Markets Turn Mixed as Oil Plunges and Geopolitical Risks Continue to Drive Volatility

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The U.S. and European stock markets closed mixed as investors navigated another volatile session shaped by developments in the Iran conflict and a dramatic reversal in energy prices. Crude oil, which surged to nearly $120 per barrel on Monday amid fears of supply disruptions through the Strait of Hormuz, retreated sharply on Tuesday as traders reassessed the likelihood of a prolonged interruption to global energy flows.

The decline in crude prices helped stabilize global sentiment and supported a strong rebound in European equities. U.S. markets, however, remained cautious amid uncertainty over the security of key energy shipping routes in the Persian Gulf and the broader trajectory of the conflict.

The Dow Jones Industrial Average and S&P 500 declined, while the Nasdaq Composite finished essentially unchanged, reflecting continued resilience in technology shares despite heightened geopolitical risk.

Energy markets remained the central driver of investor sentiment. West Texas Intermediate crude fell 11.94% to $83.45 per barrel, while Brent crude declined 11.28% to $87.80, reversing much of the previous session's surge. The sharp pullback helped ease near-term inflation concerns but left a geopolitical risk premium embedded in global energy markets.

Treasury yields moved modestly higher, with the U.S. 10-year Treasury closing near 4.15%, as investors balanced geopolitical developments with expectations for Federal Reserve policy ahead of key inflation data releases later this week.

U.S. Markets

U.S. equities finished Tuesday little changed after a volatile trading session marked by large intraday swings as investors reacted to shifting headlines from the Middle East and rapid movements in energy markets.

The S&P 500 declined 0.21%, while the Dow Jones Industrial Average slipped 34.29 points. The Nasdaq Composite ended the session marginally higher, rising 0.01%. At the session's lows, the Dow was down nearly 297 points, while the S&P 500 and Nasdaq each fell roughly 0.5% before recovering part of those losses later in the day.

Market sentiment shifted repeatedly throughout the session as reports emerged regarding conditions in the Strait of Hormuz, a critical corridor that carries roughly one-fifth of global oil shipments. Early reports suggesting the U.S. Navy had escorted a tanker through the passage briefly eased supply concerns and helped lift equities.

However, volatility returned after U.S. officials later clarified that no escort had taken place. Subsequent reports indicated Iran may be preparing to deploy naval mines in the Strait, renewing fears of potential disruptions to global energy flows.

Tuesday's session followed a dramatic turnaround earlier in the week when the Dow erased an intraday decline of more than 800 points after oil prices retreated and President Trump suggested the conflict could move toward resolution. Nevertheless, U.S. defense officials indicated military operations remain active and that strikes inside Iran could intensify.

From a macroeconomic perspective, investors continue to monitor energy prices closely, given their potential implications for inflation and economic growth. Should crude prices stabilize or retreat toward the $60–$70 range, the economic impact would likely remain contained. However, a prolonged period of elevated oil prices could eventually feed through to transportation costs, consumer prices, and corporate margins.

Despite the geopolitical turbulence, U.S. equities continue to demonstrate relative resilience compared with international markets, supported by strong corporate balance sheets, deep capital markets, and the continued leadership of large-cap technology companies.

European Markets

European equities closed sharply higher on Tuesday as investors responded to a significant retreat in oil prices and signs that geopolitical tensions in the Middle East may be stabilizing. The decline in crude helped ease concerns about inflation pressures and energy costs across the region, supporting a broad recovery in risk sentiment after several volatile sessions.

The pan-European STOXX Europe 600 advanced 1.8%, with most sectors finishing firmly in positive territory. The rebound snapped a three-day losing streak for the regional benchmark and allowed markets to recover part of last week's nearly 6% decline, which had been driven by the surge in oil prices following the escalation of the U.S.–Iran conflict.

Energy shares experienced a volatile session but ultimately stabilized as crude prices reversed earlier gains. The STOXX Europe Oil & Gas index recovered from intraday losses to close roughly 0.3% higher, reflecting the sector's sensitivity to rapid moves in energy markets.

Airline stocks led the recovery across European equities as the drop in crude prices eased pressure on fuel costs. Shares of Lufthansa surged 7.8%, while Air France-KLM climbed 5.1%, both recovering losses from the previous session, when oil briefly surged above $100 per barrel.

Energy markets were the primary catalyst for Tuesday's rally. Brent crude fell sharply—declining roughly 10.6% to about $88.50 per barrel by late afternoon in London—while West Texas Intermediate dropped nearly 11% to approximately $84.39 per barrel. The retreat followed comments from President Trump suggesting the Iran conflict could be approaching a potential resolution, which helped calm fears of a prolonged disruption to global energy supplies.

