BIRLING CAPITAL ADVISORS, LLC

Think Strategically

When War, Oil, and Weak Jobs Collide: Markets Reward Disciplined Investors While Emotional Panic Pays a Hefty Price

March 9, 2026

Francisco Rodríguez-Castro, President & CEO

Markets: A Week That Tested Every Asset Class

The week of **March 2 through March 7** presented one of the most intense episodes of market stress in recent months, as geopolitical events, energy markets, and economic data converged rapidly. Coordinated U.S. and Israeli military strikes on Iranian targets over the weekend—reportedly resulting in the death of Iran's Supreme Leader—precipitated five trading sessions characterized by violent intraday swings, a surge in crude oil prices exceeding **25%**, and a disappointing U.S. payroll report indicating a **net loss of 92,000 jobs**.

Global equity markets struggled to absorb the shock. European equities were particularly affected, with the **STOXX Europe 600 declining approximately 4.6% for the week**, marking its worst performance since April 2025 as investors contended with the region's heightened exposure to imported energy and geopolitical spillovers.

U.S. markets also closed the week lower but demonstrated notable resilience amid intraday extremes that repeatedly tested investor confidence. The **Dow Jones Industrial Average fell 1,544.46 points, or 3.12%, closing at 47,954.74 compared to 49,499.20 the previous Friday**. The **S&P 500 declined 78.16 points, or 1.13%, ending at 6,830.71**, while the **Nasdaq Composite lost 129.40 points, or 0.57%, finishing at 22,748.98**. At several points during the week, these indices experienced significantly larger declines, underscoring the high volatility that dominated trading.

Puerto Rico's equity benchmark also declined. The **Birling Puerto Rico Stock Index fell 68.75 points, or 1.68%, ending the week at 4,026.94**, down from 4,095.69 the previous week. Financials experienced the greatest investor caution, with the **Birling U.S. Bank Index dropping 568.63 points, or 6.32%, to 8,430.13,** as investors reassessed the impact of higher yields and slower economic momentum on the banking sector.

The nature of the week's price action was as informative as the magnitude of the declines.

BIRLING CAPITAL ADVISORS, LLC www.birlingcapital.com

Weekly Market Close Comparison

Weekly Market Close Comparison	3/6/26	2/27/26	Return	YTD Return
Dow Jones Industrial Average	47,954.74	49,499.20	-3.12%	-1.17%
Standard & Poor's 500	6,830.71	6,908.87	-1.13%	-1.54%
Nasdaq Composite	22,748.98	22,878.38	-0.57%	-3.68%
Birling Puerto Rico Stock Index	4,026.94	4,095.69	-1.68%	0.12%
Birling US Bank Index	8,430.13	8,998.76	-6.32%	-9.52%
U.S. Treasury 10-Year Note	4.13%	4.02%	2.74%	0.00%
U.S. Treasury 2-Year Note	3.57%	3.42%	4.39%	2.88%

Markets did not capitulate. Monday—arguably the most alarming session due to geopolitical developments—ended near flat levels following a dramatic intraday reversal. The **Dow swung more than 1,200 points before recovering**, while the **S&P 500 and Nasdaq briefly experienced intraday losses of approximately 2.5% and 2.7%**, respectively, before buyers returned.

Mega-cap technology companies again acted as a stabilizing force during the turbulence. Investors favored companies with strong balance sheets and durable earnings streams. **NVIDIA advanced approximately 3% early in the week**, while **Microsoft rose over 1%**, reinforcing the market's continued preference for structural growth franchises amid geopolitical stress.

Corporate confidence also manifested in other ways. **Berkshire Hathaway resumed share repurchases for the first time since 2024**, and CEO **Greg Abel reportedly purchased approximately $15 million of company stock**, signaling conviction that contrasted sharply with the week's broader tone of caution.

