Dow Jones falls 419.02 points as oil surges on new U.S. strikes against Iran

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by Francisco Rodríguez-Castro
frc@birlingcapital.com

The U.S. and European stock markets traded lower Tuesday as inflation concerns and surging oil prices pushed bond yields higher on both sides of the Atlantic, raising fresh questions about whether the Federal Reserve will tighten policy at its meeting later this month. The selloff came as U.S. Central Command confirmed American forces struck Islamic Revolutionary Guard Corps targets in Iran, escalating a conflict that had already rattled markets after a tanker was hit by projectiles while transiting the Strait of Hormuz on Monday. President Trump had signaled a forceful response to Iran's recent attacks on U.S. military installations in the region, and Tuesday's strikes appeared to follow through on that warning.

U.S. Markets

Wall Street opened September under significant pressure as the combination of military escalation in the Middle East and a renewed climb in Treasury yields weighed on risk appetite. The Dow Jones Industrial Average declined 419.02 points, the S&P 500 gave back 0.71%, while the Nasdaq Composite led losses among the major averages, falling 1.03%.

Oil prices jumped sharply on the news of U.S. strikes against Iranian targets. WTI crude gained 5.2% to close at $90.22 per barrel, while Brent crude added 4.6% to close at $94.65, extending Monday's advance following the tanker attack in the Strait of Hormuz.

Treasury yields continued their global ascent. The 10-year U.S. Treasury yield climbed to 4.79%, its highest level since January 2025, moving in tandem with sovereign yields abroad — Japan's 10-year yield reached its highest point since August 1996, and Germany's benchmark yield touched a 2011 high. Investors are increasingly concerned that persistently elevated oil prices could stoke inflation and complicate the Fed's rate path heading into its meeting in two weeks.

Market strategists noted that equities remain vulnerable to sharp moves in the bond market, and that this dynamic is likely to persist near-term. Despite the inflation worries, the underlying economic data has not yet shifted enough to clearly justify a rate hike at the September meeting — fed funds futures currently price in roughly a two-thirds probability of a hike, though sentiment could shift further with Friday's August nonfarm payrolls report still to come.

Economic reports released Tuesday offered a somewhat more balanced picture. The July Job Openings and Labor Turnover Survey showed 7.27 million job openings, up modestly from a downwardly revised 7.18 million in June. Hiring declined to approximately 5.1 million, while layoffs remained historically contained. The figures portrayed a labor market that remains stable but increasingly characterized by modest hiring and relatively limited worker turnover.

Manufacturing remained firmly in expansion territory but lost some momentum. The August ISM Manufacturing PMI registered 54.6, down from 55.6 in July and below consensus expectations near 55.2. Importantly, manufacturing has now expanded for eight consecutive months.

Beneath the headlines, new orders declined to 53.7 from 56.7, production remained strong at 58.3, and manufacturing employment eased to 51.2. Of greater importance for monetary policy, the Prices Index remained elevated at 71.1, underscoring that inflationary pressures within the industrial economy have not disappeared.

Taken together, the data suggested an economy that continues to expand but with some moderation in manufacturing and labor demand. This environment provides the Federal Reserve with little urgency to ease policy while inflation remains above target.

European Markets

European markets traded lower Tuesday as the global bond selloff, higher energy prices, and renewed geopolitical tensions weighed on investor sentiment.

Government bond yields moved sharply higher across the region, with German, French, and British sovereign yields approaching levels not seen in years. Rising yields placed particular pressure on rate-sensitive and growth-oriented shares, while energy companies benefited from the advance in crude-oil prices.

The European session also reflected growing concern that another sustained increase in energy costs could complicate the region's inflation outlook. Europe remains particularly sensitive to energy price shocks, making developments in the Strait of Hormuz an increasingly important variable for economic growth, corporate margins, and central bank policy.

The combination of elevated sovereign yields and higher energy costs left European investors balancing improving economic activity against the possibility that monetary conditions could remain restrictive for longer than previously anticipated.

