Written by Rebecca Terrell on March 13, 2026

U.S. Stock Market Erases Almost $1 Trillion as Oil Surges & Fed Updates Banking Rules

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Yesterday U.S. equities posted sharp declines across major indices, erasing roughly $800 billion to $1 trillion in market value in a single trading session. The Dow Jones Industrial Average fell 739 points, or 1.56 percent, closing at 46,677.85 — its lowest level of 2026 and the first close below 47,000 this year. The S&P 500 dropped 1.52 percent to settle at 6,672.62, while the Nasdaq Composite lost 1.78 percent to end at 22,311.98. All three benchmarks recorded 2026 closing lows, with eight of the 11 S&P 500 sectors finishing in the red.

The primary catalyst was a surge in oil prices, which climbed toward $100 per barrel. Geopolitical disruption in the Middle East, including heightened risks around the Strait of Hormuz tied to the U.S.-Iran conflict, fueled fears of supply shortages and renewed inflation. This development pushed back expectations for Federal Reserve rate cuts and weighed on growth-sensitive assets.

Compounding the pressure were fresh stresses in the private credit market. Morgan Stanley capped withdrawals from its multibillion-dollar private credit funds amid investor outflows, sending its shares down 3.6 percent and leading financial stocks lower. Deutsche Bank disclosed roughly $30 billion in private credit exposure in its annual report released the same day. Peers including Blackstone, Blue Owl Capital, KKR, and Apollo Global Management declined more than 1 percent as concerns over liquidity and valuations in the $2 trillion asset class intensified.

Fed Updates Banking Regulations

Against this backdrop, Vice Chair for Supervision Michelle Bowman stated that the Fed will ease certain capital requirements for major banks, making it easier and more profitable for them to get back into the mortgage business. Since the 2008 financial crisis, strict rules have forced banks to sit on a lot of cash as a safety cushion, causing many to stop offering mortgages.

The changes are part of a broader revision to Basel III Endgame proposals, aiming to encourage mortgage lending by removing the full deduction of mortgage servicing assets (MSAs) from regulatory capital. MSAs represent the value of a bank's right to collect monthly payments on loans. Currently, if a bank holds too many MSAs, regulators make them deduct that value from their usable capital, treating those assets as if they don't exist. By ending this practice, banks regain billions of dollars they can use to back new loans, though they still must keep a 250-percent "risk weight," which is the percentage assigned to a bank's assets based on their perceived credit risk. (Risk weight is used to determine how much capital the bank must hold to absorb potential losses.)

Simultaneously, banks will now be required to set aside less safety cash for low loan-to-value mortgages (those with larger down payments). Previously, they had to set aside the same amount of safety cash for most mortgages, regardless of risk.

Regulators plan to unveil the package soon, with a board vote possible as early as next week. Analysts note that the relief could free up billions in bank capital for lending — effectively acting as a form of regulatory support that boosts liquidity and credit availability without direct monetary easing. In other words, instead of changing interest rates — the Fed's usual tactic of "monetary easing" — it is changing the banking rules.

This is an unfolding story. While the Fed's upcoming capital adjustments may provide breathing room for institutions, investors continue to monitor oil prices, private credit redemptions, and broader economic data for signs of further volatility.

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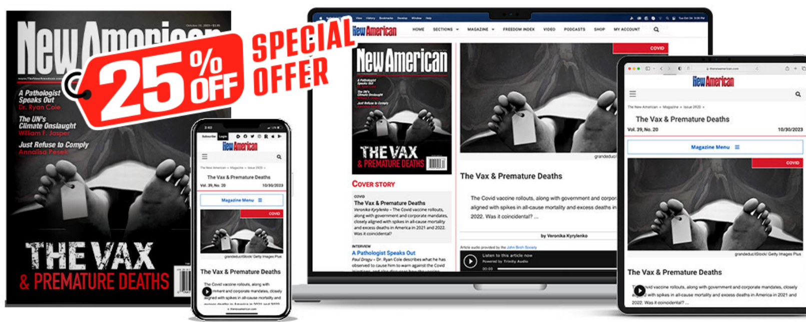

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