

Dow Falls More Than 600 Points as Rising Oil Prices, Higher Treasury Yields, and Renewed Middle East Tensions End S&P 500 Winning Streak

June 3, 2026

by Francisco Rodríguez-Castro
frc@birlingcapital.com

The U.S. and European stock markets closed lower Wednesday as investors reacted to escalating tensions between the United States and Iran, rising energy prices, and a sharp increase in Treasury yields those reignited concerns about inflation and the future path of Federal Reserve policy. The decline interrupted the recent record-setting advance that carried the S&P 500 and Dow Jones Industrial Average to fresh all-time highs earlier this week.

Investor sentiment deteriorated throughout the session after reports confirmed new military exchanges involving U.S. and Iranian forces, pushing crude oil prices higher and raising concerns that prolonged instability in the Middle East could create additional inflationary pressures. At the same time, stronger-than-expected labor market data reinforced expectations that the U.S. economy remains resilient, reducing the likelihood that the Federal Reserve will ease monetary policy in the near term.

Treasury yields moved sharply higher as investors reassessed interest-rate expectations following stronger economic data and rising energy prices. **The benchmark 10-year Treasury yield closed at 4.49%, while the 30-year Treasury yield closed at 4.99%, near the 5% threshold,** reflecting growing concerns that inflation could remain elevated longer than previously anticipated.

Technology shares, particularly those tied to the artificial intelligence trade that has led markets higher throughout the year, came under pressure as investors rotated away from growth-oriented sectors. The resulting combination of higher yields, rising oil prices, and geopolitical uncertainty proved sufficient to trigger the broadest market pullback in several weeks.

U.S. Markets

U.S. equities suffered their largest decline in more than a week as rising Treasury yields, escalating geopolitical tensions, and weakness among technology shares weighed heavily on investor sentiment. The Dow Jones Industrial Average fell 620.72 points, the S&P 500 declined 0.74%, ending its nine-session winning streak, while the Nasdaq Composite lost 0.89%.

Oil prices were a primary catalyst for the market's retreat. West Texas Intermediate crude rose 2.41% to settle at \$96.02 per barrel, while Brent crude advanced 1.89% to \$97.81. The gains followed reports of renewed military activity involving U.S. and Iranian forces, increasing concerns that energy markets could face prolonged volatility should tensions continue to escalate.

Economic data further complicated the market narrative. Stronger-than-expected ADP employment figures and resilient service-sector activity reinforced the view that economic growth remains healthy. While positive for the broader economy, the data also suggested that inflationary pressures may persist, prompting investors to reduce expectations for near-term monetary easing and pushing Treasury yields higher.

The rise in interest rates placed particular pressure on high-growth technology shares. Nvidia, Dell Technologies, Microsoft, and Oracle all declined sharply, with investors taking profits in some of the year's strongest-performing artificial intelligence-related stocks. Financial shares also weakened as

higher long-term rates raised concerns about future borrowing costs and economic sensitivity. Despite Wednesday's decline, the broader market backdrop remains supported by solid economic growth, resilient labor markets, and strong corporate earnings. However, investors are increasingly focused on the interaction between energy prices, inflation, Treasury yields, and Federal Reserve policy as the principal drivers of market direction heading into Friday's employment report.

European Markets

European equities closed lower Wednesday as investors weighed the potential impact of proposed new U.S. tariffs, ongoing geopolitical tensions in the Middle East, and several significant corporate developments. The pan-European STOXX 600 declined 0.5%, with most sectors finishing in negative territory, while major indexes in London, Paris, Frankfurt, and Milan all ended the session lower. The sharpest decline came from Dutch paints and coatings manufacturer Akzo Nobel, whose shares fell 17.2% after Nippon Paint and Sherwin-Williams abandoned plans to pursue a joint takeover offer. The collapse of the proposed transaction removed a significant takeover premium that had supported the stock. Akzo Nobel had previously rejected a €73-per-share proposal, arguing that the offer materially undervalued the company and failed to provide sufficient certainty regarding execution and shareholder protections.

Financial shares also came under pressure after Swiss-based Partners Group declined 16.3% following its decision to restrict investor withdrawals from one of its private equity funds. The move raised concerns about liquidity conditions across private markets and mirrored redemption pressures recently observed in portions of the U.S. private credit sector.

