

Markets Rebound Sharply as Ceasefire Triggers Rapid Risk Repricing Across Assets

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The U.S. and European stock markets closed decisively higher as a provisional ceasefire between the United States and Iran catalyzed a swift reallocation of capital across global markets. The agreement—anchored on the conditional reopening of the Strait of Hormuz—shifted investor focus away from immediate disruption risk and toward a more negotiable geopolitical path, prompting a synchronized rally in equities alongside a sharp decline in oil prices.

U.S. equities delivered a powerful upside move, with the Dow Jones Industrial Average advancing 1,325.46 points, the S&P 500 rising 2.2%, and the Nasdaq Composite gaining 617.14 points, reflecting strong participation across growth and cyclical sectors. In parallel, energy markets reversed aggressively, with WTI Crude Oil falling more than 17% to the low-\$90s, as the geopolitical premium embedded during the conflict unwound rapidly.

This cross-asset reaction highlights a defining feature of current market structure: pricing is increasingly driven by the probability of outcomes rather than their certainty. The ceasefire does not resolve the conflict—but it materially reduces the immediacy of worst-case scenarios.

U.S. Markets: Rotation Broadens as Risk Premiums Compress and Leadership Rebalances

The advance in U.S. equities reflected a forceful unwinding of defensive positioning, with capital rotating into sectors that had borne the brunt of supply chain disruptions and geopolitical risks. The move was not simply a rebound—it was a reallocation, as investors recalibrated exposure toward growth and trade-sensitive sectors in response to easing tail risks.

Semiconductors and technology stocks led the recovery, driven by a normalization of logistics concerns and renewed confidence in the continuity of global demand. The VanEck Semiconductor ETF advanced nearly 5%, with Broadcom Inc. rising about 4% and Micron Technology gaining approximately 7%. The sector's outperformance reinforces a critical point: structural AI-driven capital expenditure remains intact, and periods of geopolitical stress are increasingly viewed as entry points rather than thesis breaks.

Importantly, market participation broadened beyond large-cap technology. Small-cap equities, which exhibit higher beta to domestic growth and cyclical momentum, climbed close to 3%, signaling improved breadth and a healthier market structure. At the same time, international and emerging market exposures outperformed, particularly in economies sensitive to energy imports, highlighting the global transmission of the risk-on shift.

Conversely, leadership in the energy complex reversed. Exxon Mobil and Chevron both declined more than 5%, as the sharp drop in crude prices accelerated the compression of commodity-driven earnings expectations. This rotation underscores a transition away from supply-shock beneficiaries toward demand-driven beneficiaries, a hallmark of early-stage normalization phases.

Despite the strength and breadth of the rally, the operating backdrop remains unsettled. Initial shipping data indicate only gradual normalization of flows through the Strait of Hormuz, and conflicting political signals continue to challenge the durability of the ceasefire. As a result, while positioning has shifted decisively toward risk assets, markets remain highly sensitive to incremental developments, with volatility likely to persist beneath the surface of the current advance.

European Markets: Cyclical Lead as Energy Lags in Rotation Trade

European equity markets delivered a powerful catch-up rally, with the Stoxx Europe 600 advancing approximately 4% as investors rotated aggressively into economically sensitive sectors. The leadership profile reflects a clear pivot toward growth expectations, with autos, mining, and travel stocks leading gains—rising roughly 6%, 6.3%, and 7.6%, respectively.

At the index level, **Germany's DAX led regional performance with gains near 5.06%, followed by France's CAC 40 up 4.5%, and the U.K.'s FTSE 100 rising 2.58%.** The relative underperformance of the FTSE reflects its higher weighting toward energy constituents, which lagged amid declining crude prices. The relative underperformance of the FTSE reflects its higher weighting toward energy constituents, which lagged amid declining crude prices.

This divergence is further illustrated at the company level. Antofagasta, Lufthansa, and easyJet posted double-digit gains, reflecting improved expectations for global demand, trade flows, and mobility. In contrast, Shell plc traded lower despite reporting stronger trading results, as falling oil prices began to outweigh prior earnings tailwinds and ongoing operational disruptions in LNG production highlighted residual impacts from the conflict.

