

Markets Advance as Ceasefire Hopes Offset Energy Volatility; S&P 500 Extends Winning Streak While Europe Remains Closed

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The U.S. and European stock markets diverged at the start of the week, as European markets remained closed for Easter Monday, reducing global liquidity and concentrating price discovery in U.S. trading. Against this thinner backdrop, U.S. equities advanced for a fourth consecutive session, supported by cautious optimism that a last-minute diplomatic resolution in the Middle East could prevent further escalation.

Markets continue to trade at the intersection of geopolitics and energy, with investors recalibrating risk in real time as headlines shift. While the threat of U.S. strikes on Iranian infrastructure remains imminent, parallel diplomatic efforts have introduced a potential off-ramp scenario, anchored sentiment and limiting downside pressure.

Oil prices reflected this tension, whipsawing throughout the session before settling modestly higher, with WTI closing at \$112.41 per barrel and Brent at \$109.77—levels that continue to embed a significant geopolitical risk premium. At the same time, volatility remains elevated, with the CBOE Volatility Index holding above 24, signaling that markets remain highly sensitive to incremental developments.

This environment underscores a critical dynamic: markets are advancing, but not with conviction—driven more by shifting probabilities than by fundamental resolution.

U.S. Markets — S&P 500 Extends Gains as Ceasefire Hopes Support Risk Appetite

U.S. equities closed higher, with the S&P 500 posting its fourth consecutive gain, rising 0.44% to 6,611.83. The Nasdaq Composite advanced 0.54% to 21,996.34, while the Dow Jones Industrial Average gained 165.21 points, or 0.36%, to close at 46,669.88.

The primary catalyst was renewed optimism in diplomatic negotiations. Reports indicated that the United States, Iran, and regional mediators are exploring a potential 45-day ceasefire framework that could serve as a bridge toward a broader resolution. Additional proposals under discussion include immediate de-escalation measures and the reopening of the Strait of Hormuz—an outcome that would materially ease global energy supply concerns.

However, the path forward remains uncertain. The probability of reaching a formal agreement before the stated Tuesday deadline appears limited, and policy signals from Donald Trump continue to reflect a dual-track approach—maintaining pressure while leaving room for negotiation. The administration reiterated that failure to reopen the Strait could trigger targeted strikes on critical Iranian infrastructure, including energy and transport assets.

From a market standpoint, this creates a highly asymmetric setup. While equities are responding positively to the prospect of de-escalation, energy markets—and by extension inflation expectations—continue to reflect a more cautious outlook. Oil prices remain elevated despite intraday volatility, reinforcing concerns that any disruption could have sustained macroeconomic consequences.

As one institutional view highlighted, the market may be underestimating the persistence of the energy shock, with implications that extend beyond immediate supply disruptions into broader inflation dynamics and global growth.

In this context, the current rally should be understood not as a resolution-driven advance, but as a probability-driven repricing, where optimism around diplomacy is temporarily offsetting, but not eliminating, underlying geopolitical and energy risks.

Inflation Remains Sticky Above the Fed's Target

The latest Inflation Nowcasting places the February 2025 **PCE at 2.67% and Core PCE** — which strips out volatile food and energy prices — **at 2.83%, both running meaningfully above the Federal Reserve's 2%** target. The PCE and Core PCE are due on Thursday.

The 16-basis-point spread between headline and core is the telling detail. It signals that underlying price pressures are more persistent than the top-line number suggests, with services inflation continuing to do most of the heavy lifting. That is not the profile of an economy that is poised for rate cuts.

The six-month trend tells the same story: both series have drifted steadily upward since September 2024, tracing a gradual but unrelenting climb. There has been no meaningful deceleration — only a flattening in the most recent month, which is too early to call a turning point.

For the Fed, this nowcast reinforces a patient posture. With core inflation nearly a full percentage point above target and no clear downward inflection in the data, the bar for easing remains high. Markets pricing in near-term cuts may be getting ahead of the numbers.

This Friday's Consumer Price Index release will serve as the first meaningful test of how the recent surge in energy prices is filtering into the broader price structure. The Inflation Nowcasting has **the headline CPI rising to 3.25%** year-over-year, up from 2.4%, largely driven by a sharp increase in oil prices—WTI averaging approximately \$90 per barrel in March, up from \$64 per barrel in February.

Core CPI is also expected to firm modestly to 2.60%, suggesting that while energy is the primary driver, underlying inflation pressures remain persistent.

For the Federal Reserve, this reinforces a strategic dilemma. The data does not justify an immediate easing, particularly given the renewed inflation risk tied to commodities. As a result, **markets are increasingly aligned around a “higher for longer” stance**, with futures indicating the Fed is likely to remain on hold through much of 2026.

However, the broader policy trajectory has not been invalidated—only delayed.

Our base case continues to anticipate that the easing cycle remains intact, albeit pushed further into the horizon, with one to two rate cuts still plausible once inflation stabilizes and geopolitical pressures subside.