Not all corporate news was negative. Inditex, the parent company of Zara, gained more than 1% after reporting first-quarter results that met market expectations. Revenue increased 5.8% year-over-year to €8.7 billion, while net income rose 5.4% to €1.38 billion, demonstrating continued resilience in consumer spending despite a challenging economic backdrop.

Investor sentiment was further dampened by reports that the United States is considering additional tariffs of up to 12.5% on imports from approximately 60 trading partners, including the European Union, China, and Japan. The proposed measures, linked to allegations regarding forced-labor enforcement standards, drew immediate criticism from European officials, who characterized the potential tariffs as unjustified and reiterated that both sides remain engaged in ongoing trade negotiations.

Markets also continued to monitor developments surrounding U.S.-Iran relations and the broader Middle East situation. While President Trump indicated that Iran had agreed not to pursue nuclear weapons, investors remain cautious amid reports of renewed military activity and continuing uncertainty regarding regional stability, energy supplies, and global trade routes.

Energy Markets

Energy prices advanced sharply on Wednesday as renewed military exchanges between the United States and Iran heightened concerns about potential disruptions to Middle East energy supplies and key global shipping routes.

West Texas Intermediate crude rose 2.41% to settle at \$96.02 per barrel, while Brent crude gained 1.89% to close at \$97.81 per barrel. The advance followed reports of new missile and drone attacks across the region, including defensive actions by U.S. forces and continued uncertainty surrounding the durability of diplomatic efforts aimed at preventing further escalation.

The rise in oil prices has become increasingly significant for financial markets because of its direct impact on inflation expectations and monetary policy. Higher energy costs are already contributing to renewed inflationary pressures across the economy, a concern reinforced by the Federal Reserve's latest Beige Book, which reported moderate-to-strong price increases across most regions of the country. Rising fuel costs threaten to increase transportation, manufacturing, and logistics expenses, potentially slowing progress toward the Federal Reserve's 2% inflation target.

Investors are also closely monitoring developments surrounding the Strait of Hormuz, one of the

world's most critical energy chokepoints. While energy flows remain uninterrupted, any escalation that threatens shipping activity could create additional volatility across global commodity markets and place further upward pressure on oil prices.

For now, energy markets remain caught between resilient global demand and elevated geopolitical risk, making crude oil one of the most important variables influencing inflation expectations, Treasury yields, and overall market sentiment.

Economic & Policy Outlook

The Federal Reserve's latest Beige Book reinforced the increasingly complex backdrop facing policymakers, with inflation pressures intensifying while economic activity remains resilient. The report described economic growth as continuing across most regions of the country, but highlighted a growing divide between income groups as higher prices increasingly influence consumer behavior. According to the survey, consumer spending has become increasingly bifurcated. Higher-income households continue to support discretionary spending and service-sector activity, while middle-income consumers are becoming more selective, stretching household budgets and carefully evaluating purchases before spending. The trend suggests that inflation is beginning to affect economic behavior more broadly, even as overall consumption remains positive.

The report also noted that inflation accelerated at a moderate-to-strong pace across most Federal Reserve districts, reflecting the impact of rising energy prices, supply-chain concerns, and the economic consequences of the ongoing conflict involving Iran. Businesses reported continued success in passing higher costs to consumers, although some districts noted growing resistance among price-sensitive customers.

At the same time, labor-market conditions remained remarkably stable. Most Federal Reserve districts reported little change in employment conditions, indicating that hiring, layoffs, and wage growth continue to support overall economic activity. The combination of a resilient labor market and persistent inflation reinforces the Federal Reserve's challenge: inflation remains too high to justify easing monetary policy, while economic conditions remain too strong to warrant concern about a significant slowdown.

Taken together, the Beige Book supports the view that the U.S. economy continues to expand at a moderate pace, but that inflation risks remain elevated. As energy prices move higher and labor markets remain tight, investors are increasingly recognizing that the Federal Reserve may be forced to maintain restrictive monetary policy longer than previously expected.

Puerto Rico Economic Activity Index Records Three Consecutive Months of Contraction After Four-Month Recovery

After ending a 13-month contraction cycle in October 2025, Puerto Rico's Economic Activity Index (EAI) experienced a brief four-month recovery before slipping back into negative territory. **The index posted year-over-year gains from October 2025 through January 2026, but contracted by 0.6% in February, 0.9% in March, and 0.7% in April 2026.** The latest figures suggest that while economic activity remains near historic highs, Puerto Rico's economy has entered a period of stagnation, marked by limited growth and heightened volatility.

