

Markets Pull Back from Records as Tech Weakness and Energy Pressures Reassert Themselves

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The U.S. and European stock markets closed mixed, with U.S. equities stepping back from record levels amid a renewed rise in oil prices and a sharp rotation out of technology. The pullback follows a series of all-time highs and reflects a market transitioning from momentum-driven gains to a more selective, earnings-validated phase.

At the center of the shift is a reassessment of AI-driven growth expectations. Reports indicating that OpenAI fell short of internal revenue and user growth targets triggered a broad-based selloff across semiconductor and data-center-linked equities. The reaction highlights the market's sensitivity to execution risk within one of its most crowded and performance-critical themes.

Simultaneously, energy has re-emerged as the dominant macro variable. Crude prices moved higher, with West Texas Intermediate surpassing \$100 per barrel and Brent crude advancing above \$111, as uncertainty over negotiations over the Strait of Hormuz persists. The combination of stalled diplomacy and conditional proposals to reopen the passage continues to inject volatility into global energy markets, reinforcing inflation concerns and constraining equity upside.

Treasury yields edged higher in response, underscoring the market's ongoing sensitivity to inflation expectations and policy implications. The result is a more cautious tone, even as underlying fundamentals remain intact.

U.S. Markets

U.S. equities retreated modestly, led by weakness in technology and semiconductor stocks. The S&P 500 declined 0.5%, while the Nasdaq Composite fell 0.9%. The Dow Jones Industrial Average proved more resilient, slipping just 0.06% as gains in defensive and consumer-oriented names helped offset broader weakness.

The selloff was concentrated in the semiconductor complex, with the VanEck Semiconductor ETF falling more than 2%. Key industry leaders, including Nvidia, Broadcom, Advanced Micro Devices, Intel, and Oracle, all traded lower as investors reduced exposure to high-multiple AI beneficiaries. In contrast, defensive positioning provided partial support. Coca-Cola advanced more than 3% following stronger-than-expected earnings, reinforcing the role of stable cash-flow sectors in periods of market recalibration.

The broader narrative is one of positioning ahead of a critical earnings inflection point. Five of the "Magnificent Seven"—Alphabet Inc., Amazon, Meta Platforms, Microsoft, and Apple—are set to report within days, making this one of the most consequential earnings windows of the quarter. Geopolitics continues to frame the macro backdrop. Peace negotiations between the U.S. and Iran remain uncertain, with no formal meetings currently scheduled despite discussions around a potential reopening of the Strait of Hormuz. This ambiguity is sustaining upward pressure on oil prices and reinforcing a cautious investor posture.

The market signal is increasingly clear: while earnings momentum and economic resilience remain

supportive, leadership is rotating, valuations are being tested, and geopolitical variables—particularly energy—are reasserting themselves as key determinants of near-term direction. Row leadership cohort and reinforces the case for a more balanced, diversified market advance.

European Markets

European equities closed lower, reflecting a cautious and reactive tone as geopolitical uncertainty once again overshadowed otherwise active corporate developments. The pan-European STOXX Europe 600 declined approximately 0.3%, with losses broad-based across sectors as sentiment deteriorated into the afternoon session.

The primary driver was geopolitical recalibration. Investors remained focused on Washington's response to Iran's proposal tied to reopening the Strait of Hormuz, a development that—if realized—could materially alter global energy flows. At the same time, the announcement that the United Arab Emirates would exit OPEC introduced an additional layer of structural uncertainty into oil markets, raising questions about the cartel's cohesion and future production coordination. The combined effect kept energy prices firm and risk appetite subdued across European equities.

Corporate earnings provided pockets of divergence but failed to offset the broader risk-off tone. Novartis edged higher despite reporting first-quarter operating income below expectations, while BP advanced following strong earnings beat and a notable improvement in profitability. In contrast, Barclays declined after absorbing a credit-related charge tied to real estate exposure, even as it maintained solid capital levels and reaffirmed shareholder return plans.

Industrial performance was mixed, with Airbus posting modest gains after updating investors on quarterly progress. Meanwhile, Bayer came under pressure, weighed down by ongoing legal uncertainty stemming from its acquisition of Monsanto and continued litigation over its Roundup product.

The broader takeaway for European markets is one of constrained momentum. While earnings remain supportive at the company level, macro forces—particularly energy volatility and geopolitical decision-making—are dictating direction. Until there is greater clarity on the trajectory of the Iran conflict and the stability of global oil supply coordination, European equities are likely to remain range-bound with a defensive bias.

Policy & Rates

Attention now turns to monetary policy as the Federal Open Market Committee convenes for its April meeting. Expectations are firmly anchored around a pause, with the federal funds rate likely to remain in the 3.50%–3.75% range for a third consecutive meeting.

The more consequential signal will come from forward guidance. Policymakers face a nuanced tradeoff: whether to look through the near-term inflationary impulse driven by rising energy prices or to maintain a more restrictive posture in response to persistent price pressures.