European marketsEuropean markets absorbed the shock with less resilience. Banking stocks declined **approximately 4.3%**, while utilities—typically defensive—fell **about 4.4%** amid rising inflation expectations and higher yields, which pressured valuations. Aerospace and defense companies, initially rallying on expectations of increased military spending, ended the week lower as broad risk reduction ultimately outweighed sector-specific factors.sure companies were among the most severely impacted. Major airlines and cruise operators fell **between 6% and 10%** as flight disruptions across Middle Eastern airspace grounded thousands of flights, while higher fuel costs simultaneously eroded profit expectations. The **energy sector stood out as the week's only consistent outperformer**, with European oil producers advancing as higher crude prices materially improved earnings outlooks.

FiFixed-income markets introduced an unusual dimension to the week. Instead of acting as a traditional safe haven during equity declines, **Treasury yields increased**, reflecting investor concern that the surge in oil prices could reignite inflationary pressures. The **10-year Treasury yield rose from 4.02% to 4.13%**, while the **2-year yield increased from 3.42% to 3.57%**, reinforcing the tightening of financial conditions.Inflation expectations embedded in **Treasury Inflation-Protected Securities (TIPS)** also increased, with the **10-year breakeven rate rising approximately 10 basis points to near 2.3%**. Concurrently, the **U.S. dollar strengthened to a three-month high against the euro**, while **gold traded erratically instead of mounting a sustained safe-haven rally**, indicating that investors prioritized liquidity over traditional defensive allocations.

In summary, the defining feature of the week was not merely declining equity prices but the **simultaneous repricing of nearly every major asset class**. The traditional negative correlation between stocks and bonds—an anchor of portfolio diversification—temporarily vanished. Instead, global markets recalibrated around a central variable: **the potential duration and scale of energy supply disruption originating from the Persian Gulf**.

The Labor Market: Weak Data in a Structurally Different Economy

BIRLING CAPITAL ADVISORS, LLC
www.birlingcapital.com

Weekly Economic Data

March 2 – March 6, 2026

Key Economic Data	Reading	vs. Prior
Nonfarm Payrolls MoM (Feb)	-92,000	▼ from +10,000
Unemployment Rate (Feb)	4.40%	▲ from 4.30%
Labor Force Participation Rate	62.00%	▼ from 62.10%
GDPNow Q1 2026	2.10%	▼ from 3.00%
Initial Jobless Claims	213,000	Unchanged
ISM Services PMI	53.8	Unchanged
Retail & Food Services Sales	-0.16%	▼ from 0.00%
Consumer Credit Outstanding	+$24.05B	▲ 411.8% from $4.70B
US Productivity Q4 2025	2.80%	▼ from 5.20%
Trade Balance on Goods	-$99.33B	▼ from -$83.64B
Export Prices YoY	2.60%	▼ from 3.40%
Import Prices YoY	-0.10%	▼ from 0.00%
Crude Oil Stocks WoW	+15.99M bbls	▲ from -9.01M
Business Inventories MoM	0.14%	▲ from +0.02%
Wholesale Inventories MoM	0.25%	▲ from +0.24%

February's payroll report warrants attention, but not the inevitability that markets attribute to it. The net loss of 92,000 jobs, compared to a forecasted gain of 55,000, reflects strikes, winter weather, and statistical payback from January's strong report. These factors help explain, but do not eliminate, concern.

More important than monthly headlines is the overall health of the labor market as indicated by the data. The unemployment rate rose slightly to 4.4% but remains low. Jobless claims—real-time indicators of labor stress—do not show signs of accelerating layoffs. Hiring is slowing; however, slowing does not equate to contraction. After years of post-pandemic distortions, the current slowdown appears to represent normalization rather than breakdown.

The key point is that slower labor force growth results in lower job gains, which nonetheless maintain stable unemployment. By this measure, recent data appear closer to normal than headlines suggest. The labor market is cooling, not deteriorating.

