How the Stock Market Is Responding to the Middle East – 9/3/2026

Macro Views

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The dominant factor driving the markets remains escalating tensions in the Middle East. New US strikes in Iran pushed WTI crude oil to $91 per barrel and Brent to $95, which reignited inflation concerns. Additionally, this sent the 10-year Treasury yield up another 4 bps to 4.80%, and this is its highest level in 19 months. Rising oil prices and interest rates have pressured stocks, pulling the S&P 500 back from record highs to retest support near 7,600, with the next major support level around 7,100. Beneath the surface, investors are favoring defense over risk. Health care has held up best, while industrials, technology, and consumer discretionary have seen the weakest participation. Energy stocks have benefited from the oil spike, although gains have been uneven, and defense contractors have largely failed to attract the "war trade" bid many expected.

For more information, please watch the replay video.

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Trade Idea

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Gilead Sciences (GILD) is quietly having one of the best years in big pharma. It's now within striking distance of a new all-time high. Given the breakout above a $145 price point and a health care sector that's leading the market, I'm seeking continued upside while keeping my risk limited. I'm choosing to use a bull put spread, which is a neutral-to-bullish view, rather than an outright bullish view. Because it hasn't quite broken out above that $150 level, this buys me a little time while still gaining exposure to the upside. That said, I'm selling the Oct. 150/145 put vertical at a $2.15 credit.

GILD @ $149.58	BUY 1 OCT 16TH 145 PUT AT $3.65
	SELL 1 OCT 16TH 150 PUT AT $5.80
09.03.2026	CREDIT ($5.80 – $3.65) * 100 = $215
	($5.80 – $3.65) * 100 = MAX GAIN OF $215
GILD BULL PUT SPREAD	($150 – $145 – $2.15) * 100 = MAX RISK OF $285

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Caterpillar (CAT) has been outperforming within its industry, but the stock is priced for that strength to continue. With the AI power-boom growth story facing new regulatory pressure, the downside risk is increasing. It's broken below a key support level at $800 and has underperformed the S&P 500. That's why I'm structuring this trade as a bear put spread, which requires the stock to make a decent move to the downside before being profitable. For this trade, I'm buying the Oct. 790/720 put vertical at a $24.20 debit.

CAT @ $790.77	BUY 1 OCT 16TH 790 PUT AT $36.65
	SELL 1 OCT 16TH 720 PUT AT $12.45
09.03.2026	DEBIT ($36.65 – $12.45) * 100 = $2,420
	($790 – $720 – $24.20) * 100 = MAX GAIN OF $4,580
CAT BEAR PUT SPREAD	($36.65 – $12.45) * 100 = MAX RISK OF $2,420

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Tony's Lookback

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About a month ago, I bought the Sep. 240/290 call vertical on Adobe Inc. (ADBE) at $16.40. It's now trading at $36.95, which is about a 125% gain. Because we're close to expiration, it's time to take the profits on the September call vertical. I still think it's trading well below where it should be from a valuation perspective. Rolling it out to the October expiration buys me more time and upside.

ADBE 07.30.2026 **$242.86**

BUY 1 SEP 18TH 240 CALL AT $22.35

SELL 1 SEP 18TH 290 CALL AT $5.95

NET DEBIT = $1,640

ADBE BULL CALL SPREAD

ADBE 09.03.2026 **$286.00**

SELL 1 SEP 18TH 240 CALL AT $49.15

BUY 1 SEP 18TH 290 CALL AT $12.20

CURRENT NET CREDIT = $3,695

GAIN IF CLOSED = $2,055

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Tony's Lookback

I'm looking to roll this trade out to the Oct. 285/330 call spread at a debit of $15.40, moving my strike prices higher. Once I roll the profits to the new trade, my worst-case scenario is that I only have a $515 profit. Best-case scenario, in 45 days, I'll have roughly $5,000 per contract. That's a trade setup that I'll always take once my thesis has been proven correct.

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ADBE @ $286.00	BUY 1 OCT 16TH 285 CALL AT $21.80
	SELL 1 OCT 16TH 330 CALL AT $6.40
09.03.2026	DEBIT ($21.80 – $6.40) * 100 = $1,540
COMBINED MAX GAIN = $5,015	($330 – $285 – $15.40) * 100 = MAX GAIN OF $2,960
COMBINED MIN GAIN = $515	($21.80 – $6.40) * 100 = MAX RISK OF $1,540

ADBE BULL CALL SPREAD

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