Energy Markets

Oil prices surged Tuesday after U.S. Central Command confirmed American forces struck Islamic Revolutionary Guard Corps targets in Iran, sharply escalating a conflict that had already unsettled energy markets following Monday's attack on a tanker transiting the Strait of Hormuz. The strikes intensified concerns about the security of one of the world's most strategically important energy corridors.

WTI crude gained 5.2% to close at $90.22 per barrel, while Brent crude added 4.6% to close at $94.65, extending the advance that began with Monday's tanker attack.

The immediate issue for markets extends beyond the direct effect on crude prices. A sustained increase in energy costs could filter through to transportation, manufacturing, logistics, and consumer prices, creating another source of inflation at a time when central banks are already struggling to return inflation sustainably toward their targets.

For financial markets, the Strait of Hormuz — and now direct U.S.-Iran military engagement — represents both an acute geopolitical risk and an increasingly important macroeconomic variable heading into the Fed's meeting in two weeks.

Economic & Policy Outlook

The global rise in government bond yields has emerged as one of the most important market developments entering the final four months of 2026.

Several forces are contributing simultaneously: persistent government fiscal deficits, substantial sovereign and corporate debt issuance, elevated inflation uncertainty, higher energy prices, expectations for additional monetary tightening by some central banks, and greater term premiums demanded by investors for holding longer-duration securities.

We continue to believe the 10-year U.S. Treasury yield is likely to fluctuate within a broad 4.5%-5.0% range. At these levels, fixed income offers substantially higher yields than investors experienced during much of the previous decade. However, persistently elevated yields could limit near-term capital appreciation for investment-grade bonds.

For equities, the implications are more nuanced. Higher discount rates represent a valuation headwind, particularly for expensive growth companies. Yet higher yields alone do not necessarily end an equity bull market when economic activity remains positive and corporate earnings continue expanding.

The more significant risk would emerge if rising oil prices and bond yields simultaneously weaken economic growth while keeping inflation elevated. Such a combination would leave central banks with considerably less flexibility to respond to slower economic activity.

The Final Word: September Begins with a New Test for the Bull Market

September opened with three interconnected risks: **higher bond yields, higher oil prices, and renewed geopolitical uncertainty.**

Yet the fundamental economic picture remains more resilient than Tuesday's risk-off tone might suggest. Manufacturing expanded for an eighth consecutive month, job openings remained above 7 million, layoffs stayed contained, and corporate earnings continue to provide an important foundation for equity valuations.

The principal question is whether the global bond selloff represents another temporary repricing or the beginning of a sustained move toward structurally higher long-term interest rates.

Our base case remains that the 10-year Treasury yield will trade primarily within the 4.5%–5.0% range and that corporate earnings growth should continue to provide support for equities. We therefore maintain a constructive outlook on stocks relative to bonds, emphasizing U.S. large- and mid-cap companies alongside selective exposure to emerging markets.

But September begins with a clear reminder: **the bull market must now prove that earnings growth can outrun the combined pressure of higher interest rates, higher energy costs, and an increasingly complicated geopolitical landscape.**

GDPNow:

- The GDPNow for the third quarter of 2026 was updated on September 1, 2026, to 4.80%, up from 4.60%, a 4.35% increase.

Economic Update:

