimed at escorting commercial vessels through the Strait of Hormuz to restore maritime flow. While strategically significant, the lack of operational clarity and the scale of potential military involvement underscore the complexity—and risk—of the current environment.

Sector performance reflected this stress. Logistics and transportation stocks came under heavy pressure following Amazon's announcement of a structural disruption, which unveiled plans to expand its freight and delivery network for external clients.

European Markets

European equities closed decisively lower, as investors contended with a dual shock: escalating geopolitical risk in the Middle East and a renewed threat of transatlantic trade friction. The pan-European Stoxx 600 declined roughly 1%, reversing earlier gains and reinforcing a fragile risk environment across the region. Major indices in Frankfurt, Paris, and Milan all finished in negative territory, while the FTSE 100 remained closed due to the U.K.'s early spring bank holiday, limiting broader market participation.

The sharpest pressure emerged in the automotive sector following comments from Donald Trump indicating a potential increase in tariffs on European cars and trucks to 25%. The announcement triggered a broad selloff across manufacturers and suppliers, underscoring the sector's vulnerability

to policy risk and global trade realignment. Continental AG led declines within the index, falling 4.6%, while Mercedes-Benz Group dropped 3.4% and Volkswagen Group lost over 2%. The European Commission signaled it is evaluating response options, raising the prospect of retaliatory measures that could further weigh on sentiment.

Geopolitical developments compounded the negative tone. Reports of a vessel struck near Fujairah in the United Arab Emirates intensified concerns over maritime security in the Strait of Hormuz, while the U.S. advanced a plan—"Project Freedom"—aimed at safeguarding commercial shipping through the corridor. The proposal highlights the strategic importance of the waterway and reinforces the embedded risk premium in global energy markets.

Energy prices responded sharply. Brent crude surged more than 5% to approximately \$114 per barrel, while West Texas Intermediate climbed above \$105, amplifying inflation concerns and adding pressure to equity valuations, particularly in energy-import-dependent Europe.

Notably, the tariff-escalation rhetoric comes despite a Supreme Court ruling earlier this year that curtailed significant portions of the administration's tariff authority, adding an additional layer of legal and policy uncertainty.

Geopolitics & Energy: The Dominant Market Driver

The Strait of Hormuz remains the critical focal point for markets. Reports that Iranian forces turned back vessels and threatened access to the waterway—combined with missile activity in the region—have elevated the risk premium embedded in oil prices.

While diplomatic channels remain active, the trajectory suggests a prolonged period of uncertainty. The rejection of Iran's latest proposal by Donald Trump, coupled with discussions of potential military escalation, reinforces the market's reassessment of downside scenarios.

Strategic View

Markets are transitioning from a momentum-driven advance to a geopolitically constrained environment, where energy prices and conflict risk directly influence asset allocation decisions. The recent rally to record highs was underpinned by strong earnings and resilient growth—but the re-emergence of oil as a binding constraint introduces a new phase of volatility.

The investment framework remains disciplined:

- **Stay invested** in structural growth, particularly technology, which continues to demonstrate relative strength.
- **Monitor energy** as the primary macro transmission channel.
- **Expect elevated volatility** as markets rapidly price in geopolitical developments.

In this environment, the balance between earnings resilience and geopolitical risk will define market direction. For now, oil—not earnings—is setting the marginal price of risk.

Puerto Rico Manufacturing: A \$2.5 Billion Investment Wave and a PMI That Confirms the Thesis

Puerto Rico's manufacturing sector is firing on multiple cylinders simultaneously — and the evidence is now both statistical and strategic.

The PMI Signals Broad-Based Expansion

The Manufacturing Purchasing Managers' Index rose to 56.1 in March 2026, marking the second consecutive month above the critical 50 expansion threshold, according to the Instituto de Estadísticas de Puerto Rico. This is not a marginal reading. It reflects broad-based acceleration across new orders, production, and inventories — confirming that demand is firming and that manufacturers are responding with increased output and forward positioning.

The structural foundation beneath that number is equally compelling. PMI readings have exceeded 50 in 118 of the last 191 months, reinforcing manufacturing's role as a core pillar of Puerto Rico's

economy. Importantly, this strength contrasts with recent softness in broader economic indicators, highlighting a two-speed dynamic in which export-driven manufacturing continues to outperform domestically oriented sectors. While risks tied to energy costs and external policy remain, the current PMI trajectory positions industrial activity as a key driver of economic momentum through the remainder of 2026.