Key Observation

The most important finding is not that the economy is contracting sharply. Rather, the EAI has essentially been moving sideways since reaching a record fiscal-year average of 128.7 in FY2024.

- FY2024 Average: 128.7
- FY2025 Average: 128.0
- FY2026 (through April): 127.7

This indicates that Puerto Rico remains at one of the highest levels of economic activity in its history, but has been unable to sustain growth above the FY2024 peak.

That is the real economic story: a high-level plateau, interrupted by periods of modest expansion and contraction, as the economy transitions from federal-funding-driven growth to a slower, private-sector-driven expansion.

The Final Word: Market Perspective

Markets are entering a more cautious phase after one of the strongest rallies of the current cycle. Wednesday's decline highlighted growing investor concerns over rising oil prices, higher Treasury yields, persistent inflation, and escalating tensions in the Middle East.

Despite the selloff, the broader backdrop remains supportive. Labor markets remain resilient, consumer spending continues to expand, corporate earnings are healthy, and the artificial intelligence investment cycle remains a powerful driver of growth.

However, the Federal Reserve's Beige Book reinforced the view that inflation pressures remain elevated, while stronger economic data suggest policymakers may need to keep interest rates higher for longer. Rising energy prices only add to that challenge.

Friday's employment report now becomes the key market catalyst. Until greater clarity emerges, investors are likely to remain focused on inflation trends, Treasury yields, Federal Reserve policy expectations, and developments in the U.S.-Iran conflict.

Economic Data:

- **ADP Employment Change:** rose to 122,000, up from 105,000 last month, a change of 16.19%.
- **ADP Median Pay YoY:** is unchanged at 4.40%, compared to 4.40% last month.
- **US ISM Services PMI:** fell to 53.60, down from 54.00 last month.
- **US ISM Services New Orders Index:** rose to 57.30, up from 53.50 last month.
- **US ISM Services Prices Paid Index:** rose to 71.30, up from 70.70 last month.
- **US ISM Services Employment Index:** fell to 47.90, down from 48.00 last month.

Eurozone Summary:

- **Stoxx 600:** closed at 621.19, down 4.15 points or 0.66%.
- **FTSE 100:** closed at 10,332.30, down 41.21 or 0.40%.
- **DAX Index:** closed at 24,795.94, down 328.23 points or 1.31%

Wall Street Summary:

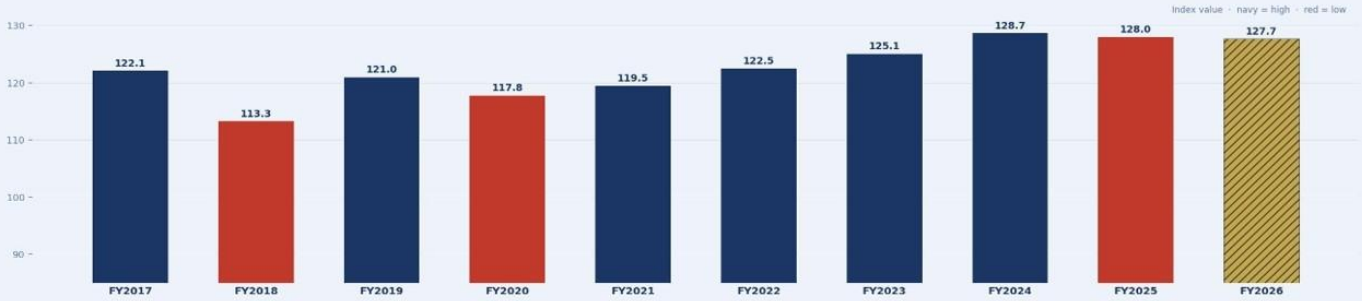
- **Dow Jones Industrial Average:** closed at 50,687.07, down 620.72 points or 1.21%
- **S&P 500:** closed at 7,553.68, down 56.10 points or 0.74%.
- **Nasdaq Composite:** closed at 26,853.97, down 239.92 points or 0.89%.
- **Birling Capital Puerto Rico Stock Index:** closed at 4,329.59, up 34.89 points or 0.61%.
- **Birling Capital U.S. Bank Index:** closed at 9,364.02, up 179.22 points or 1.90%
- **U.S. Treasury 10-year note:** closed at 4.49%.
- **U.S. Treasury 2-year note:** closed at 4.08%.

