

# Markets Advance as Oil Stabilizes While Yields and Dollar Ease

March 17, 2026

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**The U.S. and European stock markets closed higher, extending the prior session's gains as a partial stabilization in energy prices** helped restore risk appetite across global markets. While geopolitical tensions in the Middle East continue to underpin a risk premium in crude oil, the pullback from recent highs has provided investors with a near-term reprieve.

**Investor sentiment improved as equity markets responded positively to easing pressure** from energy prices, even as uncertainty around supply disruptions persists. The moderation in crude levels has helped temper immediate inflation concerns, allowing markets to recalibrate expectations across asset classes.

**Wall Street delivered modest but broad-based gains**, reflecting a measured recovery in risk appetite. **The Dow Jones Industrial Average rose 46.85 points, the S&P 500 finished gaining 0.25%, while the Nasdaq Composite led the way, closing up 105.35 points.** The advance, while incremental, signals improving market breadth as investors cautiously re-engage amid stabilizing macro conditions.

Fixed-income markets reinforced this shift in sentiment. **The 10-year U.S. Treasury yield moved lower during the session, closing at 4.20%**, contributing to a cumulative weekly decline as investors reassess the trajectory of monetary policy. In parallel, the U.S. dollar weakened modestly, retracing approximately 0.75% from recent highs as safe-haven demand eased.

## European Markets

**European equity markets closed higher, demonstrating resilience despite renewed volatility in energy markets.** The STOXX Europe 600 rose approximately 0.6%, with gains led by defensive and energy-linked sectors.

Market leadership reflected a clear rotation toward inflation-resilient segments. Utilities, insurance, telecommunications, and energy companies outperformed, benefiting from stronger pricing power and stable cash flows. Conversely, technology and industrials lagged, pressured by higher input costs and sensitivity to interest rate expectations.

Crude oil prices briefly surged back above \$100 per barrel amid renewed concerns over supply disruptions and security risks in key shipping routes. While prices moderated into the close, the persistence of geopolitical uncertainty—particularly surrounding transit flows through the Strait of Hormuz—continues to anchor a structural risk premium in energy markets.

## Energy & Inflation Watch

Despite some moderation in crude prices, the transmission to consumers remains evident. U.S. gasoline prices have risen sharply in recent weeks, with the national average now above \$3.60 per gallon, up from early-year levels. In higher-cost regions such as California, prices remain well above \$5.00 per gallon.

While gasoline accounts for roughly 3% of the CPI basket—down from prior cycles—the broader inflationary impact is more pronounced through second-order effects. Diesel prices, a key input for

freight, agriculture, and construction, have surpassed \$5 per gallon, raising the likelihood that cost pressures will feed into core inflation if sustained.

At present, markets are operating under the assumption that the energy shock may be temporary. However, the duration of elevated oil prices will ultimately determine whether inflation pressures remain contained or reaccelerate.

### Central Banks in Focus

Global monetary policy is now the critical counterbalance to energy-driven inflation risks. The Federal Reserve remains the focal point, with markets pricing in a more restrained easing cycle—currently reflecting only one potential rate cut this year.

This broadly aligns with prior Federal Open Market Committee guidance, though the recent uptick in energy prices adds complexity. A near-term inflation rebound is likely to reinforce a cautious stance, potentially delaying policy easing unless energy prices stabilize.

Across global markets, central banks are expected to adopt a similarly measured approach. Policy decisions from the Bank of England, the European Central Bank, the Riksbank, and the Bank of Japan will be closely monitored for signals about how they balance inflation risks against slowing growth dynamics. In Canada, soft domestic activity continues to limit the case for further tightening despite elevated energy costs.

### Strategic Perspective

Markets are navigating a narrow corridor between geopolitical risk and macroeconomic resilience. The recent pullback in oil prices has allowed risk assets to recover, but underlying vulnerability remains tied to the trajectory of energy markets.

The interaction between oil prices, inflation expectations, and central bank policy will define near-term market direction. For now, declining yields and a softer dollar indicate a cautious re-engagement with risk assets—one that remains highly conditional on energy stability.

### Economic Data:

- **U.S. Retail Gas Price:** rose to \$3.633, up from \$3.148 last week, a 15.41% increase.
- **U.S. Pending Home Sales YoY:** fell -0.83%, compared to -0.56% last month.
- **NY Fed Business Leaders Survey Current Business Activity:** is at -22.60, up from -25.70 last month.
- **ZEW Indicator of Economic Sentiment for Germany:** fell -0.50, down from 58.30 last month.

### Eurozone Summary:

- **Stoxx 600:** closed at 602.45, up 3.98 points or 0.67%.
- **FTSE 100:** closed at 10,403.60, up 85.91 points or 0.83%.
- **DAX Index:** closed at 23,730.92, up 166.91 points or 0.71%.

### Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 46,993.26, up 46.85 points or 0.10%.
- **S&P 500:** closed at 6,716.09, up 16.71 points or 0.25%.
- **Nasdaq Composite:** closed at 22,479.53, up 105.35 points or 0.47%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,994.31, up 12.79 points or 0.32%.
- **Birling Capital U.S. Bank Index:** closed at 8,066.47, up 100.86 Points or 1.27%
- **U.S. Treasury 10-year note:** closed at 4.20%.
- **U.S. Treasury 2-year note:** closed at 3.68%.

# US Retail Gas Price; US Pending Home Sales YoY; NY Fed Business Leaders Survey Current Business Activity & ZEW Indicator of Economic Sentiment for Germany



# Wall Street Recap

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