

Markets Rebound as Oil Reverses After Overnight Energy Shock

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by Francisco Rodríguez-Castro
frc@birlingcapital.com

The U.S. and European stock markets closed mixed following a volatile trading session driven by sharp swings in oil prices and continued geopolitical uncertainty surrounding the conflict with Iran. Energy markets dominated investor attention after crude briefly surged above \$110 per barrel overnight amid disruptions tied to the temporary closure of the Strait of Hormuz before reversing sharply during the day.

The pullback in oil prices helped stabilize global sentiment and allowed U.S. equities to recover from steep early losses, while international markets remained under pressure due to their greater exposure to imported energy costs. Treasury yields moved modestly lower during the session, with the 10-year U.S. Treasury yield closing near 4.12% and the 2-year yield at 3.56%, reflecting continued investor demand for high-quality assets amid geopolitical uncertainty.

The dramatic reversal in energy markets underscored how quickly geopolitical shocks can ripple through global financial markets, tightening financial conditions and driving intraday volatility across equities, bonds, and currencies.

U.S. Markets

U.S. equities staged a dramatic reversal Monday, finishing solidly higher after an early-session selloff triggered by the spike in oil prices and geopolitical tensions tied to the conflict with Iran. Markets found footing later in the day as crude prices retreated sharply and President Donald Trump's comments suggested the military campaign could be approaching its conclusion.

The S&P 500 rose 55.97 points, recovering from losses of roughly 1.5% earlier in the session. The Dow Jones Industrial Average advanced 239.25 points, rebounding after falling nearly 900 points at its intraday low. The Nasdaq Composite led the recovery, gaining 1.38%, supported by strength in semiconductor and technology shares.

Investor sentiment improved after President Trump indicated that the conflict with Iran could be nearing completion. In remarks reported by a CBS News correspondent, the president said the war was "very complete, pretty much," noting that Iranian military capabilities had been significantly degraded and that maritime traffic was once again moving through the Strait of Hormuz.

Energy markets, which had been the primary driver of volatility, reversed sharply lower throughout the day. West Texas Intermediate (WTI) crude, which had surged above \$119 per barrel overnight, fell roughly 9% to about \$81 per barrel by the close. Brent crude similarly declined around 8% to approximately \$84 per barrel. The earlier spike had been driven by production disruptions across several Middle Eastern producers following the temporary closure of the Strait of Hormuz, a critical corridor that handles roughly one-fifth of global oil shipments.

Technology shares helped power the market's rebound as investors rotated back into the sector. Broadcom rose more than 4%, while Micron Technology and Advanced Micro Devices each gained roughly 5%. NVIDIA also moved higher, advancing more than 2%, reflecting continued investor confidence in the semiconductor industry and the broader artificial intelligence investment cycle. Despite the market's recovery, investors remain attentive to the potential macroeconomic

consequences of sustained energy volatility. The rapid surge in oil prices briefly pushed crude well above the \$100 threshold—often viewed by economists as a level that can begin to pressure economic growth if maintained for an extended period. A prolonged energy shock could complicate the Federal Reserve's policy outlook by simultaneously pushing inflation higher while weighing on economic activity.

Policymakers are already considering potential responses. Energy ministers from the Group of Seven (G7) nations are scheduled to meet virtually to discuss the possibility of coordinated releases from strategic petroleum reserves, a measure intended to stabilize markets should supply disruptions persist.

For now, however, the market's late-session rebound suggests investors continue to view the geopolitical shock as potentially temporary. Equity performance during the session reflected a familiar pattern seen in past geopolitical crises: sharp initial volatility followed by rapid stabilization as the perceived probability of escalation declined.

European Markets

European equities closed sharply lower as investors reacted to renewed volatility in global energy markets and escalating tensions in the Middle East. The sharp rise in oil prices over the weekend—briefly pushing crude above \$110 per barrel for the first time since 2022 following the outbreak of the Russia–Ukraine war—heightened concerns that higher energy costs could reignite inflation pressures and weigh on economic activity across the region.

By the end of the European session, oil prices had moderated from their earlier highs but remained significantly elevated. West Texas Intermediate (WTI) crude futures were trading roughly 5% higher at approximately \$95.81 per barrel, while Brent crude—the global benchmark—rose nearly 8% to around \$100 per barrel.