The European response underscores a classic rotation dynamic: as supply-driven shocks fade, leadership shifts toward demand-sensitive sectors, while prior beneficiaries of elevated commodity prices retrace.

Oil, Inflation, and Policy: Relief Without Full Normalization

The sharp decline in oil prices provides meaningful, though incomplete, relief from inflationary pressures. While the ceasefire reduces the immediate threat to global supply—particularly through the Strait of Hormuz—the normalization process remains gradual. Logistics, insurance, and production adjustments will likely keep crude prices above pre-conflict levels in the near term.

Futures markets reflect this tempered outlook, with expectations for year-end oil prices moderating to the low-\$70 range—below recent peaks but still elevated relative to earlier levels. As a result, energy-driven inflation pressures are likely to ease but not fully dissipate.

For monetary policy, the Federal Reserve is likely to interpret the recent energy shock as transitory, particularly if de-escalation holds. While the timing of rate cuts may adjust modestly, the broader easing trajectory remains intact, with one to two additional rate reductions still plausible over the remainder of the cycle.

Operation Epic Fury and the Markets: A Storm the Bulls Refused to Flee

U.S. equity markets absorbed the opening shock of Operation Epic Fury with notable discipline. From the conflict's onset on March 22, all three major indexes declined steadily through early April, with the Nasdaq bearing the steepest losses at -8.2%, followed by the Dow at -7.8% and the S&P 500 at -7.5% — a gradual, stair-step selloff characteristic of geopolitical repricing rather than systemic panic.

The April 8 session delivered a decisive reversal. The DJIA surged +2.85% to 47,909, the S&P 500 gained +2.51% to 6,782, and the Nasdaq advanced +2.80% to 22,634 — erasing the entire drawdown and pushing all three indexes into positive territory relative to pre-conflict levels.

In the historical context, the episode's peak drawdown of roughly 7–8% is the mildest of the modern era. Gulf War I carved out -21.5% over 60 trading days, COVID destroyed -33.9% in just 23, and the Global Financial Crisis produced a catastrophic -56.8% over 17 months. Against that backdrop, the

Iran War episode looks less like a crisis and more like a calibrated repricing—one that the market has already decided to move past.

Economic Data:

- **US Crude Oil Stocks WoW:** fell to 5.451 million, down from 6.926 million last week, a change of -21.30%.
- **Japan Consumer Confidence Index:** rose to 40.00, up from 37.90 last month, a 5.54% increase.