Two significant risks remain. Consumer spending, which accounts for approximately 70% of the economy, depends on steady employment. Further labor market weakening would negatively affect spending and earnings outlooks. Additionally, the combination of labor cooling and an oil shock reduces the Federal Reserve's policy flexibility.

Energy: The Central Variable

Crude oil was the transmission mechanism for everything else this week. Brent crude surged to a new 52-week high near $90 per barrel by week's end, while WTI closed near $87.90 — a weekly advance of more than 25%, the largest since Russia's invasion of Ukraine in 2022. At their intraday highs, both benchmarks had risen more than 9% in a single session following reports that Iran had struck an oil tanker with a missile and that Iranian officials had declared the Strait of Hormuz closed to shipping. That declaration — whether or not operationalized — was sufficient to instantly reprice global supply risk.

The Strait of Hormuz is the world's most consequential energy chokepoint, carrying approximately 20% of global oil and liquefied natural gas flows daily. Iran is OPEC's fourth-largest producer, with roughly 80% of its exports flowing to China. Any sustained disruption to Hormuz transit would represent not merely a price shock but a structural reorganization of global energy trade. The U.S. Treasury's temporary license allowing India to increase purchases of Russian crude, and President Trump's pledge of U.S. Navy escorts for commercial vessels through the strait, were the week's primary policy responses to that risk — each providing partial, temporary relief before the next geopolitical headline reasserted itself.

Structural context is essential here. The United States has been a net petroleum exporter since 2019. The energy intensity of the U.S. economy — the oil required to generate one dollar of GDP — has declined by approximately 70% since 1950. Global oil supply, according to the U.S. Energy Information Administration, was oversupplied at the start of this conflict and projected to remain so through 2026. The crude oil inventory build of 15.99 million barrels reported this week — compared to a draw of 9.01 million the prior week — confirms that physical supply has not yet deteriorated. Current WTI levels of approximately $87.90 remain below the 5-year average of $76 on a real basis when adjusted for recent inflation. Markets are pricing a risk premium around the possibility of disruption. They are not yet pricing actual disruption.

The Economy: Cooling, Not Breaking

The February payrolls report was the week's domestic counterweight to the geopolitical noise, but it delivered its own discomfort. A net loss of 92,000 jobs against a consensus expectation of a 55,000 gain, combined with downward revisions to January and December, left the three-month average at just 6,000 positions per month. The unemployment rate rose to 4.4%. Labor force participation slipped to 62.0%. The GDPNow estimate for the first quarter fell to 2.1% from 3.0% — a 30% reduction in projected growth momentum in a single update.

The report demands honest assessment without overreaction. Winter weather disruptions, strike activity in manufacturing and transportation, and statistical reversion from an unusually strong January all contributed to the weakness, suggesting that treating this single month as a structural signal is unwarranted. Jobless claims held at 213,000 — unchanged, modestly below consensus — showing no evidence of accelerating layoff activity. The unemployment rate's move to 4.4% is marginal rather than alarming in an economy where demographics and lower net migration mean that as few as 20,000 to 50,000 monthly job gains may be sufficient to maintain unemployment stability. The labor market is decelerating. It is not deteriorating.

The services sector data released mid-week tells a more nuanced story that deserves closer attention than it received amid the geopolitical noise. The headline ISM Services PMI held at 53.8, firmly in expansion territory. But the internals are the warning: New Orders fell sharply to 53.1 from 56.5, a deceleration that, if sustained, suggests forward momentum is softening meaningfully. The Employment Index slipped to 50.3, barely above the expansion threshold. Most significant for the Federal Reserve is the Prices Paid Index, which rose to 66.6 from 65.1, confirming that service-sector cost pressures are not abating. ISM Manufacturing PMI also edged lower to 52.4. Retail sales turned negative, down 0.16%. The trade deficit on goods widened sharply to \$99.33 billion from \$83.64 billion. Consumer credit surged to \$24.05 billion — a 411.8% increase from January — signaling that consumers are still spending but increasingly so on borrowed capacity rather than income growth.