The surge in energy prices also triggered volatility in sovereign bond markets. European government bond yields moved higher earlier in the session as investors reassessed inflation risks tied to the conflict in Iran and potential disruptions to global oil supply. In the United Kingdom, the yield on the benchmark 10-year Gilt rose about 3 basis points to roughly 4.66%, while the 2-year Gilt increased 13 basis points to around 4.00%. The 5-year Gilt yield climbed to approximately 4.18%. In Germany, the 2-year Bund yield ended about 1 basis point higher at roughly 2.33%, paring earlier increases as markets stabilized later in the day.

Equity markets across the region experienced broad selling pressure. In London, mining giant Anglo American declined roughly 3.4%, making it one of the weakest performers in the FTSE 100, while aerospace and defense manufacturer Rolls-Royce fell approximately 2%. Cyclical sectors—including industrials, materials, and transportation—led declines as investors evaluated the potential economic impact of sustained higher energy prices.

The sharp rise in crude followed production cuts by several Middle Eastern producers—including Kuwait, Iran, and the United Arab Emirates—after the closure of the Strait of Hormuz, one of the world's most critical energy shipping corridors. The geopolitical developments intensified investor concern that supply disruptions could further tighten global oil markets.

Global sentiment remained fragile throughout the session. Asian markets had already posted significant overnight losses, while U.S. equities opened sharply lower as investors assessed the potential for higher energy costs to slow economic growth.

With no major corporate earnings announcements or economic data releases scheduled in Europe during the session, market direction was largely dictated by developments in energy markets and geopolitical headlines tied to the conflict in Iran. Investors remain focused on whether the surge in oil prices proves temporary or evolves into a more sustained energy shock with broader implications for inflation and monetary policy across global markets.

Global Markets

Asian markets declined significantly overnight amid the energy shock and rising geopolitical tensions.

Japan's Nikkei index fell more than 5%, reflecting concerns that sustained oil prices above \$100 per barrel could weigh heavily on energy-importing economies across the region.

The pressure across global markets underscores how quickly energy shocks can ripple through financial systems. Higher oil prices tend to tighten financial conditions by increasing inflation expectations, strengthening the U.S. dollar, and pushing interest rates higher. These dynamics are particularly challenging for economies that rely heavily on imported energy, including much of Europe and Asia.

Oil Prices and the Economic Outlook

The ultimate economic impact of the conflict will depend largely on its duration and the extent of supply disruptions. Oil prices are now at their highest levels since 2022, which could temporarily push headline inflation higher and weigh on consumer spending.

However, the U.S. economy's structural sensitivity to energy prices has declined significantly over time. Energy intensity—measured as energy consumption relative to real GDP—has fallen by roughly 70% since the 1950s. In addition, the United States is now a net exporter of oil and energy products, which helps cushion the domestic economy from global supply disruptions.

For oil prices to materially threaten economic growth, they would likely need to remain significantly above current levels for an extended period. At present, the U.S. economy is entering a period of geopolitical uncertainty with relatively strong momentum. Business activity remains healthy, corporate balance sheets remain resilient, and the labor market continues to demonstrate stability.

Portfolio Strategy in a Volatile Environment

Periods of geopolitical stress often test investor discipline, but history shows that markets typically absorb such shocks over time. While short-term volatility may persist as the conflict in the Middle East evolves, the broader economic and corporate backdrop remains constructive.

Maintaining a globally diversified portfolio remains the most prudent strategy. Within equities, U.S. large- and mid-cap companies continue to benefit from earnings resilience, supportive fiscal policy, and sustained investment in artificial intelligence and digital infrastructure.

International markets may also present opportunities despite near-term pressures from energy costs and currency movements. Business activity indicators across major global economies have strengthened in recent months. The S&P Global Composite PMI recently reached its highest level since May 2023 in both Japan and China, while activity across the eurozone and the United Kingdom has remained in expansion territory.

While geopolitical headlines may dominate market sentiment in the short term, disciplined investors are typically rewarded for focusing on long-term fundamentals rather than reacting to temporary volatility. In that context, the current market turbulence may prove less a signal of structural weakness and more a reminder that markets periodically test conviction before resuming their longer-term trajectory.

Economic Data:

- **Germany Industrial Production Index MoM:** is at -0.50%, compared to -1.00% last month.
- **Japan Business Conditions Composite Coincident Index:** rose to 116.80, up from 114.30 last month.