This debate will be informed by the upcoming release of the Fed's preferred inflation gauge, the Personal Consumption Expenditures Price Index, which is expected to show an acceleration toward 3.6%. With inflation still meaningfully above the Fed's 2% target, the central bank is likely to remain patient, particularly as labor market conditions stabilize and show tentative signs of resilience.

The market's current posture can be summarized as a transition from momentum to validation. Earnings are delivering, breadth is improving, and macro conditions remain supportive—but leadership is rotating, and the margin for error, particularly in technology, is narrowing.

Economic Data:

- **US Retail Gas Price:** fell to \$4.178, down from \$4.254 last week, a change of -1.79%.
- **Case-Shiller Composite 20 Home Price Index YoY:** 0.89%, compared to 1.21% last month.
- **Case-Shiller Home Price Index: National:** rose to 332.10, up from 331.80 last month
- **Richmond Fed Manufacturing Index:** rose to 3.000, up from 0.000 last month.
- **Japan Unemployment Rate:** rose to 2.70%, up from 2.60% last month.

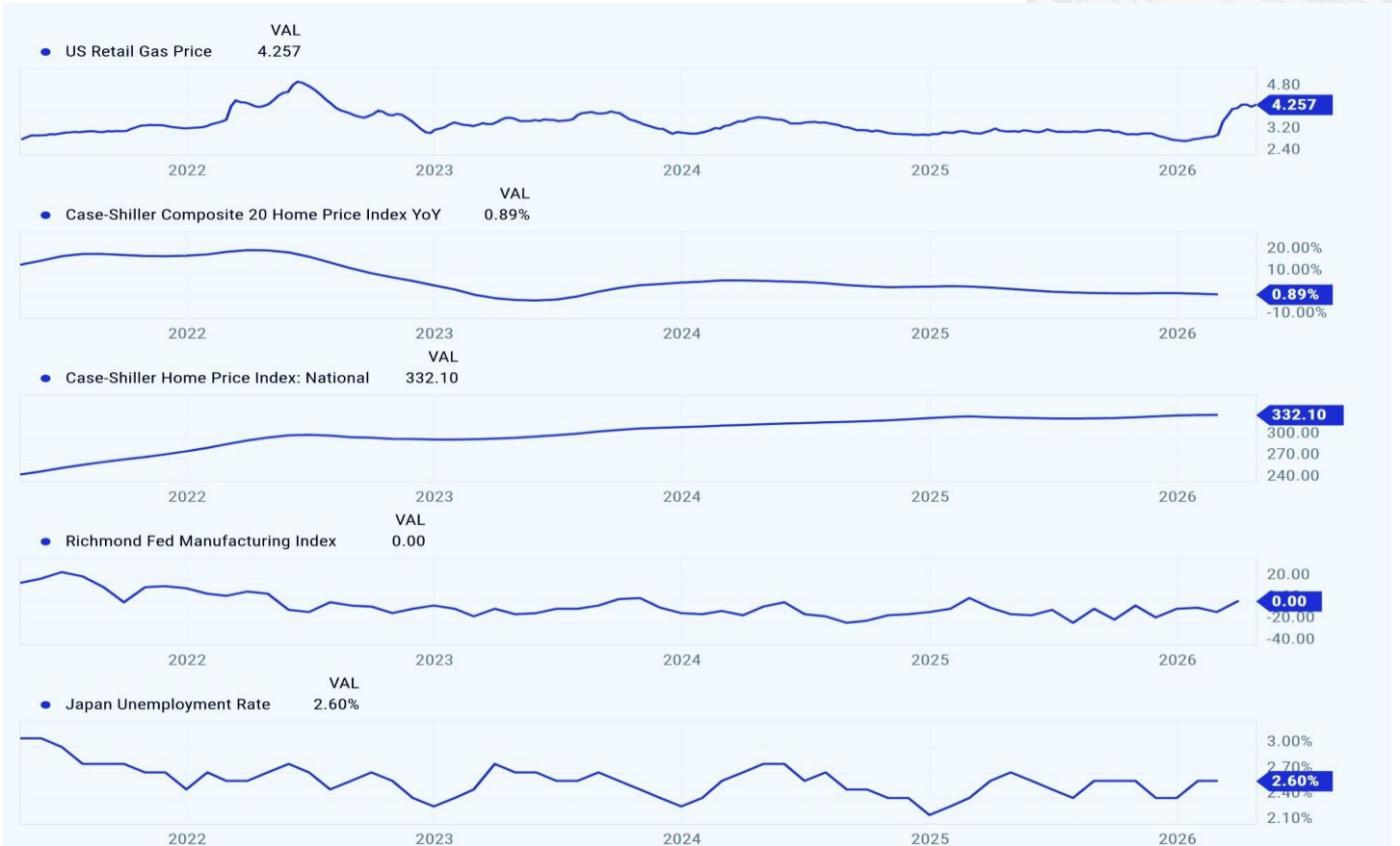
Eurozone Summary:

- **Stoxx 600:** closed at 606.58, down 2.26 points or 0.37%.
- **FTSE 100:** closed at 10,332.79, up 11.70 points or 0.11%.
- **DAX Index:** closed at 24,018.26, down 65.27 points or 0.27%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 49,141.93, down 25.86 points or 0.05%
- **S&P 500:** closed at 7,138.80, down 35.11 points or 0.49%.
- **Nasdaq Composite:** closed at 24,663.80, down 223.30 points or 0.90%.
- **Birling Capital Puerto Rico Stock Index:** closed at 4,425.19, down 71.72 points or 1.59%.
- **Birling Capital U.S. Bank Index:** closed at 9,144.02, down 66.75 points or 0.72%
- **U.S. Treasury 10-year note:** closed at 4.36%.
- **U.S. Treasury 2-year note:** closed at 3.84%.

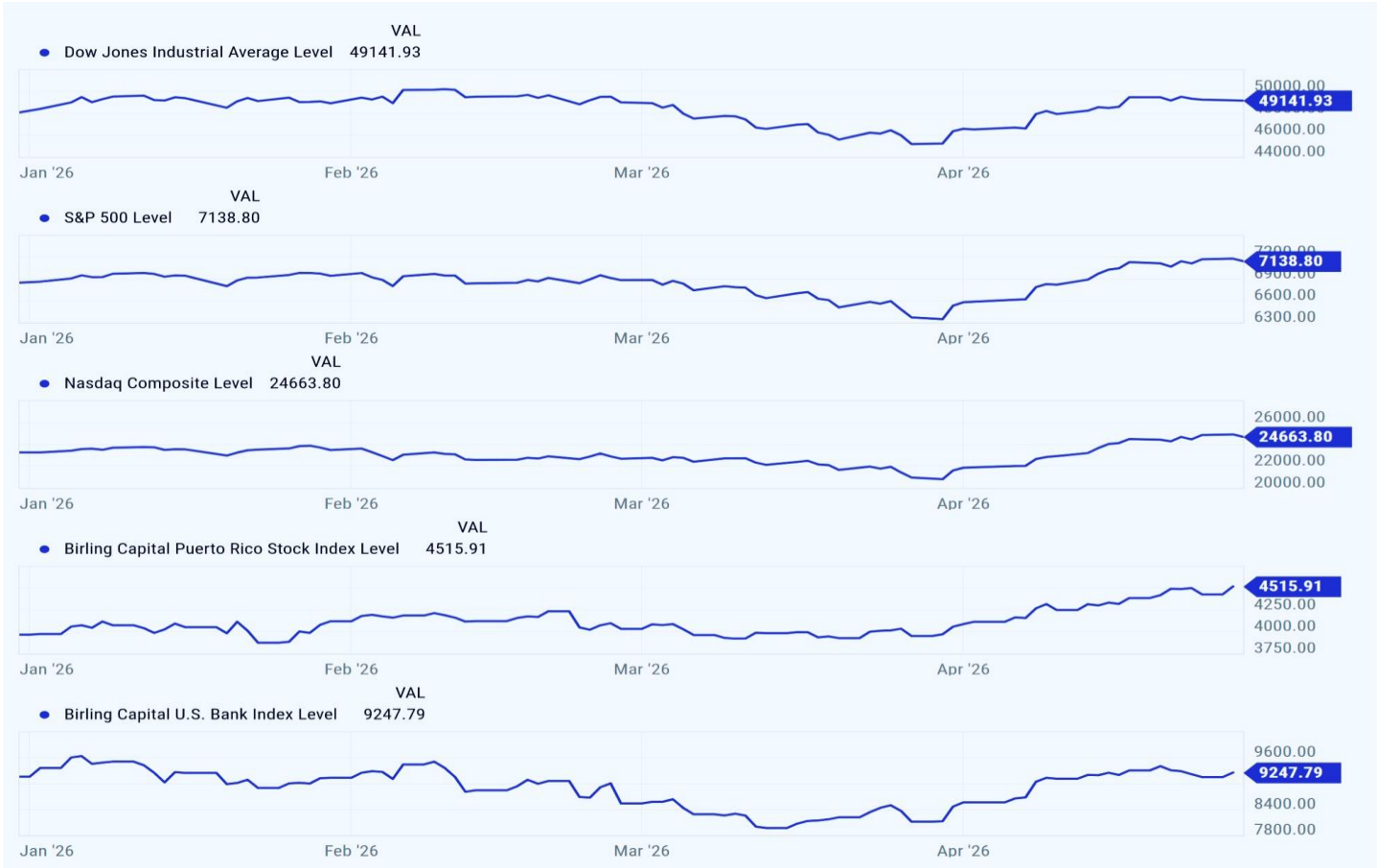
US Retail Gas Price; Case-Shiller Composite 20 Home Price Index YoY; Case-Shiller Home Price Index: National; Richmond Fed Manufacturing Index & Japan Unemployment Rate





Wall Street Recap

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