The data point that received the least attention and deserves the most is the Q4 2025 productivity revision. The figure was revised down to 2.8% from 5.2% — a substantial reduction in what had been one of the most encouraging data points of the prior quarter. Productivity growth is the foundation of non-inflationary expansion. A sustained deceleration in productivity, coinciding with rising energy input costs, would compress corporate margins, a factor current equity valuations have not fully priced in. This is the number to watch most closely in the weeks ahead, regardless of what happens in the Gulf.

The Federal Reserve: A Narrowing Path

The Federal Reserve enters the coming weeks managing simultaneous pressure from both sides of its dual mandate. Softening labor data and a 30% downward revision to GDPNow argue for accommodation. A 25% weekly surge in crude oil, a rising ISM Prices Paid Index, and five consecutive years of above-target inflation argue for patience. There is no clean policy response to this configuration, and the Fed knows it. We maintain our expectation of one to two rate cuts in 2026, but have moved our base case timing to the second half of the year, with September as the earliest credible window. Markets are currently pricing a policy rate of 3.00%–3.25% by year-end with no additional cuts in 2027. That trajectory — modestly more accommodative than the Fed's own forward guidance — reflects the market's judgment that slowing growth will eventually outweigh inflation concerns. Whether that judgment proves correct will depend heavily on the path of oil prices over the next two quarters. A sustained WTI above \$100 per barrel would materially change the calculus. A gradual retreat toward the \$70s, as current futures pricing suggests, would make the inflation impulse temporary and the easing cycle resume.

The Strategic View: What Investors Should Focus On?

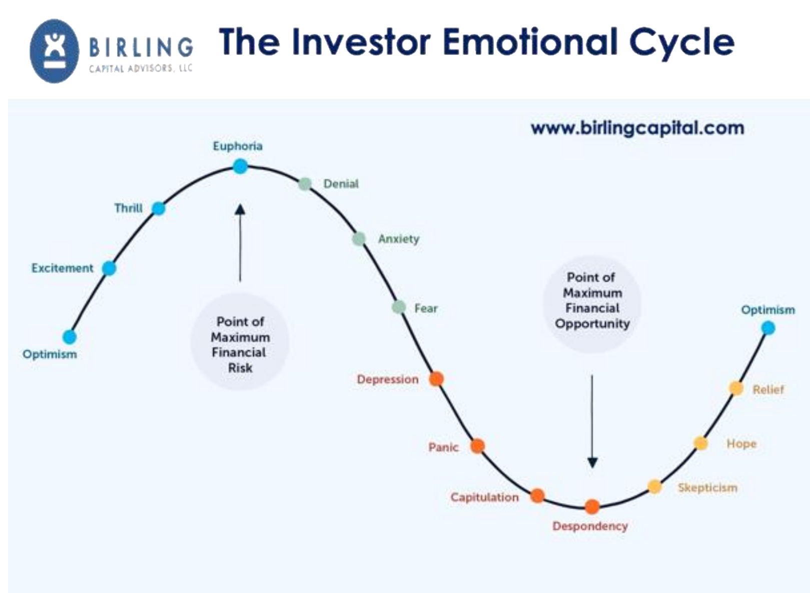
Every major geopolitical shock of the past three decades has produced the same investor reflex: the urge to reduce exposure, seek safety, and wait for clarity before re-engaging. And every major geopolitical shock of the past three decades has punished that reflex with the same consistency. The investor who exited after Gulf War I missed a 29% return over the next 12 months. The investor who sold during the 2020 Iran escalation missed an 18% recovery within weeks. The investor who abandoned equities at the pandemic's nadir missed one of the strongest recoveries in modern market history. The cost of being wrong about geopolitical timing is asymmetric — the downside of missing a recovery exceeds the downside of riding through a shock.