Despite the sharp pullback, oil prices remain elevated relative to pre-conflict levels, meaning European markets will likely remain sensitive to further developments in the Middle East and the trajectory of global energy markets in the weeks ahead.

Asian Markets

Asian markets staged a strong rebound overnight, reflecting optimism that the geopolitical confrontation may stabilize in the near term. Japan's **Nikkei 225** rose nearly **3%**, while South Korea's **KOSPI** surged more than **5%**, recovering part of the losses experienced since the onset of the Middle East tensions.

The rally was supported by easing energy prices and expectations that global trade flows will remain largely intact despite the recent geopolitical shock. Technology exporters and semiconductor manufacturers led gains across the region, benefiting from renewed investor demand for growth-oriented sectors.

Inflation Data Takes Center Stage

Inflation—and its implications for Federal Reserve policy—will remain a central focus for investors in the days ahead as markets prepare for the latest readings on U.S. price pressures. This week's data calendar includes the **Consumer Price Index (CPI)** followed later by the **Personal Consumption Expenditures (PCE) price index**, the Federal Reserve's preferred gauge of inflation.

According to the **Inflation Nowcasting model from the Federal Reserve Bank of Cleveland (updated**

March 10), **headline PCE inflation is currently estimated at approximately 2.75% year-over-year**, while **Core PCE—excluding food and energy—is projected near 2.95%**. These estimates suggest inflation remains modestly above the Federal Reserve's **2% target**, reinforcing the view that the final stage of disinflation may progress gradually rather than quickly.

The recent spike in oil prices during the escalation of the Iran conflict briefly raised concerns that higher energy costs could feed into broader inflation pressures. However, the subsequent retreat in crude prices back below the **$90 per barrel** level has helped temper those concerns and stabilize market expectations.

Interest-rate futures markets have already adjusted to this environment. Investors are currently pricing **one full Federal Reserve rate cut in 2026**, with roughly a **50% probability of a second**, reflecting uncertainty regarding how quickly inflation will converge toward the central bank's objective.

While the Federal Reserve has historically looked through inflation driven by temporary supply shocks, such as oil spikes, policymakers remain cautious after several years of inflation running above target. Should energy prices remain elevated for an extended period, the path toward monetary easing could shift further into **late 2026 or even 2027**.

For now, however, futures markets suggest crude oil prices may gradually moderate toward **$80 per barrel by mid-year** and potentially approach **$70 by year-end** if geopolitical tensions stabilize. If that scenario unfolds, the temporary inflationary impact from energy would likely fade, allowing the Federal Reserve to maintain a **measured easing bias over the medium term**.

Market Leadership and Global Positioning

Since the Iran conflict began, global equities have traded unevenly. International markets—particularly those heavily dependent on imported energy—have borne the brunt of the volatility. Japan's **Nikkei** remains down roughly **8% month-to-date**, while Korea's **KOSPI** has declined more than **11%**, reflecting the sensitivity of export-driven economies to energy price shocks and global growth concerns.

European equities have also lagged, with the **Euro Stoxx 50** down more than **5%** over the same period. In contrast, U.S. equities have shown relative strength, with the **S&P 500** declining only modestly in March. The **technology sector** has emerged as the standout performer, rising more than **1% for the month**, while the **software industry** has rebounded sharply, advancing approximately **5%**.

History suggests that geopolitical shocks often produce intense but temporary market volatility. Once uncertainty surrounding the duration and scale of the conflict begins to fade, financial markets typically refocus on fundamentals such as earnings growth, productivity gains, and monetary policy.

Strategic Outlook

While short-term volatility may persist as geopolitical developments unfold and inflation data is digested, the broader investment landscape remains constructive. Oil futures currently suggest prices could moderate toward **$80 per barrel by mid-year** and potentially **near $70 by year-end**, assuming the conflict stabilizes, and global supply routes remain secure.

Under that scenario, inflation pressures would likely prove transitory, allowing the Federal Reserve to maintain its gradual easing bias over time. From a portfolio-allocation perspective, the current environment continues to favor equities over fixed income.

Within equities, **U.S. large- and mid-cap companies remain particularly well positioned**, supported by strong earnings growth, technological leadership, and deep capital markets. At the same time, opportunities are emerging across **international developed small- and mid-cap equities** and **select emerging markets**, where valuations remain attractive relative to long-term growth prospects.

In short, while geopolitical shocks may temporarily disrupt market equilibrium, disciplined investors who maintain a strategic allocation to global equities are historically rewarded once uncertainty subsides, and fundamentals reassert themselves.

