GLOBAL MARKET SQUARE
BIRLING CAPITAL ADVISORS, LLC

Wall Street Retreats as U.S.-Iran Hostilities Return, but August Ends with Broad Gains

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The U.S. and European stock markets closed lower Monday as a renewed military confrontation between the United States and Iran lifted crude oil prices, pushed longer-term Treasury yields higher, and injected fresh geopolitical risk into the final trading session of August. Wall Street absorbed the escalation relatively calmly, however, with losses contained and all three major U.S. averages finishing August higher.

The Dow Jones Industrial Average fell roughly 370 points, while the S&P 500 declined 0.33% and the Nasdaq Composite slipped 0.12%. The retreat followed confirmation that U.S. forces struck Iranian rocket launchers on Larak Island over the weekend, prompting retaliatory attacks by Iran against U.S. bases in Jordan. The renewed exchange represented the first publicly acknowledged U.S.-Iran strikes since late July.

Despite Monday's decline, August reinforced the underlying resilience of U.S. equities. The Dow completed its **fifth consecutive winning month**, while the S&P 500 and Nasdaq recorded their first monthly gains since May. Technology leadership, resilient corporate earnings, and continued investment in artificial intelligence helped markets withstand a month characterized by elevated Treasury yields, geopolitical uncertainty, and volatile energy prices.

U.S. Markets

Wall Street ended August on the defensive as investors weighed the potential economic consequences of renewed U.S.-Iran hostilities. The **S&P 500 fell 0.33%**, the **Nasdaq Composite declined 0.12%**, and the **Dow Jones Industrial Average dropped approximately 370 points, or 0.7%**, with Goldman Sachs and Alphabet among the notable drags.

Energy markets immediately reflected the renewed geopolitical risk. **WTI crude jumped nearly 3% to approximately $85.76 per barrel**, while Brent climbed almost 3% to around $90.49. The move raised concerns that a prolonged conflict could increase transportation and production costs, complicate the inflation outlook, and potentially influence the Federal Reserve's policy calculus.

Longer-term Treasury yields also moved higher alongside crude oil, creating an additional headwind for equities. Nevertheless, the market reaction remained relatively orderly, suggesting investors continued to distinguish between a contained geopolitical escalation and a broader disruption capable of materially altering the global economic outlook.

The more important story was the market's performance over the full month. Despite considerable volatility, **the Dow gained more than 1% in August, marking its fifth straight monthly advance, while the S&P 500 rose approximately 2% and the Nasdaq advanced about 3%**. Both the Dow and the S&P 500 also reached record highs in August.

The month's performance underscored a recurring theme for investors: geopolitical shocks and elevated interest rates can generate short-term volatility, but corporate earnings, economic resilience, and the ongoing AI-driven capital investment cycle remain powerful counterweights. With August complete, attention now turns to whether September can sustain that momentum as investors confront renewed tensions in the Middle East, higher oil prices, persistent inflation risks, and the Federal Reserve's evolving policy outlook.

European Markets

European markets closed lower Monday as escalating tensions between the United States and Iran pushed oil prices higher and renewed inflation concerns across the region. The **Stoxx 600 fell 0.62%**, while Germany's **DAX declined 1.17%**, with German equities additionally pressured by stronger-than-expected inflation data and rising expectations that the European Central Bank may need to maintain a tighter monetary-policy stance. Energy shares were among the relative outperformers as crude-oil prices advanced.

London markets were closed Monday, August 31, for the U.K. Summer Bank Holiday. Accordingly, the FTSE 100 did not trade, and its **10,824.26** level represents Friday, August 28's close rather than the Monday closing price.

Energy Markets

Energy markets became the most immediate transmission mechanism for the weekend's geopolitical escalation.

Crude-oil prices advanced following the exchange between the United States and Iran, with investors once again adding a geopolitical risk premium to energy prices.

The central issue is not simply the military escalation itself but the security and accessibility of the Strait of Hormuz. Any renewed mining activity, disruption to commercial shipping, or sustained reduction in tanker traffic could push the geopolitical premium in crude prices significantly higher and quickly feed into global inflation expectations.

For financial markets, developments surrounding the Strait of Hormuz therefore remain as important as the military confrontation itself. A contained conflict could allow the oil price premium to moderate, while any material disruption to energy flows would substantially alter the economic and market calculus.

Economic & Policy Outlook

The focus now shifts toward a consequential week for the U.S. labor market and Federal Reserve policy.

Investors will receive several important employment indicators, beginning Tuesday with the July JOLTS job openings report, followed by ADP private payroll data on Wednesday. Friday will bring the August nonfarm-payrolls and unemployment report, with markets expecting payrolls to have increased by approximately 65,000 and the unemployment rate to edge higher to 4.2%.