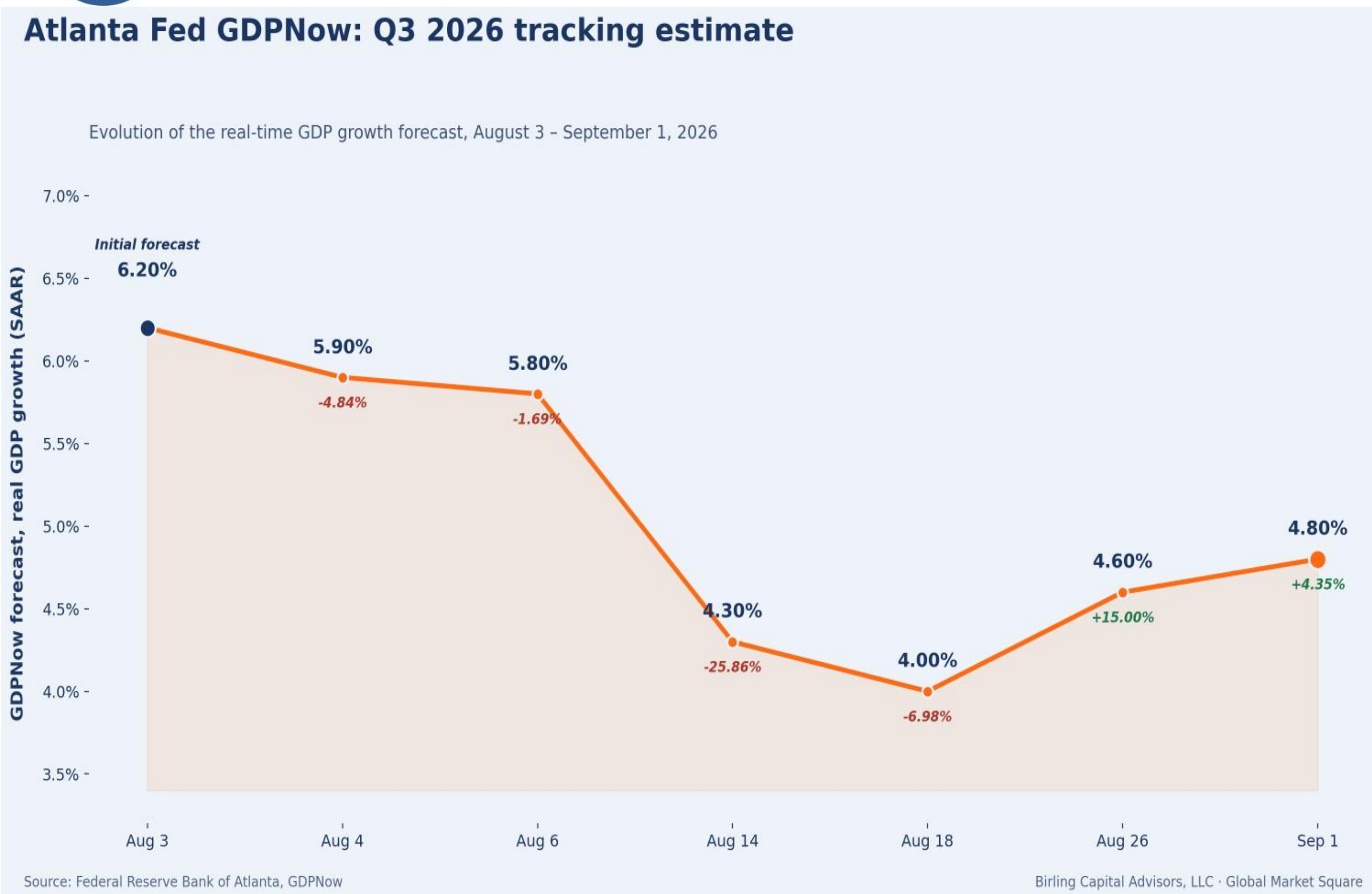
- **US Job Openings:** Total Nonfarm rose to 7.271 million, up from 7.182 million last month, a change of 1.24%.
- **US ISM Manufacturing PMI:** fell to 54.60, down from 55.60 last month, a change of -1.80%.
- **US Retail Gas Price:** rose to $4.218, up from $4.182 last week, a 0.86% increase.
- **US Construction Spending MoM:** fell to -0.47%, compared to -0.03% last month.
- **US Consumer Credit Outstanding MoM:** rose to $14.17B, up from -$1.081B last month.

