

Markets Remain Cautious as Energy Disruptions and Policy Uncertainty Shape Investor Sentiment

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The U.S. and European stock markets closed with more losses as investors assessed the implications of the largest disruption to global oil markets in modern history. The conflict in the Middle East continues to threaten shipping through the Strait of Hormuz, a corridor that normally handles roughly one-fifth of the world's oil and liquefied natural gas flows. According to the International Energy Agency, the disruption is affecting an estimated 7.5% of global oil supply and an even larger share of export capacity, placing sustained pressure on global supply expectations and investor confidence.

Oil prices climbed again during the session, with crude advancing roughly 8% to about \$94 per barrel. The renewed increase followed reports of additional attacks on oil tankers operating in the region, reinforcing concerns about the security of one of the world's most critical maritime energy routes. Equity markets responded defensively. Energy stocks were the only major sector to post gains, benefiting from the surge in crude prices, while industrials, financials, and small-capitalization companies lagged amid concerns about rising costs and slower global growth.

Investor sentiment continues to shift with each development in the conflict and the evolving outlook for shipping security in the Persian Gulf. Comments from the U.S. Energy Secretary indicating that the U.S. Navy is currently not fully prepared to escort tankers through the Strait of Hormuz added to uncertainty surrounding the near-term stability of global energy flows. Treasury yields and the U.S. dollar moved modestly higher during the session as investors sought relative safety amid the geopolitical turbulence.

European Markets

European equity markets closed lower as investors continued to digest the implications of rising oil prices and escalating geopolitical tensions tied to the Iran conflict. The STOXX Europe 600 finished the session down roughly 0.7%, reflecting the cautious tone that dominated trading across the region. Sector performance was mixed. Chemicals and utilities posted modest gains as investors rotated into defensive industries that tend to benefit from higher commodity prices. In contrast, bank stocks led the declines, weighing on the broader index as concerns grew about financial-sector exposure to the Middle East and the potential economic fallout from sustained energy disruptions.

Oil markets remained a central influence on European trading. Prices moved sharply higher despite the announcement by the International Energy Agency that its member countries would release 400 million barrels from strategic reserves, the largest coordinated release in the agency's history. The reserves are expected to be released over time depending on the circumstances of each member country, leaving markets uncertain about how quickly additional supply will reach global markets. Crude prices continued to climb as traders questioned whether the reserve release would be sufficient to offset the supply shock caused by disruptions linked to the conflict. Brent crude briefly traded above \$100 per barrel before settling near \$99.71, while West Texas Intermediate advanced to around \$95.32, reflecting renewed concerns about the security of shipping routes in the Persian Gulf.

Adding to investor caution, the administration of President Trump announced new trade investigations targeting the European Union and several other economies. The probes will be conducted under Section 301 of the Trade Act of 1974, a legal mechanism that allows the United States to impose tariffs on countries determined to have engaged in unfair trade practices. The announcement introduced an additional layer of uncertainty for European exporters already navigating a volatile global environment.

On the corporate front, shares of Leonardo climbed 5.7% after the Italian defense group reported stronger-than-expected results, including €19.5 billion in revenue and €1 billion in net profit, representing a 19% increase year over year. The company projected revenue of roughly €21 billion in 2026 and outlined a longer-term plan targeting €30 billion in revenue by 2030, supported by an expected €142 billion in cumulative orders over the next five years.

Meanwhile, shares of Abivax rose 6.8% following renewed speculation about a potential takeover bid for the biotech firm. The company later denied the rumors, though the reports were sufficient to drive significant intraday volatility in the stock.

Overall, European markets remain highly sensitive to developments in energy markets and geopolitical headlines, with oil prices and shipping security in the Strait of Hormuz continuing to shape investor sentiment across the region.

Oil Volatility Remains Elevated Despite Record Reserve Release

Oil volatility remains elevated despite the coordinated intervention by major governments. Crude prices continue to trade below the psychologically significant \$100 per barrel threshold, but price swings remain pronounced as traders weigh the balance between supply disruptions and emergency policy responses.