These releases have assumed greater importance following Chair Kevin Warsh's hawkish comments Friday. Futures markets moved to price in roughly a 65% probability of an interest-rate increase at the September meeting, compared with approximately 35% before his remarks.

The equation facing the Federal Reserve has also become more complicated. With inflation remaining above the Fed's target and Warsh characterizing labor-market conditions as consistent with full employment, policymakers are likely to concentrate increasingly on the inflation side of their dual mandate.

At the same time, another sustained increase in energy prices could slow—or potentially reverse—recent progress toward price stability.

The August employment and inflation reports will therefore carry unusual weight ahead of the September 16 meeting. A September rate increase is not a foregone conclusion. Still, the Fed appears to have limited tolerance for meaningful upside inflation surprises and will likely require sustained evidence of moderating core price pressures to remain on hold.

The Final Word: Market Behavior in August 2026

Wall Street closed out August with broad-based gains, led by growth. The Nasdaq Composite outpaced its peers with a 3.93% monthly advance to 26,370.88, followed by the S&P 500's 2.62% climb to 7,686.14 and the Dow Jones Industrial Average's steadier 1.34% rise to 53,185.90. All three major U.S.

benchmarks now carry double-digit year-to-date returns — the Nasdaq at +13.46%, the S&P 500 at +12.28%, and the Dow at +10.66% — a sign that the summer rally has held through the final week of the month.

Puerto Rico's market told a more mixed story. The Birling Puerto Rico Stock Index pulled back 2.01% for the month, closing at 5,054.34 after a stretch of relentless gains, but it remains the standout performer in the group with a 27.47% year-to-date return — more than double any of the mainland indices. The pullback looks like a pause rather than a reversal given the scale of the run so far this year. The Birling US Bank Index kept its steady pace, adding 1.26% to close at 10,388.37, bringing its year-to-date gain to 13.49%.

Fixed income was quiet by comparison. The 10-year Treasury yield held exactly flat at 4.75%, unchanged from July, while the 2-year yield edged up 1.40% to 4.34%. The flat long end alongside a firmer short end suggests the market isn't pricing in near-term rate relief, even as equities keep grinding higher — a divergence worth watching heading into September.

Bottom line: August was a risk-on month for US equities, with growth leading value and Puerto Rico's index taking a breather after an exceptional year-to-date run. Treasury markets stayed anchored, signaling the bond market isn't yet convinced the Fed's hawkish stance is loosening.

Economic Update:

- **US Crude Oil Production:** rose to 425.15M, up from 419.02M last month, a change of 1.46%.
- **Japan Consumer Confidence Index:** rose to 34.90, up from 33.80 last month.
- **Japan Housing Starts YoY:** fell to 8.19%, down from 18.56% last month.

Eurozone Summary:

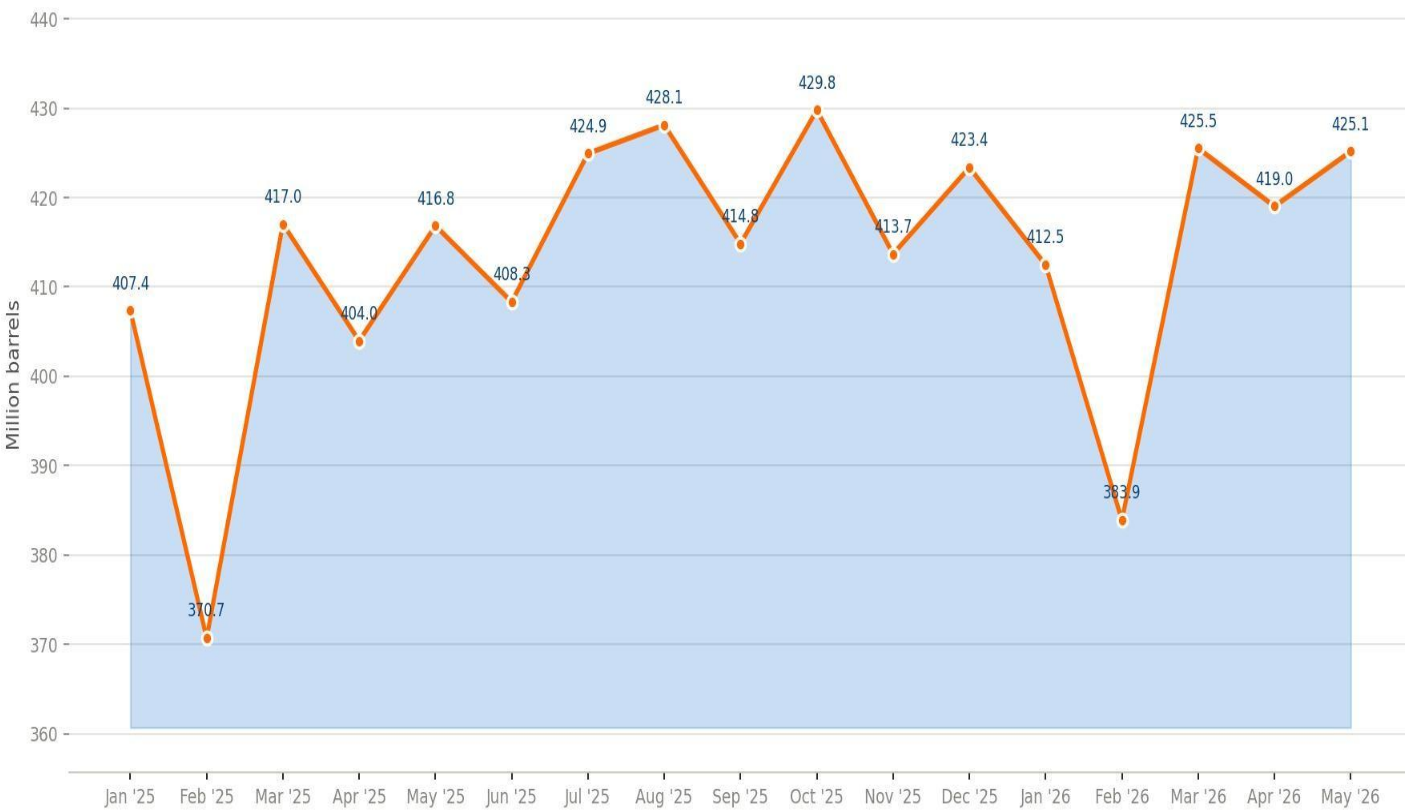
- **Stoxx 600:** closed at 651.10, down 4.06 points or 0.62%.
- **FTSE 100:** London Stock Exchange closed for the Summer Bank Holiday; previous close 10,824.26.
- **DAX Index:** closed at 26,258.11, down 311.88 points or 1.17%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 53,185.90, down 374.09 points or 0.70%
- **S&P 500:** closed at 7,686.14, down 25.62 points or 0.33%
- **Nasdaq Composite:** closed at 26,370.88, down 31.53 points or 0.12%
- **Birling Capital Puerto Rico Stock Index:** closed at 5,054.34, up 40.53 points or 0.81%
- **Birling Capital U.S. Bank Index:** closed at 10,388.37, up 73.06 points or 0.71%
- **U.S. Treasury 10-year note:** closed at 4.75%.
- **U.S. Treasury 2-year note:** closed at 4.34%.

Wall Steet Monthly Comparison	8/31/26	7/31/26	Change	YTD Return
Dow Jones Industrial Average	53,185.90	52,485.03	1.34%	10.66%
S&P 500	7,686.14	7,489.72	2.62%	12,28%
Nasdaq Composite	26,370.88	25,373.85	3.93%	13.46%
Birling Puerto Rico Stock Index	5,054.34	5,157.86	-2.01%	27.47%
Birling U.S. Bank Index	10,388.37	10,259.28	1.26%	13.49%
U.S. Treasury 10-Year	4.75%	4.75%	0.00%	12.89%
U.S. Treasury 2-Year	4.34%	4.28%	1.40%	25.07%

US crude oil production



Japan consumer confidence vs. housing starts (YoY %)

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Eurozone Markets Close

Market close summary — August 31, 2026

Stoxx 600	FTSE 100	DAX Index
Closing Price	Previous Close	Closing Price
651.10	10,824.26	26,258.11
▼ -4.06 pts	Closed — Summer Bank Holiday	▼ -311.88 pts
-0.62%	*No trading — flat vs. prior session*	-1.17%

Source: Stoxx, London Stock Exchange, Deutsche Börse, Birling Capital Advisors

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Wall Street and Birling Capital Indexes Close

Month-end market close summary — August 31, 2026

Dow Jones Industrial Average	S&P 500	Nasdaq Composite	Birling Capital Puerto Rico Stock Index	Birling Capital U.S. Bank Index
Closing Price	Closing Price	Closing Price	Closing Price	Closing Price
53,185.90	7,686.14	26,370.88	5,054.34	10,388.37
▲ +700.87 pts	▲ +196.42 pts	▲ +997.03 pts	▼ -103.52 pts	▲ +129.09 pts
+1.34%	+2.62%	+3.93%	-2.01%	+1.26%

U.S. Treasury 10-Year Note		U.S. Treasury 2-Year Note
4.75%	Spread 41 bps	4.34%

Source: NYSE, Nasdaq, Birling Capital Advisors

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Dow Jones Industrial Average Level 53185.90
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S&P 500 Level 7686.14
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Birling Capital Puerto Rico Stock Index Level 5054.34
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Birling Capital U.S. Bank Index Level 10388.37
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Jan '26
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May '26
Jun '26
Jul '26
Aug '26