Eurozone Summary:

- **Stoxx 600:** closed at 647.46, down 3.64 points or 0.56%.
- **FTSE 100:** close at 10,789.28, down 34.98 points or 0.32%.
- **DAX Index:** closed at 25,970.11, down 288.00 points or 1.10%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 52,766.88, down 419.02 points or 0.79%
- **S&P 500:** closed at 7,631.47, down 54.67 points or 0.71%
- **Nasdaq Composite:** closed at 26,099.77, down 271.11 points or 1.03%
- **Birling Capital Puerto Rico Stock Index:** closed at 5,014.08, down 40.26 points or 0.80%
- **Birling Capital U.S. Bank Index:** closed at 10,322.16, down 66.21 points or 0.64%
- **U.S. Treasury 10-year note:** closed at 4.79%.
- **U.S. Treasury 2-year note:** closed at 4.39%.


Atlanta Fed GDPNow: Q3 2026 tracking estimate
Evolution of the real-time GDP growth forecast, August 3 – September 1, 2026
GDPNow forecast, real GDP growth (SAAR)
7.0%
6.5%
6.0%
5.5%
5.0%
4.5%
4.0%
3.5%
Initial forecast
6.20%
5.90%
-4.84%
5.80%
-1.69%
4.30%
-25.86%
4.00%
-6.98%
4.60%
+15.00%
4.80%
+4.35%
Aug 3
Aug 4
Aug 6
Aug 14
Aug 18
Aug 26
Sep 1
Source: Federal Reserve Bank of Atlanta, GDPNow
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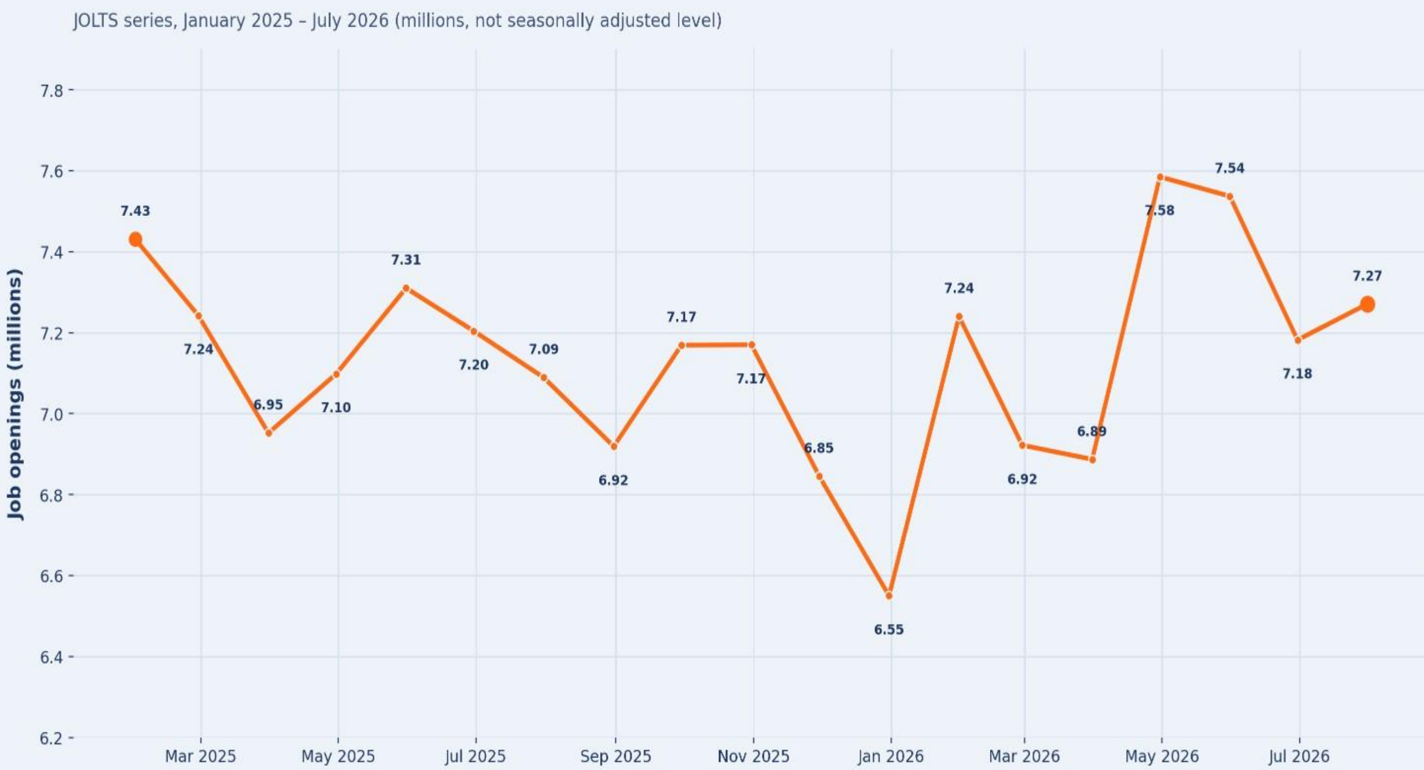
U.S. job openings: total nonfarm



