

Energy Shock Returns as Strait of Hormuz Attacks Lift Oil and Pressure Global Markets

March 11, 2026

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The U.S. and European stock markets closed mostly lower as escalating tensions in the Middle East pushed oil prices higher and renewed concerns about inflation and global energy supply. Crude oil climbed to roughly **\$86 per barrel** following attacks on vessels near the **Strait of Hormuz**, a strategic corridor that carries nearly **one-fifth of the world's oil supply**.

Markets also reacted to the **International Energy Agency's announcement of the largest strategic oil reserve release in history**, a coordinated **400-million-barrel drawdown** aimed at stabilizing energy markets following disruptions linked to the U.S.–Israel war with Iran. The escalation weighed on investor sentiment and pushed bond yields higher as markets reassessed the inflationary implications of rising energy prices.

U.S. Markets

U.S. equity markets moved lower on Wednesday as investors continued to monitor developments in the **U.S.-Iran conflict** and the impact of rising energy prices on inflation and economic growth. The **Dow Jones Industrial Average** declined **289.24 points**, reflecting weakness across cyclical and industrial sectors sensitive to higher oil prices and geopolitical uncertainty. Broader benchmarks posted more modest losses. The **S&P 500** slipped **0.08%**, meanwhile the **Nasdaq Composite** rose 19.03 points, with technology stocks once again demonstrating resilience as investors rotated toward large-cap companies with stronger balance sheets and earnings visibility.

Energy markets remained the central driver of sentiment. **West Texas Intermediate crude rose about 4% to \$86 per barrel**. In comparison, **Brent crude climbed roughly 4% to \$91 per barrel** as traders reacted to continued disruptions and security risks surrounding shipping routes in the Persian Gulf. The gains came **even after the International Energy Agency announced a coordinated release of 400 million barrels from strategic reserves**, the largest emergency drawdown in its history, intended to stabilize markets after shipping disruptions in the Strait of Hormuz.

Geopolitical developments added to market caution. Reports indicated that **U.S. naval forces sank several Iranian vessels near the Strait of Hormuz**, including minelayers believed to be preparing to disrupt shipping lanes. Maritime authorities also reported that multiple cargo ships operating near Iranian waters had been struck by projectiles, underscoring the growing risk to global shipping routes. Despite volatility, markets remain focused on whether the conflict will escalate further or stabilize. A prolonged disruption in the Persian Gulf could keep energy prices elevated and further pressure global growth expectations.

European Markets

European stock markets finished Wednesday's session lower as investors assessed the implications of escalating military operations in the Middle East and the potential impact on global energy supplies and defense spending.

The **STOXX Europe 600** declined **0.8%**, with most sectors and major national indices ending the session in negative territory amid rising geopolitical risk and higher energy prices.

Among individual companies, defense contractor **Rheinmetall** reported strong annual results, posting **revenue of €9.94 billion and profit of €1.68 billion**. The company indicated it expects significantly higher demand for missile replenishment and air-defense systems as governments increase military spending. Despite the positive outlook, shares **fell nearly 8%**, reflecting profit-taking after the sector's strong rally in recent months.

Luxury automaker **Porsche AG** also traded lower, with shares declining by about **0.8%** after management announced plans to streamline operations and reduce costs following what it described as a challenging 2025. Retailer **Inditex**, the owner of Zara, provided one of the few bright spots in the session. Shares **rose 0.7%** after the company reported solid first-quarter earnings, with all brands posting year-over-year growth despite softer consumer spending late last year.

Strategic Oil Reserves Released

Energy policymakers moved decisively to contain the disruption in global oil markets. The **International Energy Agency (IEA)** announced the **largest coordinated release of strategic oil reserves in its history**, authorizing a drawdown of **400 million barrels** from member countries' stockpiles.

The release far exceeds the **182 million barrels deployed in two phases during the 2022 energy shock** following Russia's invasion of Ukraine. According to IEA Executive Director **Fatih Birol**, the scale of the action reflects the extraordinary risks currently facing global energy markets.

The decision comes as shipping activity through the **Strait of Hormuz has sharply declined**, with tanker operators avoiding the narrow passage because of security threats linked to the war with Iran. Roughly **20% of global oil and natural gas shipments normally transit the waterway**, making disruptions there one of the most significant risks to the global economy.

While the reserve release is designed to cushion the immediate supply shock, markets remain focused on whether the conflict will escalate further or stabilize in the coming weeks.

Inflation Data Overshadowed by Energy Shock

The latest **U.S. inflation data for February** arrived largely in line with expectations but was quickly overshadowed by the surge in oil prices.

The **Consumer Price Index (CPI)** rose **0.3% month-over-month**, while **core CPI increased 0.2%**, signaling continued moderation in underlying inflation pressures. On a year-over-year basis, CPI stands at **2.4%**, close to the Federal Reserve's long-term target.

Shelter inflation—one of the most persistent drivers of price pressures—continued to moderate, helping offset some of the upward pressure on goods prices from earlier tariff increases.

However, the recent rise in oil prices could alter the short-term inflation trajectory. Energy shocks typically feed quickly into gasoline and transportation costs, suggesting that headline inflation could temporarily accelerate in the coming months.

Market Perspective

History suggests that energy-driven inflation spikes tied to geopolitical shocks tend to create **temporary distortions rather than lasting inflation trends**. The key variable for markets will be whether oil prices stabilize once supply risks ease.