In sum, markets are navigating a complex intersection: a resilient domestic economy, a re-emerging inflation impulse driven by energy, and a geopolitical backdrop that could shift rapidly. In this environment, discipline—not reaction—remains the defining advantage.

European Markets — Closed for Easter Monday

European markets remained closed in observance of Easter Monday, including the STOXX Europe 600, FTSE 100, and DAX. The closure reduced global liquidity, contributing to a more subdued and technically driven trading environment in U.S. markets.

Economic Data:

- **US ISM Services PMI:** rose to 54.00, down from 56.10 last month.
- **US ISM Services Employment Index:** is at 45.20, N/A from last month.
- **US ISM Services New Orders Index:** is at a current level of 60.60, N/A from last month.
- **US ISM Services Prices Paid Index:** is at 70.70, N/A from last month.

Eurozone Summary:

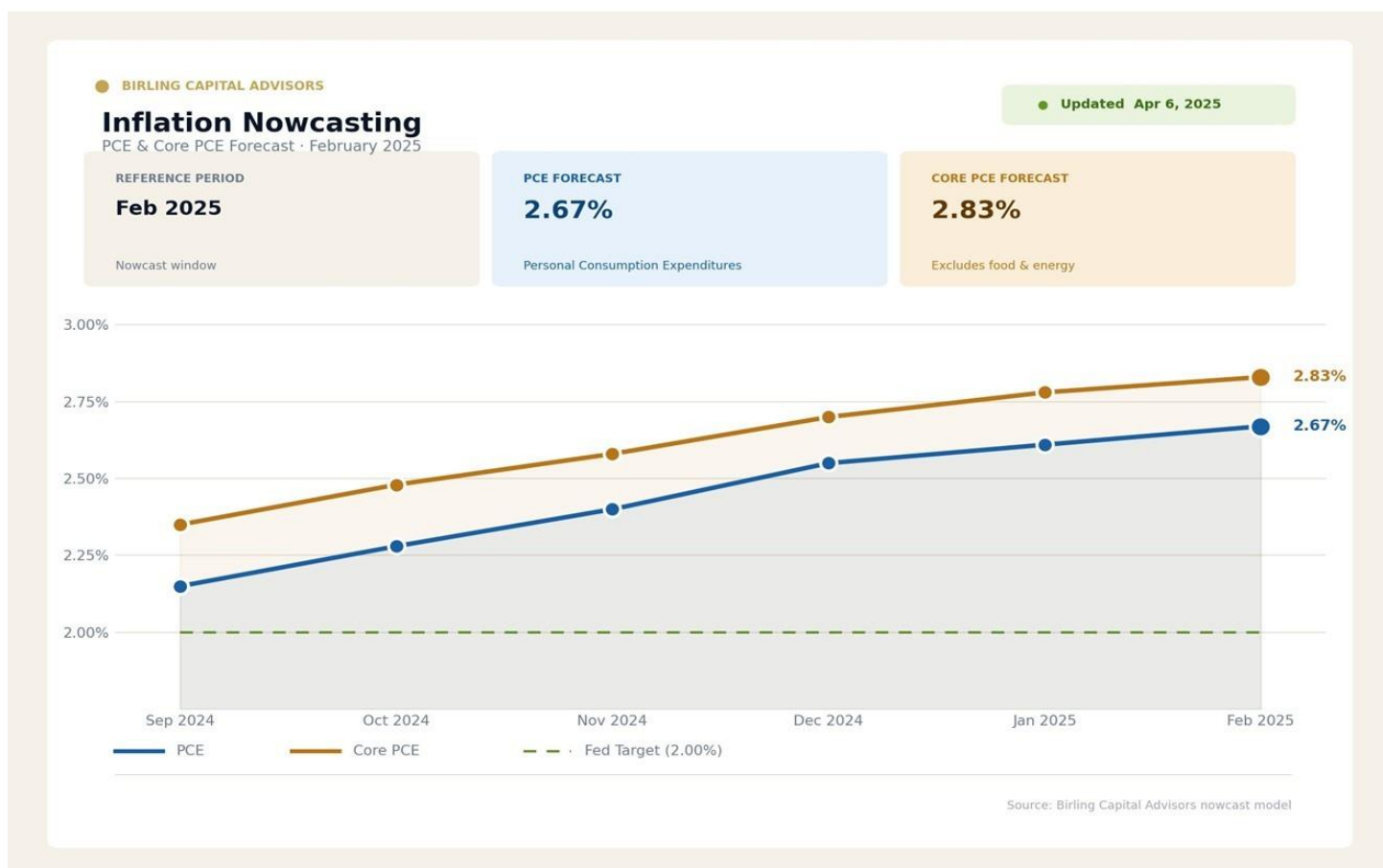
- **Stoxx 600:** closed for Eastern Monday
- **FTSE 100:** closed for Eastern Monday
- **DAX Index:** closed for Eastern Monday