Amgen Doubles Down on Juncos, Puerto Rico

Against that backdrop, Amgen's announcement on May 4, 2026, arrives with particular force. The company announced an additional \$300 million investment in its Juncos biologics manufacturing facility, bringing its total commitment in Puerto Rico to nearly \$1 billion. Established in 1992, the Juncos site is one of the largest and most advanced biomanufacturing facilities in the world, producing biologic medicines distributed to more than 60 countries. The expansion will strengthen existing advanced manufacturing roles, support workforce development across the eastern region, and generate hundreds of construction jobs.

Secretary of Economic Development Sebastián Negrón Reichard captured the significance precisely: the commitment is "a powerful signal that the future of American biomanufacturing is being built here." The PMI data and the investment ledger together confirm that assessment.

A Portfolio Built Across the Island

Amgen's announcement is the most visible expression of a broader capital wave reshaping Puerto Rico's industrial base from Juncos to Arecibo. Eli Lilly anchors the portfolio at \$1.2 billion.

PharmaEssentia (\$46.0M) and Millicent Pharma (\$45.5M) add depth in precision biopharmaceuticals. Collins Aerospace/RTX (\$40.0M) reinforces the island's aerospace corridor, while ABB Arecibo (\$35.5M) brings industrial automation capital to the northwest. Master Paints (\$21.6M), Integra Life Sciences (\$17.0M), and Carelon Global Solutions (\$15.5M) complete a portfolio spanning advanced manufacturing, medical devices, and technology-enabled healthcare services.

The tracked investment portfolio now stands at \$2.408 billion — a figure that reads not as a ceiling, but as a floor.

What makes this moment strategically significant is the convergence of two independent data streams pointing in the same direction. The PMI confirms that Puerto Rico's manufacturing base is operationally strong — expanding output, winning new orders, and building inventory in anticipation of sustained demand. The investment ledger confirms that global capital has reached the same conclusion, committing nearly \$2.5 billion to the island's industrial future.

Economic Data:

- **US ISM Manufacturing PMI:** is at 52.70, unchanged from 52.70 last month.
- **US ISM Manufacturing New Orders Index:** rose to 54.10, up from 53.50 last month.
- **US ISM Manufacturing Employment Index:** fell to 46.40, down from 48.70 last month.
- **US ISM Manufacturing Prices Paid Index:** rose to 84.60, up from 78.30 last month

Eurozone Summary:

- **Stoxx 600:** closed at 605.51, down 6.04 points or 0.99%.
- **FTSE 100:** closed for UK Bank Holiday.
- **DAX Index:** closed at 23,991.27, down 301.11 points or 1.24%.

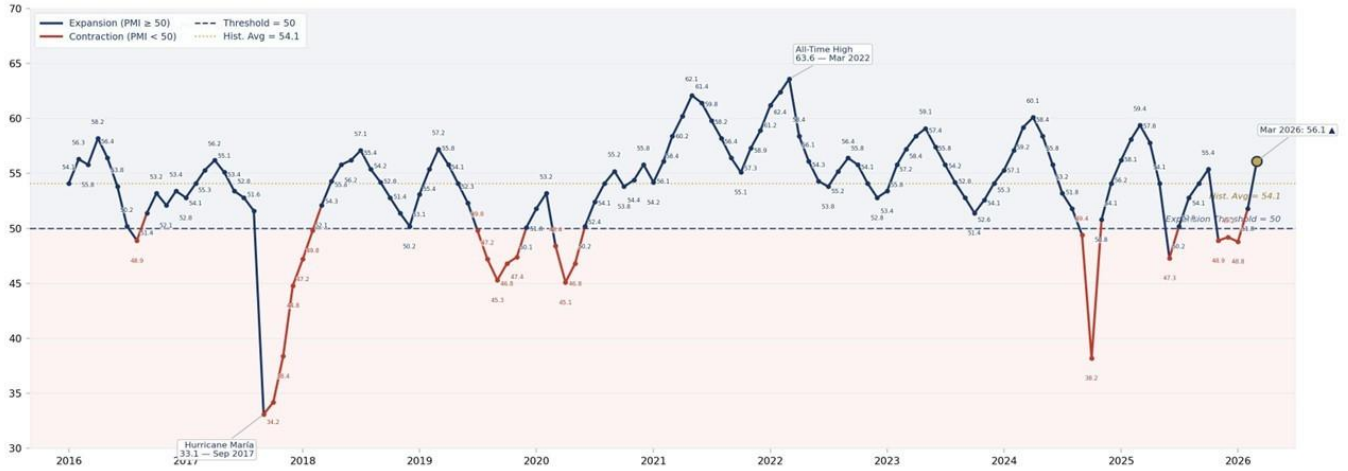
Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 48,941.90, down 557.37 points or 1.13%
- **S&P 500:** closed at 7,200.75, down 29.37 points or 0.41%.
- **Nasdaq Composite:** closed at 25,067.80, down 46.64 points or 0.19%.