The PR Economic Activity Index after 13 consecutive months of contraction, the EAI returned to positive territory in October 2025 (+0.1%), strengthened through January 2026 (+0.3%), slipping back into negative territory in February 2026 (-0.6%), with the contraction deepening in March (-0.9%) and April (-0.7%).

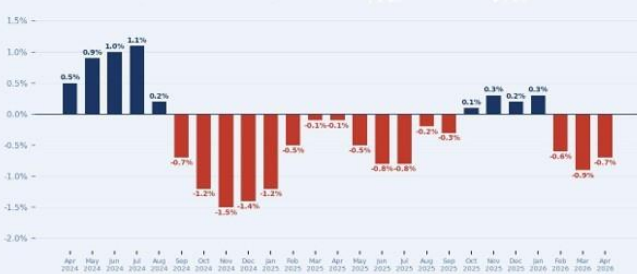
Puerto Rico Economic Activity Index, FY2017-FY2026

Fiscal Year Average EAI (Jul-Jun; FY2026 through Apr)

Rico Institute of Statistics



Economic Activity Index — YoY % Change, 2024-2026 YTD



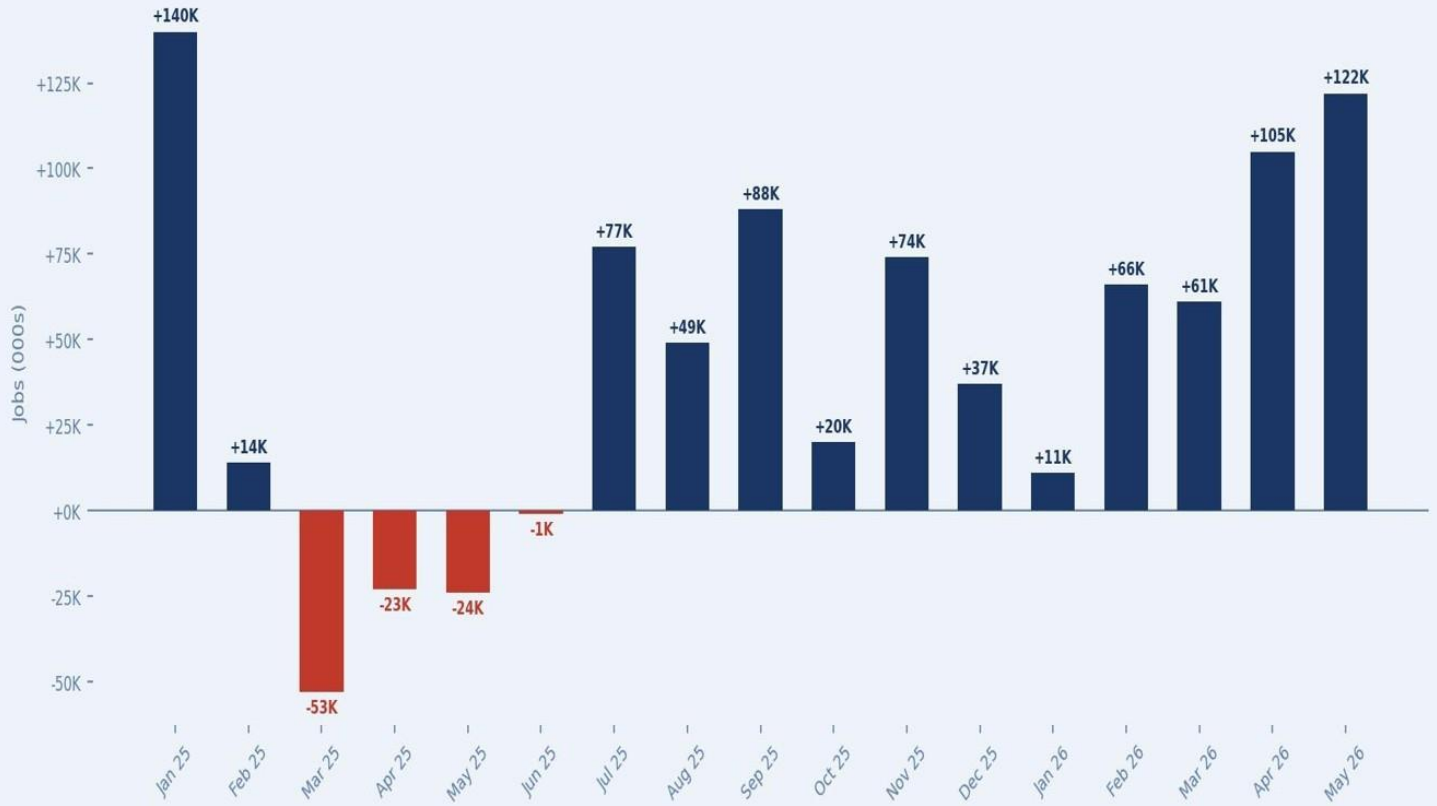
Source: Puerto Rico Institute of Statistics · Economic Activity Index · Birling Capital Advisors