In response to the escalating energy shock, the International Energy Agency announced the largest coordinated release of strategic oil reserves in its history. The program will inject approximately 400 million barrels into global markets, including roughly 172 million barrels from the U.S. Strategic Petroleum Reserve, representing nearly 40% of current U.S. stockpiles. The scale of the intervention reflects the extraordinary nature of the disruption and represents a direct effort by governments to stabilize supply conditions and prevent a broader economic shock.

The reserve release provides an important near-term buffer and has likely helped keep crude prices below the \$100 threshold. However, markets remain skeptical that the release alone can fully offset reduced flows through the Strait of Hormuz if shipping disruptions persist for an extended period.

History offers some perspective. Over the past decade and a half, geopolitical crises that triggered sharp spikes in oil prices have generally proven temporary. Energy prices often rise ahead of major geopolitical events and peak shortly afterward as supply adjustments and policy interventions begin to stabilize conditions. During the Israel–Iran confrontation in the summer of 2025, West Texas Intermediate crude reached its peak roughly ten days after the initial escalation. Similarly, oil prices peaked approximately three months after Russia's invasion of Ukraine, before gradually declining as markets adjusted.

Federal Reserve Policy Outlook Takes Center Stage

While the energy shock dominates the immediate narrative, monetary policy is emerging as the next major catalyst for investors. The Federal Reserve is scheduled to meet next week, and markets will closely analyze the updated economic projections and interest-rate guidance accompanying the decision.

The current energy shock presents policymakers with a complicated macroeconomic backdrop. Higher oil prices tend to raise inflation while simultaneously slowing economic growth — a combination that complicates the central bank's policy response. Historically, central banks have often looked through temporary oil-price spikes when setting policy. However, the current environment is different. Inflation has remained above the Federal Reserve's target for roughly five years, and the latest surge in energy costs risks delaying the anticipated disinflation trend.

Financial markets have already begun adjusting expectations. Since the escalation of the conflict, bond markets have pushed back the anticipated timing of the next Federal Reserve rate cut from June to October, while the expected number of rate reductions this year has declined from two to one.

Our base case is that the Federal Reserve will maintain its current policy range of approximately 3.50% to 3.75% at the upcoming meeting while avoiding any firm commitment to a specific path for future rate cuts.

Until then, markets will continue to take their cues from developments in the Persian Gulf — where geopolitics, energy supply, and global financial conditions are now tightly intertwined.

GDPNow

- The GDPNow for the first quarter of 2026 was updated today, rising to 2.7%, increasing 28.57% from 2.1%.

Economic Data:

- **US Initial Claims for Unemployment Insurance:** fell to 213,000, down from 214,000 last week.
- **US Housing Starts MoM:** rose to 7.21%, up from 4.76% last month.
- **US Building Permits:** fell to 1.376 million, down from 1.455 million last month.
- **30 Year Mortgage Rate:** rose to 6.00%, compared to 5.98% last week.
- **US Trade Balance on Goods:** is at -81.79 billion, from -99.25B last month.
- **Continental US Working Natural Gas in Underground Storage WoW:** fell to -132.00B, down from -52.00B last week.
- **Canada Wholesale Sales MoM:** fell -1.65%, compared to 1.10% last month.

Eurozone Summary:

- **Stoxx 600:** closed at 598.86, down 3.68 points or 0.61%.
- **FTSE 100:** closed at 10,305.15, down 48.62 points or 0.21%.
- **DAX Index:** closed at 23,579.65, down 50.38 points or 0.47%.