Source: U.S. Bureau of Labor Statistics, Job Openings and Labor Turnover Survey (JOLTS)

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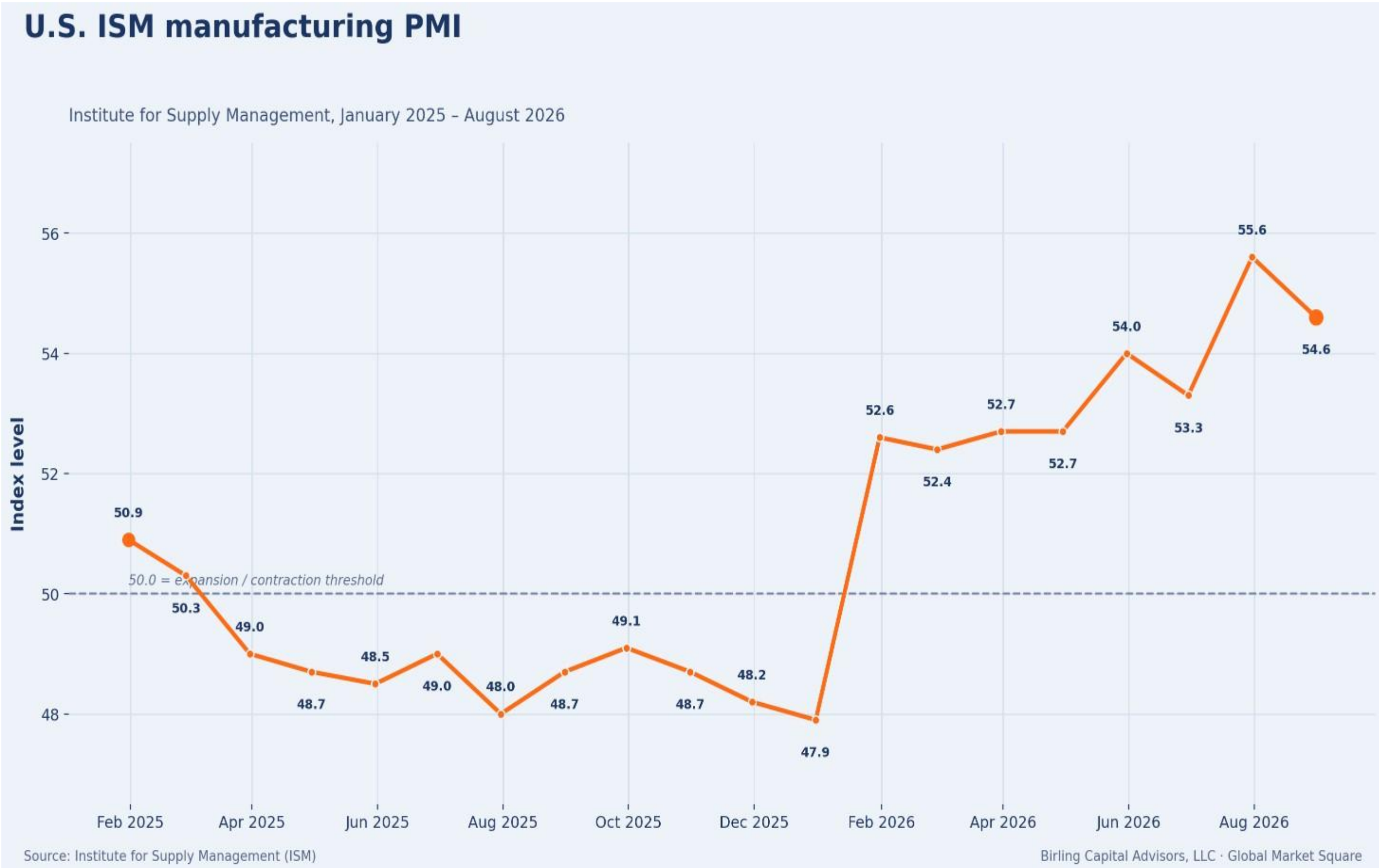
U.S. ISM manufacturing PMI
Institute for Supply Management, January 2025 – August 2026
Index level
56
54
52
50
48
50.0 = expansion / contraction threshold
50.9
50.3
49.0
48.7
48.5
49.0
48.0
48.7
49.1
48.7
48.2
47.9
52.6
52.4
52.7
52.7
54.0
53.3
55.6
54.6
Feb 2025
Apr 2025
Jun 2025
Aug 2025
Oct 2025
Dec 2025
Feb 2026
Apr 2026
Jun 2026
Aug 2026
Source: Institute for Supply Management (ISM)
