S&P 500 and Nasdaq Close at Record Highs as Oil Pullback and Earnings Strength Fuel Broad-Based Rally

May 5, 2026

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The U.S. and European stock markets closed higher, with Wall Street advancing to fresh record levels as a sharp pullback in oil prices and continued earnings outperformance reinforced a constructive risk environment. Markets moved decisively past Monday's geopolitical shock tied to Iran, as easing energy prices and signals that the Strait of Hormuz remains operational helped compress the geopolitical risk premium embedded in equities.

The session reflects a familiar but powerful dynamic: when oil retreats and earnings surprise to the upside, equity markets reprice quickly toward growth and risk assets.

U.S. Markets

U.S. equities delivered a strong, broad-based advance, **with the S&P 500 Index rising 0.8% to close at a fresh all-time high, while the Nasdaq Composite gained 1.0%, also reaching record territory.** The Dow Jones Industrial Average added 356 points, or 0.7%, underscoring a synchronized move across both growth and cyclical exposures.

Market breadth confirmed the rally's strength. More than 40 constituents within the S&P 500 reached new 52-week highs, including leadership names such as Alphabet Inc., Amazon.com Inc., Broadcom Inc., Caterpillar Inc., and Micron Technology Inc.—a signal that momentum is not narrowly concentrated but supported by both secular growth and industrial cyclicality.

The primary catalyst was a decisive decline in crude prices. West Texas Intermediate crude fell 3.9% to $102.27 per barrel, while Brent crude declined nearly 4.0% to $109.87. The move alleviated near-term inflation concerns and supported expansion of equity multiples, particularly in the technology and consumer discretionary sectors, while energy stocks lagged.

Earnings continue to validate the market's upward trajectory. Approximately 85% of reporting S&P 500 companies have exceeded expectations, reinforcing confidence in corporate profitability. Standout reactions included DuPont de Nemours Inc. and Anheuser-Busch InBev, both of which rallied sharply following earnings beats. In contrast, Palantir Technologies Inc. declined despite strong results, highlighting elevated expectations embedded in high-growth valuations.

From a macro perspective, geopolitical risk remains contained rather than eliminated. U.S. officials indicated that the ceasefire with Iran is holding and that commercial shipping lanes through the Strait of Hormuz remain open, reducing immediate concerns around supply disruption. This has allowed markets to shift focus back to fundamentals—earnings growth, AI-driven capital investment, and resilient economic conditions.

The implication is clear: markets are not ignoring geopolitical risk, but they are increasingly willing to look through it—unless it materially disrupts oil markets. Until then, the combination of falling energy prices and strong earnings continues to provide a powerful tailwind for equities.

European Markets

European equities delivered a resilient performance, closing broadly higher despite a volatile geopolitical backdrop tied to renewed tensions involving Iran. The pan-European STOXX Europe 600

Index advanced nearly 0.7%, reflecting a measured but decisive recovery following Monday's risk-off shock.

Gains were led by continental markets, with DAX Index in Frankfurt, CAC 40 Index in Paris, and FTSE MIB Index in Milan all closing firmly in positive territory. In contrast, the FTSE 100 Index diverged, declining 1.4% as energy exposure and currency dynamics weighed on the U.K. market.

The session encapsulated Europe's current market psychology: cautious but opportunistic. Investors moved to reprice the immediate risk of escalation in the Strait of Hormuz after Monday's military developments—including attacks on UAE assets and U.S. naval responses—failed to evolve into a broader conflict overnight. The resulting pullback in oil prices provided relief, particularly for rate-sensitive and consumer-linked sectors.

On the corporate front, dispersion was pronounced. Vodafone Group plc declined after announcing a £4.3 billion buyout of its joint venture stake, a strategically significant move that nonetheless raised near-term capital allocation concerns. In contrast, UniCredit S.p.A. surged nearly 6% following a record-breaking quarter, reinforcing the strength of European banking profitability and signaling confidence through upgraded forward guidance.