Monthly EAI (Index) Map, FY2017-FY2026

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	
FY2017	123.8	121.6	121.6	121.6	122.7	123.3	123.0	121.3	120.7	120.9	120.9
FY2018	120.6	120.5	123.4	100.8	94.9	99.9	112.0	117.2	118.8	119.5	120.3
FY2019	121.1	122.0	121.2	120.5	121.0	120.8	120.9	120.5	121.1	121.0	120.7
FY2020	119.4	119.6	118.3	119.1	120.9	122.2	121.7	121.0	118.9	113.4	109.8
FY2021	115.0	117.8	119.0	119.1	118.8	119.7	121.0	121.9	121.3	120.5	119.5
FY2022	118.6	117.6	118.5	119.7	122.2	123.9	125.3	125.0	125.2	124.6	124.4
FY2023	124.1	124.3	122.7	123.1	122.8	124.7	124.8	125.7	126.6	127.6	127.4
FY2024	127.7	128.5	129.6	129.7	129.5	128.6	128.7	128.3	128.5	128.3	128.7
FY2025	129.0	128.9	128.7	129.2	127.6	127.1	126.9	127.6	128.9	128.2	128.0
FY2026*	128.0	126.5	128.4	128.3	128.0	127.4	127.2	126.8	127.2	127.3	

© 2026 Birling Capital Advisors, LLC · birlingcapital.com

ADP National Employment Change



Source: ADP Research Institute · Birling Capital Advisors

U.S. ISM Services PMI & Components

Headline PMI: Jan 2025 – Apr 2026 · Components: Apr 2026 vs Mar 2026



ISM Services
New Orders Index

57.30

▲ +3.80 vs 53.50 prior

ISM Services
Prices Paid Index

71.30

▲ +0.60 vs 70.70 prior

ISM Services
Employment Index

47.90

▼ -0.10 vs 48.00 prior

Eurozone Market Close

Stoxx 600 · FTSE 100 · DAX Index · June 3, 2026



Source: Bloomberg | Think Strategically™

Wall Street & Puerto Rico Market Close

Daily Market Summary · June 3, 2026

Dow Jones Industrial Average	S&P 500	Nasdaq Composite	Birlinging Capital PR Stock Index	Birlinging Capital U.S. Bank Index
50,687.07	7,553.68	26,853.97	4,329.59	9,364.02
▼ -1.21%	▼ -0.74%	▼ -0.89%	▲ +0.61%	▲ +1.90%
-620.72 pts	-56.10 pts	-239.92 pts	+34.89 pts	+179.22 pts
Loss	Loss	Loss	Gain	Gain

Daily % Change by Index



U.S. Treasury Yields

June 3, 2026

10-Year	2-Year
4.49%	4.08%

Spread (10Y-2Y): +0.41 bps · Normal yield curve

Source: Market Data · Birlinging Capital Advisors, LLC · birlingcapital.com

June 3, 2026

Global Market Square © es una publicación preparada por Birlinging Capital LLC y resume los recientes desarrollos geopolíticos, económicos, de mercado y otros que pueden ser de interés para los clientes de Birlinging Capital LLC. Este informe está destinado únicamente a fines de información general, no es un resumen completo de los asuntos a los que se hace referencia y no representa asesoramiento de inversión, legal, regulatorio o fiscal. Se advierte a los destinatarios de este informe que busquen un abogado profesional adecuado con respecto a cualquiera de los asuntos discutidos en este informe teniendo en cuenta la situación de los destinatarios. Birlinging Capital no se compromete a mantener a los destinatarios de este informe informados sobre la evolución futura o los cambios en cualquiera de los asuntos discutidos en este informe. Birlinging Capital. El símbolo de registro y Birlinging Capital se encuentran entre las marcas registradas de Birlinging Capital. Todos los derechos reservados.