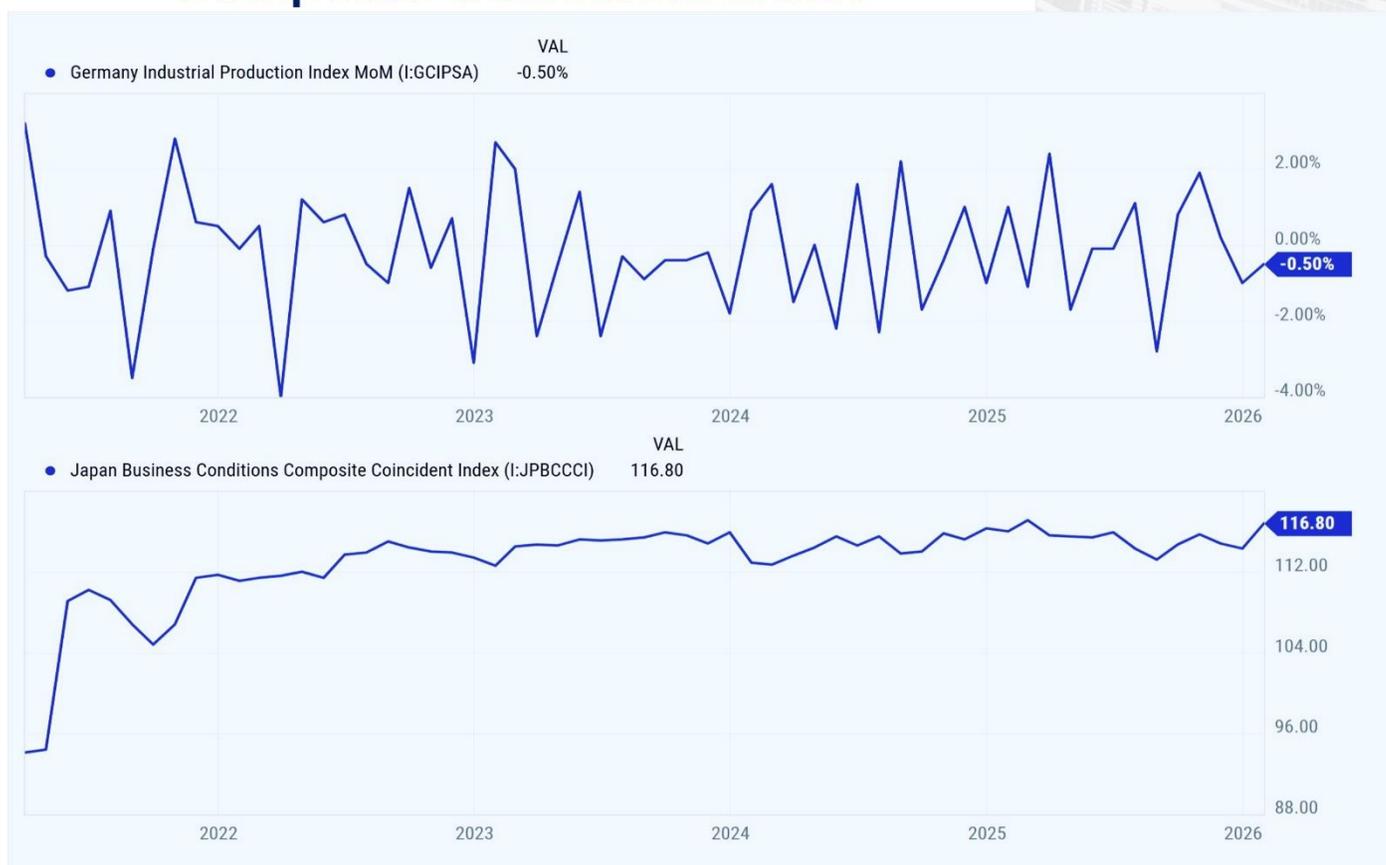
Eurozone Summary:

- **Stoxx 600:** closed at 594.69, down 4.00 points or 0.67%.
- **FTSE 100:** closed at 10,249.52, down 35.23 points or 0.34%.
- **DAX Index:** closed at 23,394.38, down 196.65 points or 0.83%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 47,740.80, up 239.25 points or 0.50%.
- **S&P 500:** closed at 6,795.99, up 55.97 points or 0.83%.
- **Nasdaq Composite:** closed at 22,695.95, up 308.26 points or 1.38%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,960.49, down 66.36 Points or 1.65%
- **Birling Capital U.S. Bank Index:** closed at 8,281.87, down 148.25 Points or 1.76%.
- **U.S. Treasury 10-year note:** closed at 4.12%.
- **U.S. Treasury 2-year note:** closed at 3.56%.

Germany Industrial Production Index MoM & Japan Business Conditions Composite Coincident Index



The Economic Cycle: US GDP, US Index of Consumer Sentiment, US Inflation Rate, Effective Federal Funds Rate & 10-2 Year Treasury Yield Spread





Wall Street Recap

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