Economic Data:

- **U.S. Retail Gas Price:** rose to $3.148, up from $3.072 last week.
- **U.S. Existing Home Sales:** fell to 3.91 million, down from 4.27 million last month, a decrease of 8.43%.
- **Germany Exports MoM:** fell -2.30%, compared to 3.90% last month.
- **Germany Trade Balance:** rose to 21.20 billion, up from 17.10 billion last month.

Eurozone Summary:

- **Stoxx 600:** closed at 606.12, up 11.20 points or 1.88%.
- **FTSE 100:** closed at 10,412.24, up 162.72 points or 1.59%.
- **DAX Index:** closed at 23,968.63, up 559.26 points or 2.39%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 47,706.51, down 34.29 points or 0.07%.
- **S&P 500:** closed at 6,781.48, down 14.51 points or 0.21%.
- **Nasdaq Composite:** closed at 22,697.10, up 1.15 points or 0.01%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,927.36, down 33.13 Points or 0.84%
- **Birling Capital U.S. Bank Index:** closed at 8,254.91, down 26.97 Points or 0.33%.
- **U.S. Treasury 10-year note:** closed at 4.15%.
- **U.S. Treasury 2-year note:** closed at 3.57%.

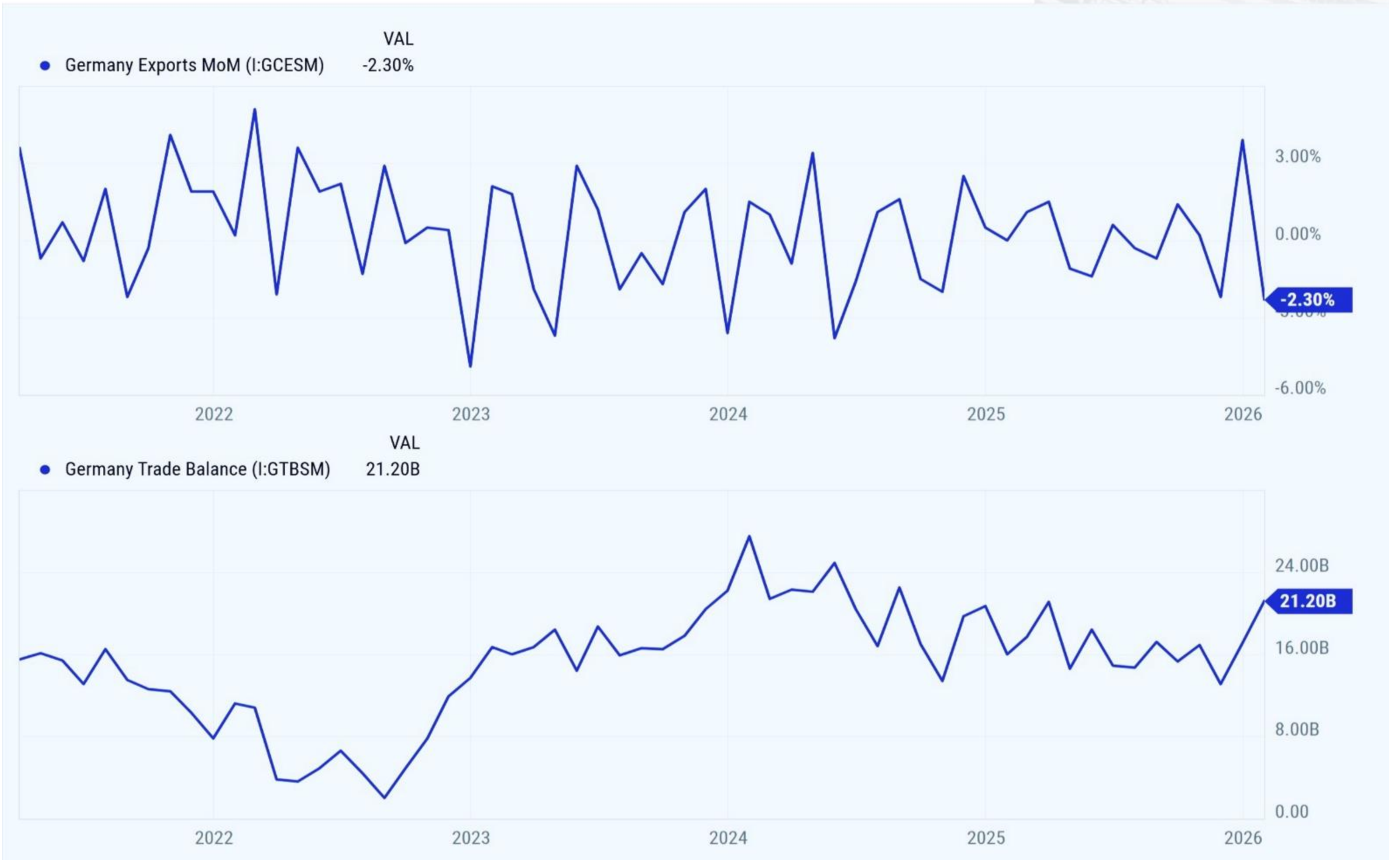
BIRLING CAPITAL ADVISORS, LLC

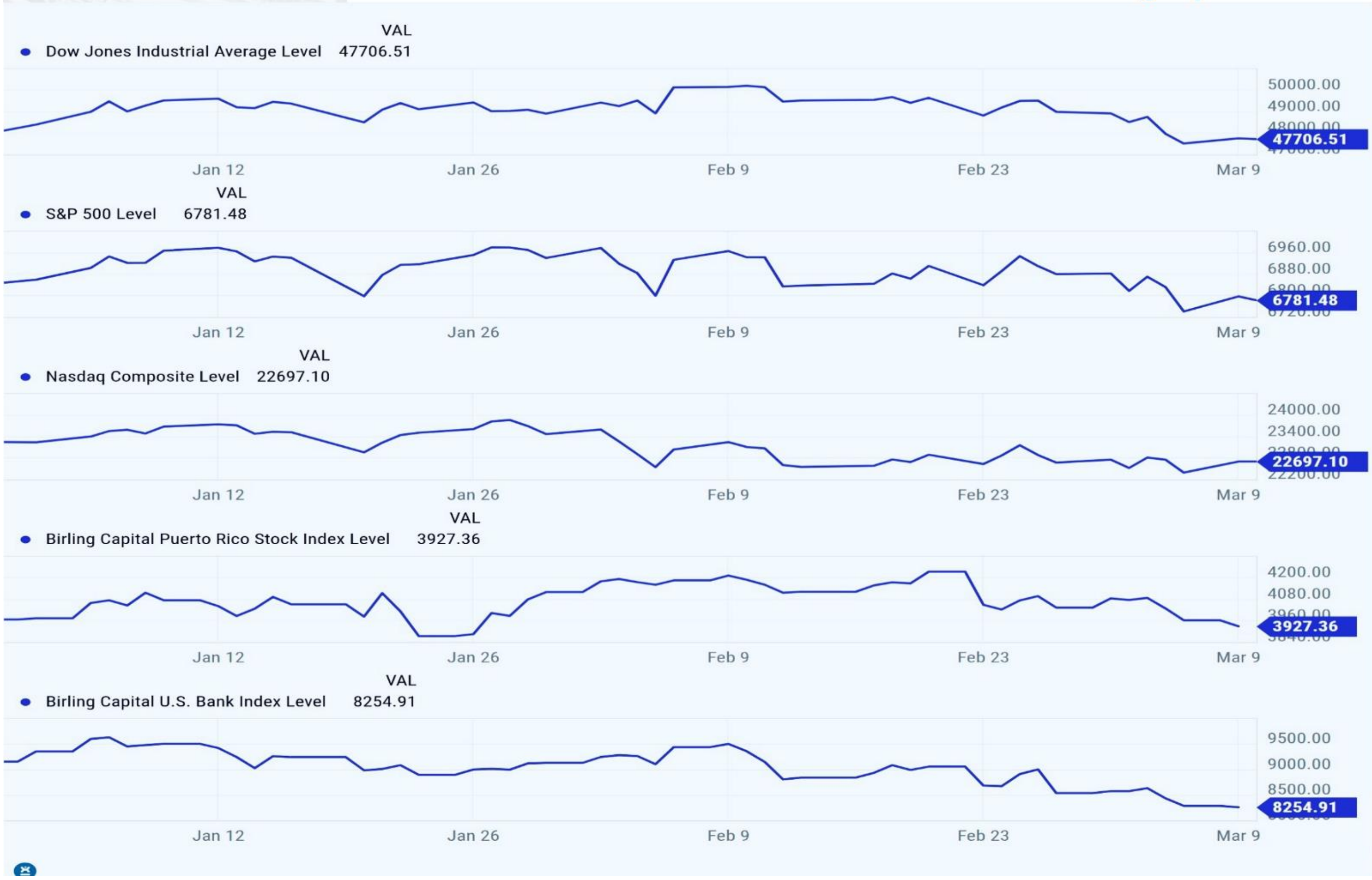
Inflation Nowcasting:
PCE & Core PCE Forecast

Inflation Nowcasting	PCE Forecast	Core PCE Forecast	Updated
January	2.75%	2.95%	10-Mar

US Retail Gas Price & US Existing Home Sales

Germany Exports MoM & Germany Trade Balance





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Jan 12
Jan 26
Feb 9
Feb 23
Mar 9