

Oil Spike Rattles Markets as U.S. Payrolls Drop 92,000, and Unemployment Ticks Higher

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The U.S. and European stock markets closed lower under pressure as investors navigated a sharp escalation in energy prices and a weaker-than-expected U.S. economic backdrop. Crude oil remains the central catalyst for market volatility, with prices on pace for their largest weekly increase since the 2022 invasion of Ukraine, advancing more than 25%. The surge reflects mounting concerns over supply disruptions as the Middle East conflict enters its seventh day. Overnight developments added to uncertainty after officials in Qatar warned that Gulf producers could face operational disruptions within days if tensions continue to escalate.

At the same time, policymakers are exploring ways to mitigate price pressures. In a notable step, the U.S. Treasury issued a temporary license allowing India to increase its purchases of Russian crude oil to stabilize global supply flows. Despite these measures, energy markets remain highly sensitive to geopolitical developments, keeping investors in a defensive posture.

From a sector perspective, energy shares are the clear outperformers as higher crude prices lift earnings expectations across the industry. More broadly, defensive sectors are outperforming while cyclical segments face renewed pressure. The U.S. dollar has strengthened as investors seek safe-haven assets, reaching a three-month high against the euro. Government bonds, however, are struggling as the oil surge feeds higher inflation expectations, pushing yields upward and tightening financial conditions.

European Markets

European equity markets are closing a turbulent week on a weaker footing as the escalation of the U.S.–Iran conflict triggered a broad risk-off tone across global capital markets. Heightened geopolitical uncertainty and the sharp rise in energy prices have led investors to reduce exposure to cyclical assets, pushing most major European indices lower.

Regional equities had already ended Thursday's session broadly in negative territory as lingering uncertainty surrounding the Middle East conflict overshadowed the modest recovery seen earlier in the week. The brief rebound on Wednesday proved short-lived as investors reassessed the potential economic consequences of sustained geopolitical tensions, particularly the risk of supply disruptions in global energy markets.

For the week, the pan-European Stoxx Europe 600 is on track to decline approximately 4.6%, marking its steepest weekly drop since April of last year, when markets were rattled by escalating concerns over a potential U.S.–China trade confrontation. The magnitude of the current decline underscores how quickly geopolitical shocks can reverberate across global financial markets.

Energy markets remain the central driver of volatility. Brent crude, the global benchmark, surged roughly 5.4% to about \$90 per barrel, while U.S. West Texas Intermediate (WTI) climbed approximately 8.4% to around \$87.90 per barrel. The sharp move reflects growing fears that the ongoing conflict could disrupt key supply routes across the Middle East, tightening global oil supplies and adding to inflationary pressures for energy-importing regions such as Europe.

As a result, energy shares have outperformed the broader market, while sectors sensitive to

economic growth—including industrials, consumer discretionary, and financials—have come under increased pressure as investors reposition portfolios amid the evolving geopolitical landscape.

Labor market setback tempers growth narrative

Investor sentiment was further weighed down by unexpectedly weak U.S. employment data. The economy lost an estimated 92,000 jobs in February, while the unemployment rate rose to 4.4%, partially reversing January's stronger payroll figures. Although the overall unemployment rate remains historically moderate, the decline in employment was broad-based, affecting both private-sector industries and government payrolls.

The report complicates the Federal Reserve's policy outlook. On one hand, softer labor conditions suggest moderating economic momentum; on the other, the sharp rise in energy prices risks reigniting inflation pressures. Taken together, the data leave policymakers navigating a narrow path between supporting growth and preventing renewed inflation acceleration.

It is important to interpret a single employment report cautiously. Severe winter weather and temporary labor disruptions are likely to have played a role in the weak reading. Nonetheless, the data highlights a softer near-term economic trajectory and reinforces expectations that the Federal Reserve may ease later this year. Our base case continues to anticipate one to two rate cuts during the second half of the year as growth moderates and inflation gradually trends lower.

Assessing the economic implications of the Middle East conflict

The ultimate economic impact of the current geopolitical confrontation will depend largely on its duration and whether energy supply routes are materially disrupted—two variables that remain difficult to forecast. Europe and Asia appear particularly vulnerable given their heavy dependence on imported crude transported through Middle Eastern shipping corridors.

WTI crude has climbed to its highest level since late 2023, adding to global inflation pressures that could weigh on consumer spending if sustained. However, historical experience suggests that financial markets tend to absorb geopolitical shocks more quickly than initially feared. Oil prices often spike in anticipation of major events and stabilize once supply disruptions prove limited. For example, crude prices peaked roughly ten days after the Israel–Iran escalation during the summer of 2025 and within several months of Russia's invasion of Ukraine in 2022.

Structural shifts in the global energy landscape have also reduced the U.S. economy's vulnerability to oil shocks. The United States has been a net petroleum exporter since 2019, and the economy has become far less energy-intensive over time. Since 1950, the amount of energy required to produce one unit of GDP has declined by roughly 70%, reflecting efficiency gains and the growing dominance of the services sector.

Consequently, while sustained oil prices above \$100 per barrel could eventually slow economic growth, history suggests that reactionary portfolio adjustments driven by geopolitical headlines often undermine long-term investment outcomes. For disciplined investors, maintaining strategic asset allocation and focusing on underlying economic fundamentals remains the most effective approach during periods of geopolitical turbulence.

GDPNow:

- The GDPNow for the first quarter fell to 2.10%, decreasing 30% from 3.00%.

Economic Data:

- **US Nonfarm Payrolls MoM:** fell by -92,000, down from 10,000 last month.
- **US Unemployment Rate:** rose to 4.40% from 4.30% last month.
- **US Labor Force Participation Rate:** fell to 62.00%, compared to 62.10% last month.
- **US Retail and Food Services Sales MoM:** fell to -0.16%, compared to -0.00% last month.

