

Oil shock reshapes the macro outlook

The stock market endured another volatile week as a surge in oil prices tied to the escalating conflict involving Iran dominated the macro backdrop.



The major averages finished lower across the board, with the S&P 500 declining 1.6%, the Nasdaq Composite falling 1.3%, and the Dow Jones Industrial Average losing 2.0%. The S&P 500 also touched a new low for 2026 on Friday, while the Nasdaq Composite closed the week below its 200-day moving average (22,176.42), underscoring the pressure on growth-oriented stocks.

Smaller-cap stocks finished similarly, with the Russell 2000 declining 1.8% and the S&P Mid Cap 400 falling 2.0%.

The defining theme of the week was the market's sensitivity to energy prices. Crude oil swung sharply throughout the week on headlines surrounding the conflict and disruptions in the Strait of Hormuz, ultimately finishing 5.5% higher. Each move higher in crude pressured equities as investors reassessed the inflation outlook and the

Federal Reserve's policy path. By the end of the week, futures markets were no longer confident the Fed would deliver even a single 25-basis point rate cut in 2025.

That shift in expectations was reflected in the Treasury market as well. Yields moved steadily higher during the week as investors priced in the inflationary implications of rising energy prices. By Friday's close, the 2-year note yield had risen 17 basis points on the week to 3.73%, while the 10-year note yield climbed 16 basis points to 4.29%.

Sector performance largely mirrored the impact of higher oil prices. The energy sector was the only cyclical group to finish in positive territory, rising 2.1% for the week. Defensive areas also held up relatively well, with utilities gaining 0.4% and consumer staples slipping just 0.2%.

Most other sectors struggled. Financials fell 3.4% amid rising yields and renewed pressure in private credit markets, while industrials declined 3.2% as transportation stocks were hit by rising fuel costs. Consumer discretionary dropped 3.0%, weighed down by weakness in travel-related names and homebuilders as higher yields pushed mortgage rates higher.

Technology held up somewhat better than the broader market but still finished lower. The information technology sector slipped 0.8% and communication services declined 1.2%. Under the surface, performance diverged. Semiconductor stocks showed resilience, while software names faced persistent selling pressure.

Mega-cap growth stocks also struggled. Several large technology names reversed earlier gains. Meta Platforms weighed on communication services after reports its next AI model would be delayed.

Economic data played a secondary role relative to the geopolitical developments. February CPI matched the Briefing.com consensus at both the headline and core levels, while the January PCE Price Index also met expectations with a 0.3% monthly increase. However, investors largely looked past the reports given that upcoming inflation readings will likely reflect the recent spike in energy prices. Meanwhile, the second estimate for fourth-quarter GDP was revised sharply lower to 0.7% from 1.4%, while the GDP price deflator was revised higher.

Ultimately, the week reinforced that markets are currently trading on energy prices. With crude oil volatile amid the conflict involving Iran and continued disruptions in the Strait of Hormuz, equities remain highly sensitive to geopolitical headlines that could alter the outlook for supply, inflation, and Federal Reserve policy.

- Nasdaq Composite: -1.3% week-to-date
- S&P 500: -1.6% week-to-date
- Russell 2000: -1.8% week-to-date
- DJIA: -2.0% week-to-date
- S&P Mid Cap 400: -2.0% week-to-date

Past performance is not a guarantee of future results. Indices are unmanaged and one cannot invest directly in an index. Diversification does not guarantee investment returns and does not eliminate the risk of loss.

Data and rates used were indicative of market conditions as of the date shown and compiled by Briefing.com. Opinions, estimates, forecasts, and statements of financial market trends are based on current market conditions and are subject to change without notice. References to specific securities, asset classes and financial markets are for illustrative purposes only and do not constitute a solicitation, offer, or recommendation to purchase or sell a security. S&P 500 Index is a market index generally considered representative of the stock market as a whole. The index focuses on the large-cap segment of the U.S. equities market. Each company's security affects the index in proportion to its market value. NASDAQ Composite Index is a market value-weighted index that measures all NASDAQ domestic and non-U.S. based common stocks listed on the NASDAQ stock market. Dow Jones Industrial Average is a widely used indicator of the overall condition of the stock market, a price-weighted average of 30 actively traded blue chip stocks, primarily industrials, but also includes financial, leisure and other service-oriented firms. Russell 2000 Index measures the performance of the smallest 2,000 companies in the Russell 3000 Index of the 3,000 largest U.S. companies in terms of market capitalization. MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets.

Park Avenue Securities LLC (PAS) is a wholly owned subsidiary of The Guardian Life Insurance Company of America (Guardian). PAS is a registered broker/dealer offering competitive investment products, as well as a registered investment advisor offering financial planning and investment advisory services. PAS is a member of FINRA and SIPC.

Provided by Briefing.com.