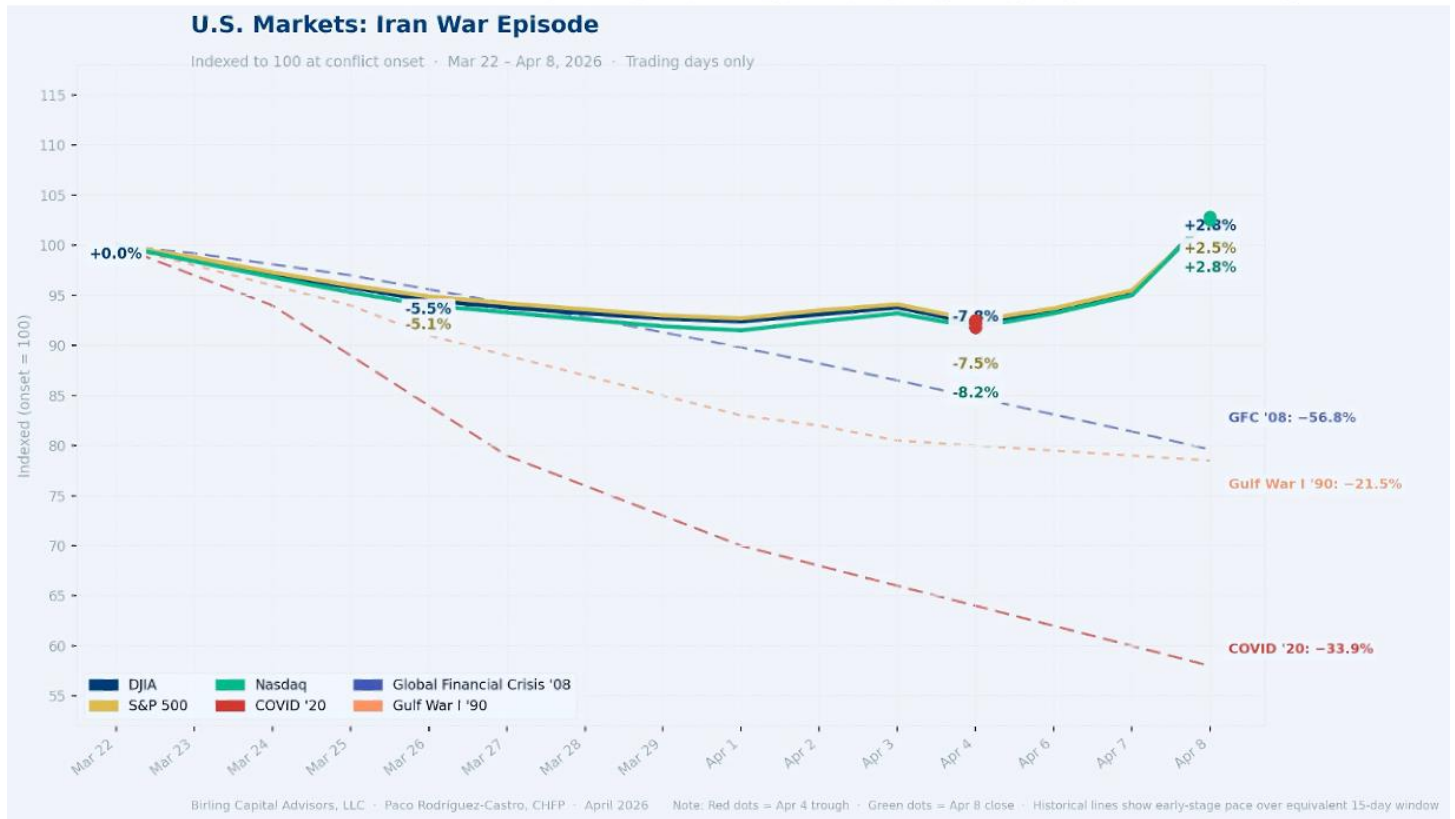
Eurozone Summary:

- **Stoxx 600:** closed at 613.50, up 22.91 points or 3.88%.
- **FTSE 100:** closed at 10,608.88, up 260.09 points or 2.51%.
- **DAX Index:** closed at 24,080.63, up 1,159.409points or 5.06%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 47,909.92, down 1,325.46 points or 2.85%
- **S&P 500:** closed at 6,782.81, up 165.96 points or 2.51%.
- **Nasdaq Composite:** closed at 22,635.00, up 617.14 points or 2.80%.
- **Birling Capital Puerto Rico Stock Index:** closed at 4,155.34, down 6.61 points or 0.16%.
- **Birling Capital U.S. Bank Index:** closed at 8,673.95, up 24.07 Points or 0.28%
- **U.S. Treasury 10-year note:** closed at 4.29%.
- **U.S. Treasury 2-year note:** closed at 3.79%.