The broader takeaway is that European markets remain highly sensitive to external shocks—particularly energy and geopolitical risk—but continue to demonstrate underlying resilience. As long as oil volatility remains contained and escalation risks do not materially intensify, the region is positioned to participate in the global equity recovery, albeit with a structurally more cautious bias.

Energy and Geopolitics: Risk Premium Recedes, But Not Removed

The geopolitical overlay remains the defining exogenous variable. Monday's military activity in the Strait of Hormuz briefly reignited concerns about supply disruptions and the risk of escalation. However, the market response on Tuesday reflects a reassessment: rhetoric from both Washington and Tehran suggests a preference for containment and diplomatic engagement rather than immediate escalation.

As a result, oil prices fell, reversing part of the recent spike and easing inflationary concerns marginally. This decline has had a direct transmission effect—lifting equities, pressuring energy stocks, and stabilizing inflation expectations embedded in bond markets.

That said, the structural risk has not been eliminated. The Strait of Hormuz remains a critical chokepoint for global energy flows, and any renewed disruption would quickly reprice oil, inflation expectations, and equity valuations. Markets, therefore, are not dismissing the risk—but rather treating it as a manageable variable within the current macro framework.

Strategic View

Markets are demonstrating a disciplined resilience—anchored in earnings strength and supported by a macro backdrop that, while not without risks, remains fundamentally constructive. The easing of geopolitical pressure has allowed investors to refocus on core drivers: profit growth, AI-led capital investment, and stable labor conditions.

The investment implication is clear. As long as geopolitical risks remain contained and do not materially disrupt energy markets, equities are likely to continue finding support at current levels. However, the margin for error remains narrow. Oil and geopolitics continue to function as the market's primary shock absorbers—and potential destabilizers.

For investors, the framework remains unchanged: stay invested but stay selective. Favor sectors with earnings visibility, structural growth drivers, and pricing power, while maintaining vigilance around energy markets and geopolitical developments that can rapidly alter the investment landscape.

GDPNow Update:

- The 2Q2026 GDPNow was updated, rising to **3.70%,** from 3.50%, a **5.71% increase.**

Economic Data:

- **US ISM Services PMI:** fell to 54.00, down from 56.10 last month, a change of -3.74%.
- **US ISM Services Prices Paid Index:** rose to 70.70, up from 63.00 last month.
- **US Job Openings: Total Nonfarm:** fell to 6.866 million, down from 6.922 million last month, a change of -0.81%.
- **US Trade Balance on Goods:** fell to -88.71B, down from -84.62B last month.
- **US Retail Gas Price:** rose to $4.257, up from $4.178 last week, a change of 1.89%.