For now, financial markets remain highly sensitive to developments in the Middle East, with **energy prices acting as the primary transmission channel between geopolitics, inflation expectations, and global asset prices**.

Economic Data:

- **US Consumer Price Index YoY:** is unchanged 2.40%, compared to 2.40%.
- **US Core Consumer Price Index YoY:** is unchanged at 2.50%, compared to 2.50%.
- **US Inflation Rate:** is unchanged at 2.40%, compared to 2.40%.

- **Germany Consumer Price Index YoY:** fell to 1.90%, compared to 2.10% last month.

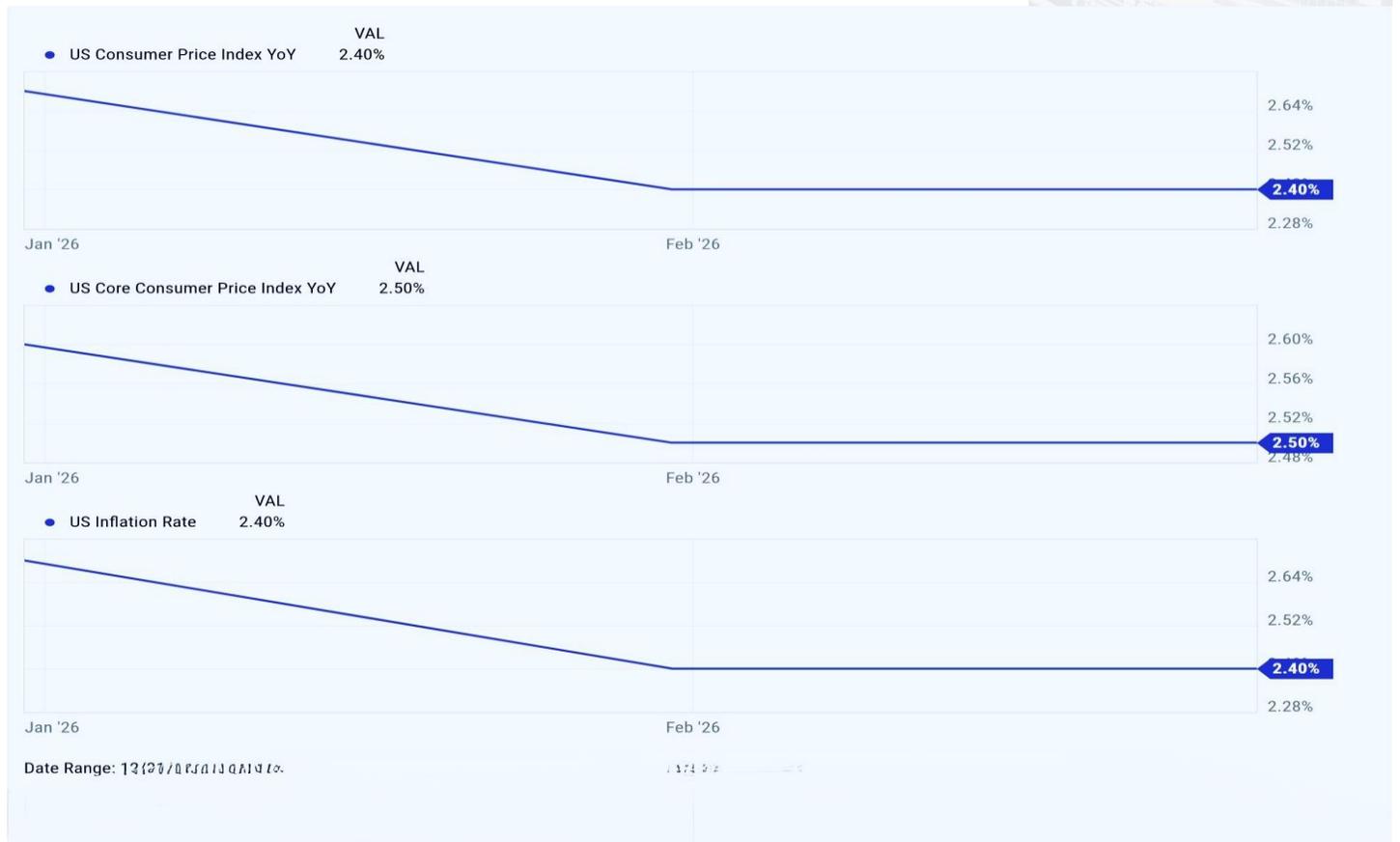
Eurozone Summary:

- **Stoxx 600:** closed at 602.54, down 3.58 points or 0.59%.
- **FTSE 100:** closed at 10,353.77, down 58.47 points or 0.56%.
- **DAX Index:** closed at 23,640.03, down 328.60 points or 1.37%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 47,417.27, down 289.24 points or 0.61%.
- **S&P 500:** closed at 6,775.80, down 5.68 points or 0.08%.
- **Nasdaq Composite:** closed at 22,716.13, up 19.03 points or 0.08%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,919.49, down 7.87 points or 0.20%
- **Birling Capital U.S. Bank Index:** closed at 8,295.21, up 40.30 Points or 0.49%.
- **U.S. Treasury 10-year note:** closed at 4.21%.
- **U.S. Treasury 2-year note:** closed at 3.64%.

US Consumer Price Index YoY; US Core Consumer Price Index YoY & US Inflation Rate





Wall Street Recap

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