- **US Business Inventories MoM:** rose to 0.14%, compared to 0.02% last month.
- **US Wholesalers Inventories MoM:** rose to 0.25%, compared to 0.24% last month.
- **US Consumer Credit Outstanding MoM:** rose to \$24.05 billion, up from \$4.698 billion, increasing 411.8%.
- **Canada Ivey PMI:** fell to 56.30, down from 56.60 last month.

Eurozone Summary:

- **Stoxx 600:** closed at 598.69, down 6.14 points or 1.02%.
- **FTSE 100:** closed at 10,284.75, down 129.19 points or 1.24%.
- **DAX Index:** closed at 23,591.03, down 224.72 points or 0.94%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 47,501.55, down 453.19 points or 0.95%.
- **S&P 500:** closed at 6,740.02, down 90.69 points or 1.33%.
- **Nasdaq Composite:** closed at 22,387.68, down 361.31 points or 1.59%.
- **Birling Capital Puerto Rico Stock Index:** closed at 4,026.84, down 58.92 Points or 1.44%
- **Birling Capital U.S. Bank Index:** closed at 8,430.13, down 199.85 Points or 2.32%.
- **U.S. Treasury 10-year note:** closed at 4.15%.
- **U.S. Treasury 2-year note:** closed at 3.55%.



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GDPNow 1Q26 Forecast

Date	GDPNow 1Q26	Change
2/20/26	3.10%	Initial Forecast
2/24/26	3.10%	0.00%
2/27/26	3.10%	0.00%
3/2/26	3.00%	-3.23%
3/6/26	2.10%	-30.00%



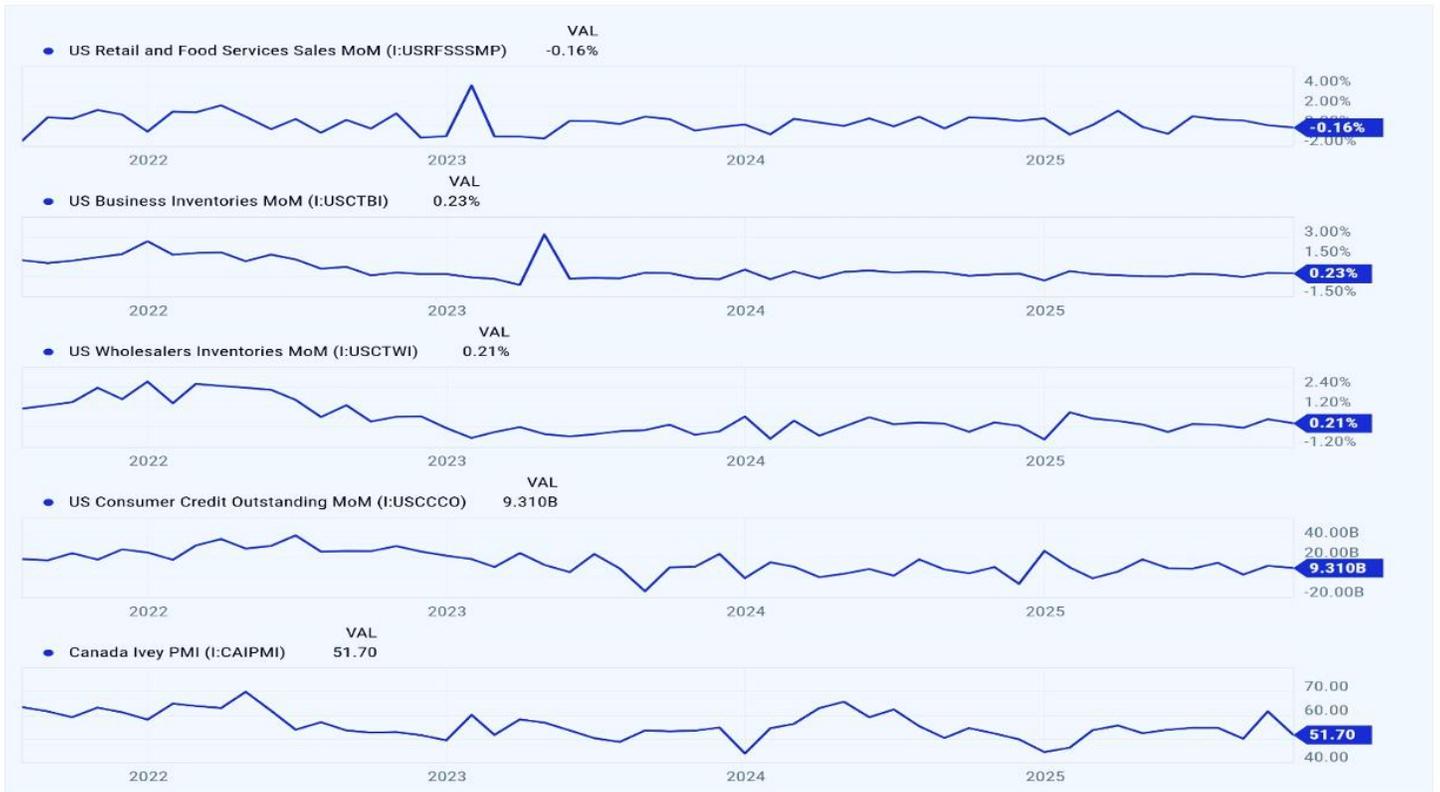
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US Nonfarm Payrolls, US Unemployment Rate & US Labor Participation Rate





US Retail & Food Service Sales, US Business Inventories, US Wholesalers Inventories, US Consumer Credit Outstanding & Canada Ivey PMI



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