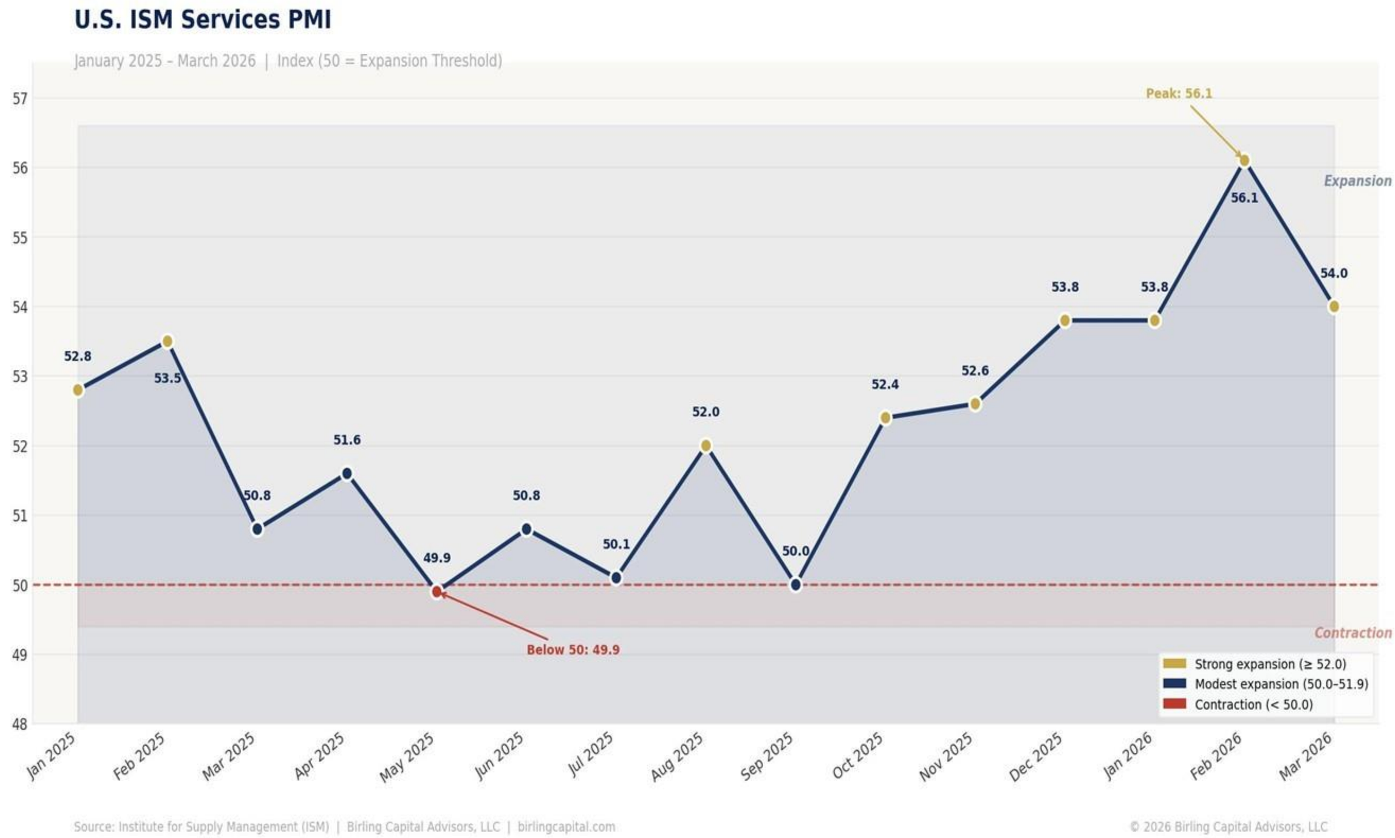
Eurozone Summary:

- **Stoxx 600:** closed at 609.72, up 4.21 points or 0.70%.
- **FTSE 100:** closed at 10,219.11, down 144.82 or 1.40%.
- **DAX Index:** closed at 24,401.70, up 410.43 points or 1.71%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 49,298.25, up 356.35 points or 0.73%
- **S&P 500:** closed at 7,259.22, up 58.47 points or 0.81%.
- **Nasdaq Composite:** closed at 25,326.13, up 258.32 points or 1.03%.
- **Birling Capital Puerto Rico Stock Index:** closed at 4,444.35, down 37.30 points or 0.83%.
- **Birling Capital U.S. Bank Index:** closed at 9,085.19, down 151.27 points or 1.64%
- **U.S. Treasury 10-year note:** closed at 4.43%.
- **U.S. Treasury 2-year note:** closed at 3.93%.

US ISM Services PMI



US Nonfarm Payrolls: Job Openings

US Retail Gasoline Prices


VAL
Dow Jones Industrial Average Level 49298.25
50000.00
49298.25
46000.00
44000.00
Jan '26
Feb '26
Mar '26
Apr '26
May '26
VAL
S&P 500 Level 7259.22
7259.22
6900.00
6600.00
6300.00
Jan '26
Feb '26
Mar '26
Apr '26
May '26
VAL
Nasdaq Composite Level 25326.13
26000.00
25326.13
22000.00
20000.00
Jan '26
Feb '26
Mar '26
Apr '26
May '26
VAL
Birling Capital Puerto Rico Stock Index Level 4444.35
4500.00
4444.35
4000.00
3750.00
Jan '26
Feb '26
Mar '26
Apr '26
May '26
VAL
Birling Capital U.S. Bank Index Level 9085.19
9600.00
9085.19
8400.00
7800.00
Jan '26
Feb '26
Mar '26
Apr '26
May '26