- **Birling Capital Puerto Rico Stock Index:** closed at 4,481.66, down 23.03 points or 0.51%.
- **Birling Capital U.S. Bank Index:** closed at 9,236.46, down 46.88 points or 0.50%
- **U.S. Treasury 10-year note:** closed at 4.45%.
- **U.S. Treasury 2-year note:** closed at 3.95%.



Puerto Rico Manufacturing PMI March 2026



MARCH 2026 | COMPONENT BREAKDOWN

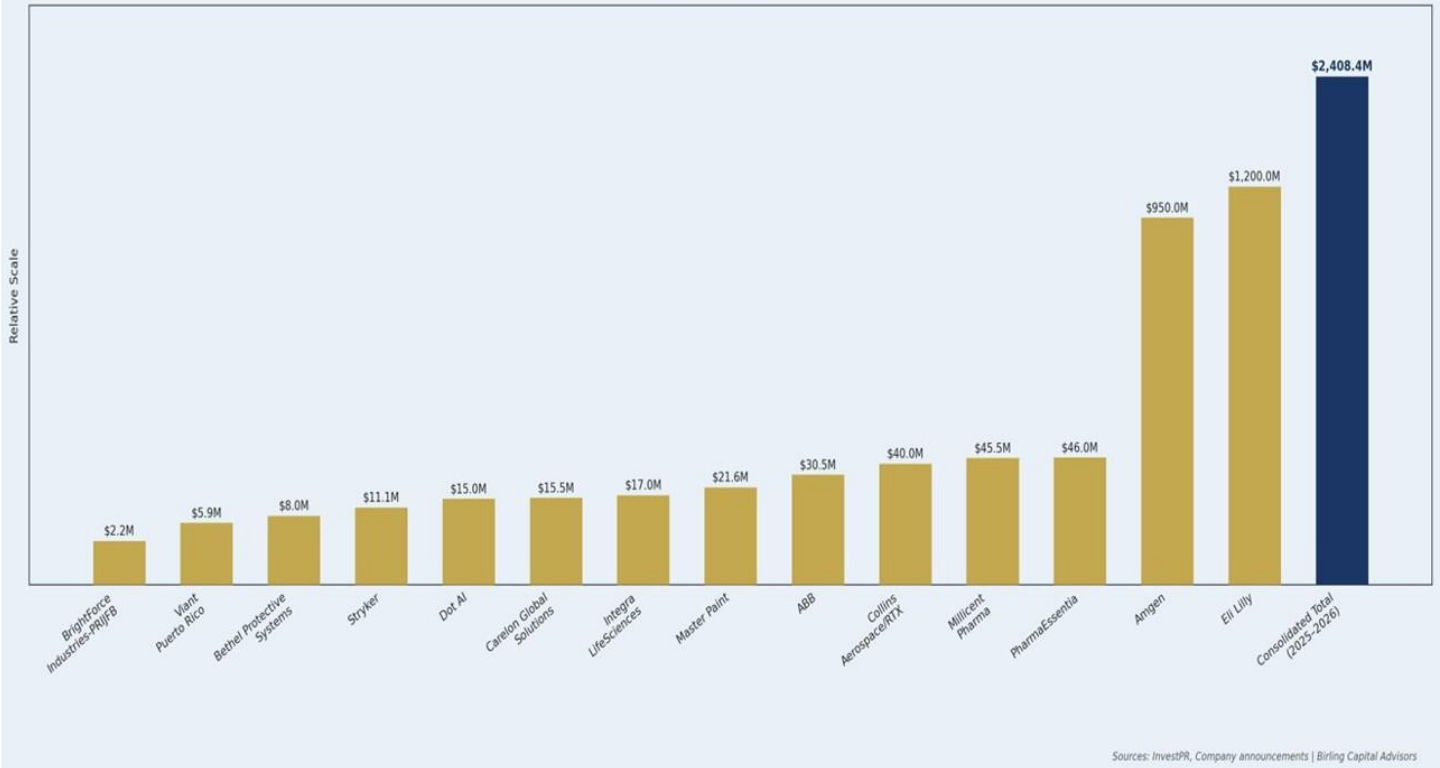


Source: Puerto Rico Manufacturers Association (PRMA) and Statistical Institute of Puerto Rico (PRISA). PMI readings above 50 indicate expansion; below 50 indicate contraction. Supplier Deliveries: readings above 50 indicate slower deliveries.

Puerto Rico's New Manufacturing Investments

Updated May 2026

New Manufacturing & Business Investments in Puerto Rico (2025-2026)
Visualization with Actual Investment Labels





Wall Street Recap

May 4, 2026



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