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U.S. retail gasoline price
Weekly average, all grades, all formulations, January 2025 – August 2026
Dollars per gallon
5.0
4.5
4.0
3.5
3.0
Feb 2025
Apr 2025
Jun 2025
Aug 2025
Oct 2025
Dec 2025
Feb 2026
Apr 2026
Jun 2026
Aug 2026
3.17
3.21
3.21
3.37
3.27
3.26
3.25
3.27
3.30
3.25
3.15
3.12
2.92
2.91
3.00
3.15
4.25
4.58
4.63
4.44
3.91
4.21
4.22
Source: U.S. Energy Information Administration (EIA)
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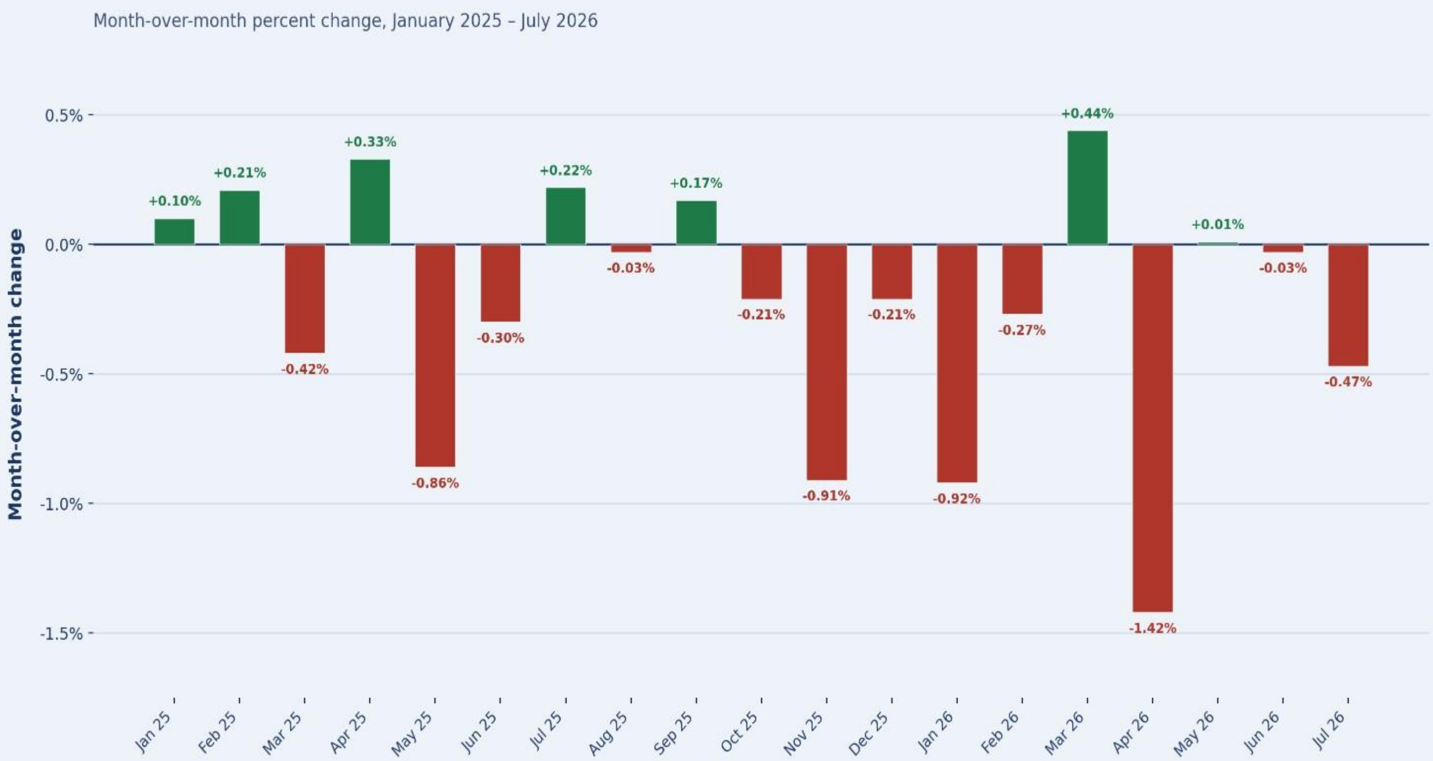
U.S. construction spending