US Markets: Comparison of Iran War with Gulf War, Global Financial Crisis & COVID-19



Historical Market Downturn Comparison

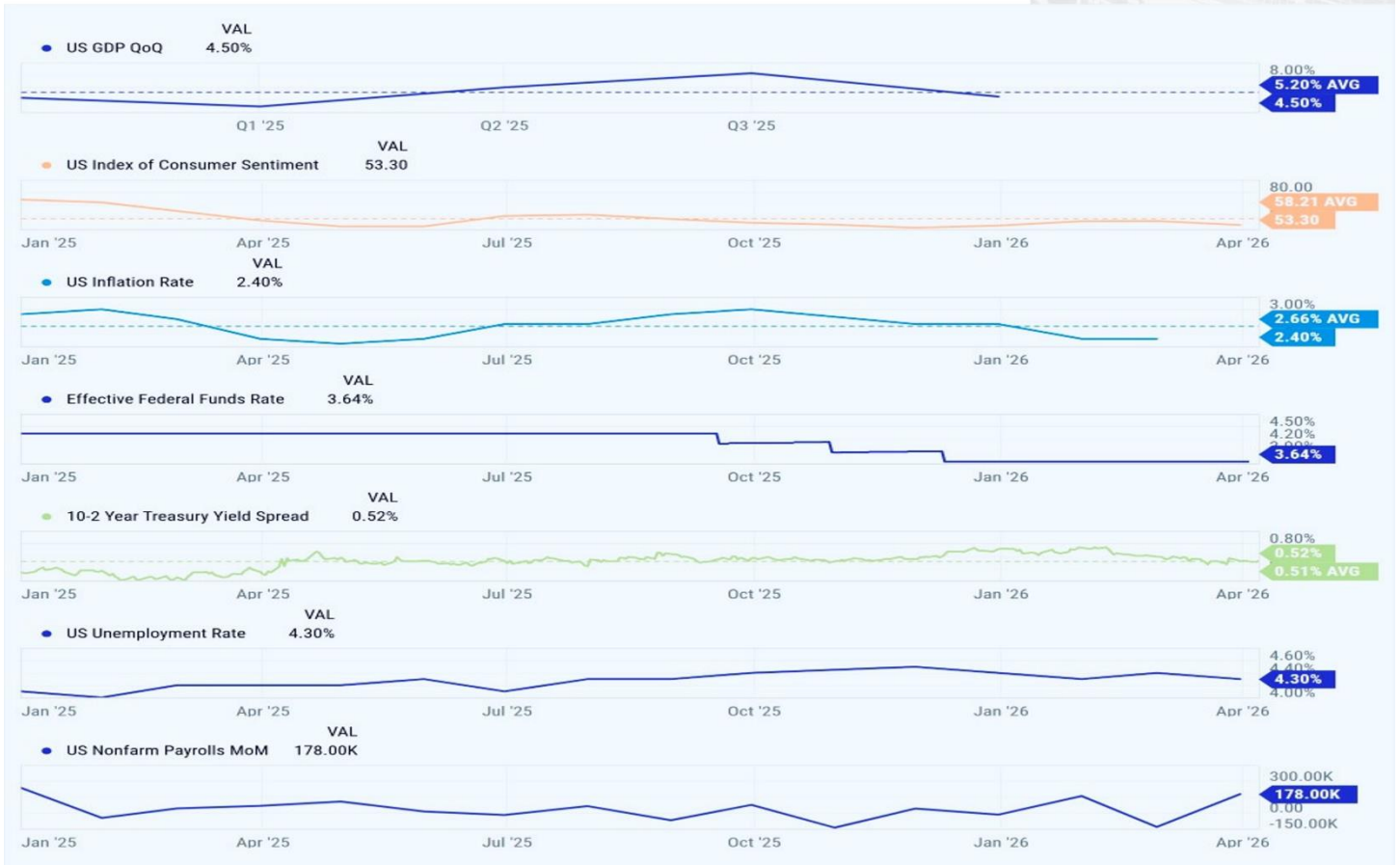
Historical Downturn Comparison

S&P 500 peak-to-trough drawdown from each shock's onset



Birling Capital Advisors, LLC · Pacific Ring of Fire 5.6316 Pre April 12 2009 after ~17 months · COVID -33.9% in 23 days · Gulf War I -21.5% over ~60 days

US GDP QoQ; US Index of Consumer Sentiment; US Inflation Rate; Effective Federal Funds Rate; 10-2 Year Treasury Yield Spread; US Unemployment Rate & US Nonfarm Payrolls MoM





Wall Street Recap

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