Wall Street Summary:

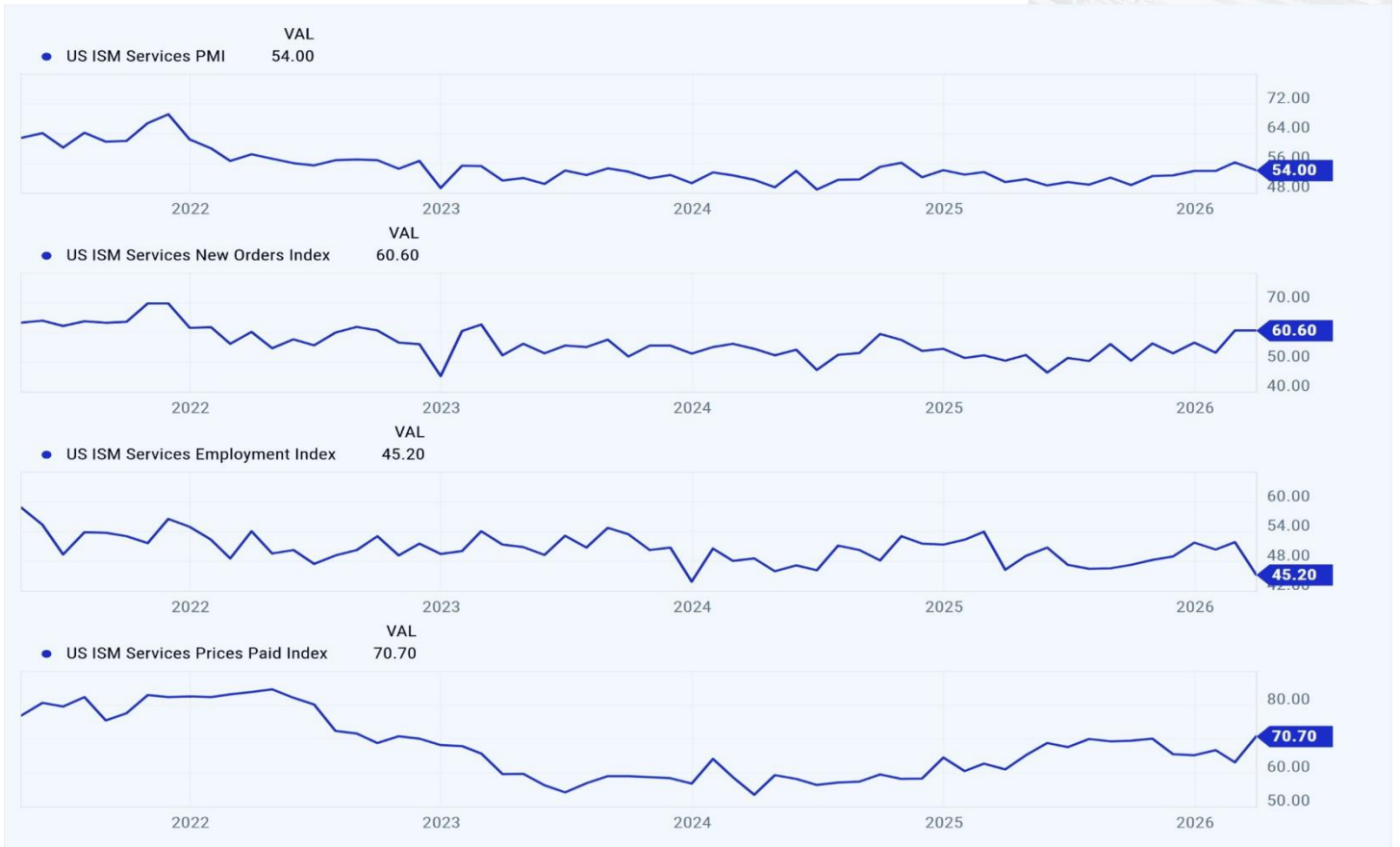
- **Dow Jones Industrial Average:** closed at 46,669.88, up 165.21 points or 0.36%.
- **S&P 500:** closed at 6,611.83, up 29.14 points or 0.44%.
- **Nasdaq Composite:** closed at 21,996.34, up 117.15 points or 0.54%.
- **Birling Capital Puerto Rico Stock Index:** closed at 4,111.56, up 25.90 points or 0.63%.
- **Birling Capital U.S. Bank Index:** closed at 8,559.23, up 0.99 Points or 0.01%
- **U.S. Treasury 10-year note:** closed at 4.34%.
- **U.S. Treasury 2-year note:** closed at 3.84%.



Inflation Nowcasting PCE & Core PCE Forecast



US ISM Services PMI; US ISM Services New Orders Index; US ISM Services Employment Index & US ISM Services Prices Paid Index





Wall Street Recap

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