The week of March 2 through 7 does not change that calculus. The U.S. economy is growing at 2.1%, not 3.0%, but it is growing. Corporate earnings have not broken. The AI investment cycle — which represents one of the most durable capital expenditure stories in a generation — remains intact, with early evidence that it is beginning to lift aggregate productivity measurements. The broadening of market leadership that characterized the year's opening weeks, with international equities, small caps, and emerging markets all gaining ground alongside U.S. large caps, represents a structural trend that one difficult week has narrowed but not reversed.

For disciplined investors, the appropriate response to this week is rebalancing, not retreat. U.S. large- and mid-cap equities retain their earnings resilience advantage; mid-caps with predominantly domestic revenue exposure are less vulnerable to global trade disruption than their multinational counterparts. International developed markets offer compelling relative valuations that the week's selloff has made more attractive, not less. In fixed income, shorter-duration profiles and floating-rate exposures offer better risk adjustment than long-duration positions in an environment where inflation expectations are rising. Emerging market debt continues to provide income in a higher-yield environment for investors with appropriate risk tolerance.

The fire in the Gulf is real. The geopolitical architecture of the Middle East has changed in ways that will not fully reverse. Energy markets will carry a higher risk premium for months, perhaps longer. The Federal Reserve's path is more complicated than it was two weeks ago. These are genuine changes to the investment environment, and they deserve respect. What they do not deserve is to be treated as a forecast for the economy you are invested in. The map has been redrawn. The destination has not.

The Final Word: The Emotional Investor Cycle



There is a chart that every serious investor should keep somewhere visible. It is the Emotional Investor Cycle, and it maps the full arc of human sentiment across a market cycle: from Optimism through Excitement, Thrill, and Euphoria at the peak; through Denial, Anxiety, Fear, Depression, Panic, and Capitulation on the descent; and then, at the very bottom, Despondency — before the slow climb back through Skepticism, Hope, Relief, and Optimism again. The chart marks two points that define the entire experience: the Point of Maximum Financial Risk near the top, and the Point of Maximum Financial Opportunity near the bottom.

This week, that chart is not an abstraction. Markets sold off hard. The Dow fell more than 1,500 points. European equities posted their worst week since April 2025. Oil surged above $87 on fears of a Strait of Hormuz closure. Payrolls came in deeply negative. GDPNow was revised sharply lower. By week's end, sentiment had moved from Anxiety into Fear — and for some investors, further. Look at the cycle and locate Fear: it sits well past the Point of Maximum Financial Risk and well above the Point of Maximum Financial Opportunity. Fear is not the bottom. It is the stage engineered to produce the worst possible decision — locking in losses at a price that is high relative to where the cycle will trough and low relative to where it began.

The asymmetry of the cycle is its most important lesson. The ascent from Optimism to Euphoria is gradual and feels earned. The descent is steep, compressed by leverage and amplified by the relentless news cycle. The recovery — from Despondency back through Skepticism, Hope, and Relief — is also gradual, which is why most investors miss it entirely. By the time re-entry feels safe, the Point of Maximum Financial Opportunity is long past. The Gulf War I market returned 29% in the twelve months after the shock. The 2020 Iran strike generated 18%. In each case, the investor who acted on Fear missed the recovery completely. The investor who stayed captured it in full.

The Emotional Investor Cycle is not a warning about markets. It is a warning about ourselves — about the extraordinary reliability with which human beings, given sufficient fear, will make the worst possible decision at the worst possible time. The antidote is not courage in the dramatic sense. It is clarity: the simple, hard-won ability to see where you are on the curve, name it accurately, and remember that despondency has always, without exception, been followed by recovery. The question the cycle asks is not whether markets will recover. They will. The question it asks is whether you will still be invested when they do.

"Fear is not the bottom; it is the **stage** on which the **worst outcomes for emotional investors are engineered".**

BIRLING CAPITAL ADVISORS, LLC

Francisco Rodríguez-Castro, President & CEO • frc@birlingcapital.com
PO Box 10817 San Juan, PR 00922 • 787.247.2500 • 787.645.8430