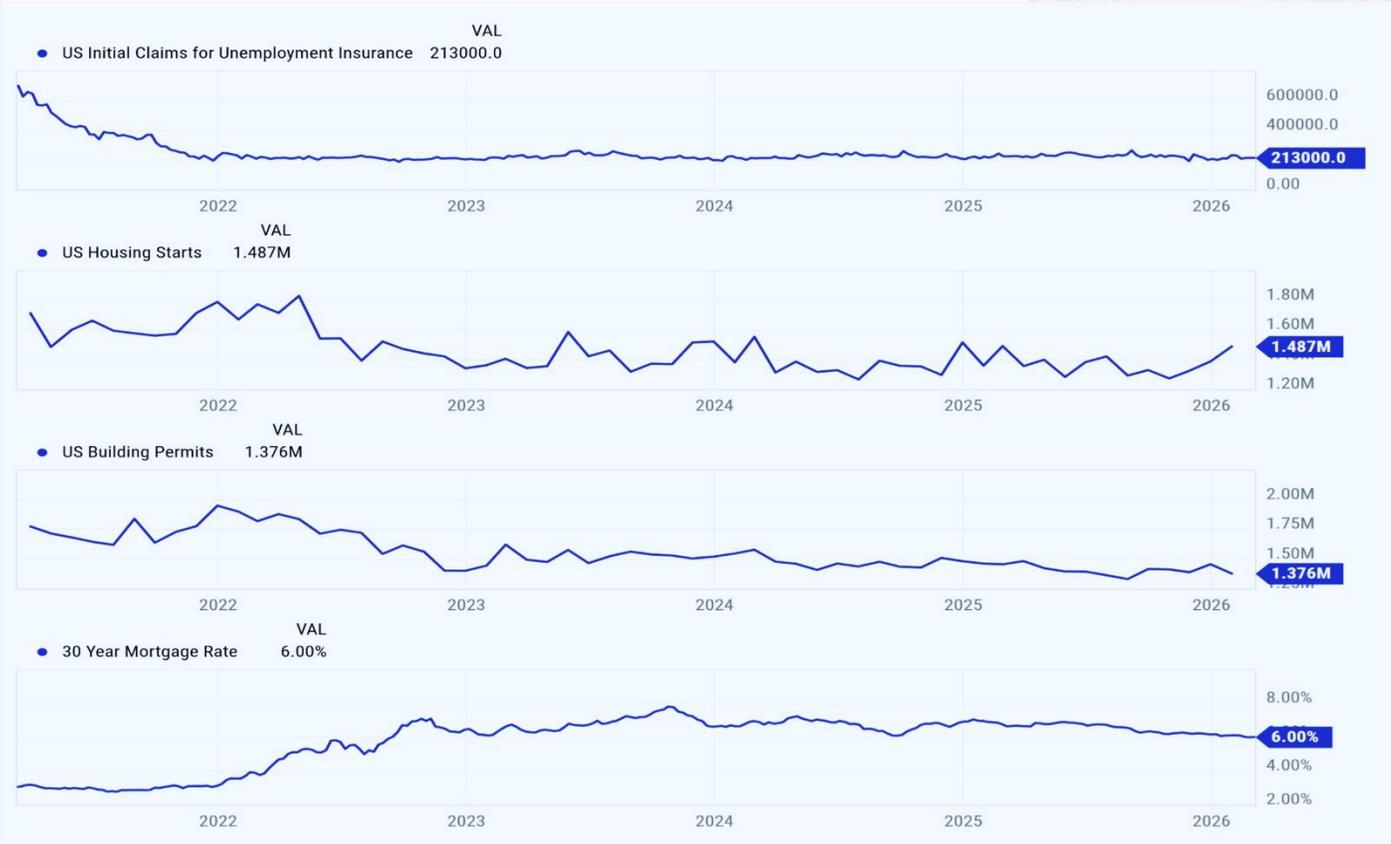
Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 46,677.85, down 739.42 points or 1.56%.
- **S&P 500:** closed at 6,672.62, down 103.18 points or 1.52%.
- **Nasdaq Composite:** closed at 22,311.98, down 404.15 points or 1.78%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,921.33, up 1.84 points or 0.05%
- **Birling Capital U.S. Bank Index:** closed at 8,250.85, down 44.35 Points or 0.53%.
- **U.S. Treasury 10-year note:** closed at 4.27%.
- **U.S. Treasury 2-year note:** closed at 3.76%.

Date	GDPNow 1Q26	Change
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2/20/2026	3.10%	Initial Forecast
2/24/2026	3.10%	0.00%
2/27/2026	3.10%	0.00%
3/2/2026	3.00%	-3.23%
3/6/2026	2.10%	-30.00%
3/12/2026	2.70%	28.57%

US Initial Claims for Unemployment Insurance; US Housing Starts; US Building Permits & 30 Year Mortgage Rate





Wall Street Recap

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