Source: U.S. Census Bureau, Construction Spending (Value of Construction Put in Place)

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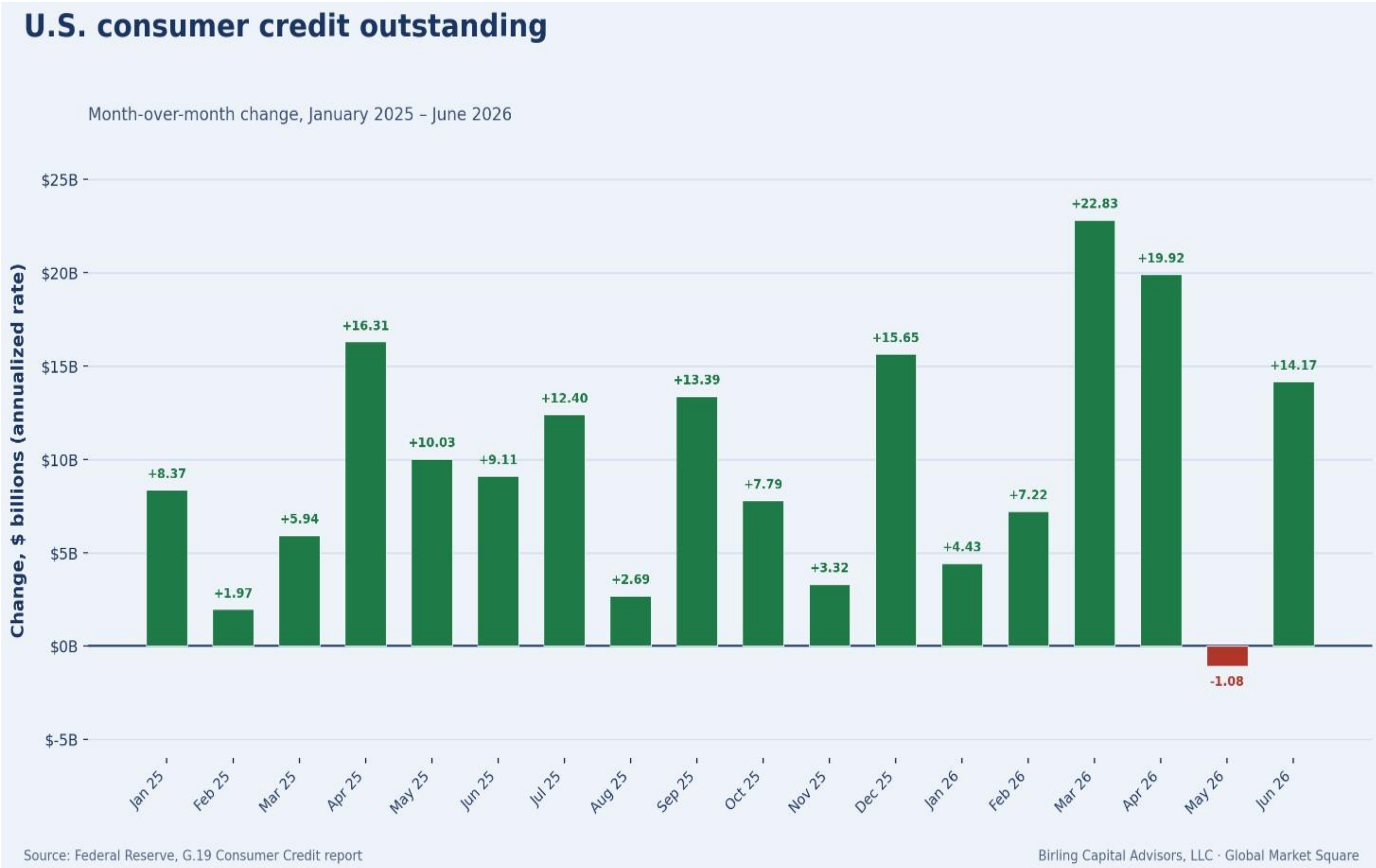
U.S. consumer credit outstanding
Month-over-month change, January 2025 – June 2026
Change, $ billions (annualized rate)
$25B
$20B
$15B
$10B
$5B
$0B
$-5B
+8.37
+1.97
+5.94
+16.31
+10.03
+9.11
+12.40
+2.69
+13.39
+7.79
+3.32
+15.65
+4.43
+7.22
+22.83
+19.92
-1.08
+14.17
Jan 25
Feb 25
Mar 25
Apr 25
May 25
Jun 25
Jul 25
Aug 25
Sep 25
Oct 25
Nov 25
Dec 25
Jan 26
Feb 26
Mar 26
Apr 26
May 26
Jun 26
Source: Federal Reserve, G.19 Consumer Credit report
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Eurozone Summary
Closing prices, Tuesday, September 1, 2026
Stoxx 600
Closing Price
647.46
▼ -3.64 pts
(-0.56%)
FTSE 100
Closing Price
10,789.28
▼ -34.98 pts
(-0.32%)
DAX Index
Closing Price
25,970.11
▼ -288.00 pts
(-1.10%)
Source: Bloomberg
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Wall Street and Birling Capital Indexes Close

Tuesday, September 1, 2026

Dow Jones Industrial Average	S&P 500	Nasdaq Composite	Birling Capital Puerto Rico Stock Index	Birling Capital U.S. Bank Index
Closing price	Closing price	Closing price	Closing price	Closing price
52,766.88	7,631.47	26,099.77	5,014.08	10,322.16
▼ -419.02	▼ -54.67	▼ -271.11	▼ -40.26	▼ -66.21
-0.79%	-0.71%	-1.03%	-0.80%	-0.64%

U.S. Treasury 10-Year Note	Spread	U.S. Treasury 2-Year Note
4.79%	0.40%	4.39%

Source: Bloomberg, FactSet, Birling Capital Research

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Wall Street Recap
September 1, 2026

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