

# S&P 500 Slips from Record as Inflation Surprise and Rising Oil Weigh on Markets

May 12, 2026

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The U.S. and European stock markets closed mixed to lower, as equities paused following recent record highs amid a hotter-than-expected inflation print and renewed strength in oil prices tied to escalating geopolitical tensions. The session reflects a shift in market leadership and sentiment, as the powerful semiconductor-driven rally lost momentum, giving way to a more rate-sensitive, macro-driven environment.

While the pullback was modest, the underlying signal is more consequential: inflation remains persistent, energy prices are rising, and geopolitical risk is once again feeding directly into market pricing. This combination is reinforcing expectations that monetary policy will remain restrictive, even as equity markets hover near all-time highs.

## U.S. Markets

U.S. equities ended mixed, with the S&P 500 slipping 0.16% to close at 7,400.96 and the Nasdaq Composite declining 0.71% to 26,088.20, as technology stocks retreated following a sharp multi-week rally. In contrast, the Dow Jones Industrial Average edged higher by 56.09 points, or 0.11%, to 49,760.56, supported by relative strength in more defensive and cyclical components.

The session marked a notable pause in semiconductor leadership. Micron Technology, which had been a key driver of recent gains, declined 3.6% after an exceptional run that saw the stock rise more than 37% last week and approximately 53% over the past month. Broader weakness across the chip sector followed, with Advanced Micro Devices falling 2% and Qualcomm declining sharply, reflecting profit-taking after significant prior gains.

Energy markets were a central driver of sentiment. U.S. West Texas Intermediate (WTI) crude surged 4.19% to settle at \$102.18 per barrel, while Brent crude rose 3.42% to \$107.77. The move extends a multi-session rally fueled by escalating tensions in the Middle East after Donald Trump characterized the U.S.-Iran ceasefire as “unbelievably weak,” increasing the perceived risk of supply disruptions through the Strait of Hormuz.

Inflation data reinforced the macro pressure. According to the Bureau of Labor Statistics, consumer prices rose 0.6% in April, lifting the annual inflation rate to 3.8%, above expectations and marking the highest level since mid-2023. The data confirms that rising energy prices are once again feeding into headline inflation, complicating the disinflation narrative.

For markets, the implication is clear: the combination of elevated oil prices and persistent inflation tightens financial conditions and increasing interest-rate sensitivity. As long as energy remains a source of upward pressure on inflation, equity markets are likely to face episodic volatility, particularly in sectors most exposed to changes in discount rates.

## European Markets

European equities closed decisively lower amid geopolitical uncertainty and rising political risk in the United Kingdom, which pressured sentiment across the region. The pan-European STOXX Europe 600 declined approximately 1.1%, with losses broad-based across sectors and major bourses, reflecting a clear shift toward risk aversion.

Markets were weighed down by diminishing expectations of a near-term resolution to the U.S.-Iran conflict after Donald Trump characterized the ceasefire as “on life support,” triggering a renewed rally in oil prices and reinforcing inflation concerns across Europe’s energy-sensitive economies. At the same time, political instability in the United Kingdom added a domestic layer of risk. Prime Minister Keir Starmer faces mounting pressure following a weak local election performance, with growing calls within the Labour Party for a leadership transition. While Starmer has rejected resignation and emphasized continuity in governance, the situation has unsettled markets and contributed to volatility in U.K. assets.

Financial conditions tightened in response. Yields on benchmark U.K. government bonds rose sharply, with the 10-year gilt climbing roughly 10 basis points to near 5.10%, as risk premia widened amid escalating political uncertainty. The British pound weakened, declining approximately 0.7% against the U.S. dollar and 0.3% versus the euro, reflecting both political uncertainty and widening rate differentials.

The combination of geopolitical tension, rising energy prices, and U.K.-specific political risk underscores a more fragile European macro backdrop, where external shocks and domestic instability are converging to weigh on equity performance.

### Energy & Commodities

Energy markets remain a critical variable. U.S. West Texas Intermediate (WTI) crude extended recent gains, supported by continued disruptions in flows through the Strait of Hormuz—one of the world’s most strategically significant energy chokepoints.

The persistence of elevated oil prices is now feeding directly into headline inflation, with energy costs rising sharply year over year. This dynamic is reinforcing inflation stickiness and limiting the scope for central bank easing.

### Inflation Reaccelerates, Reinforcing Higher-for-Longer Policy Outlook

U.S. macroeconomic data points to renewed inflationary pressure, with the latest report delivering a modest upside surprise that carries significant implications for monetary policy and asset pricing. Headline CPI rose 3.8% year-over-year, exceeding expectations of 3.7%, driven primarily by a sharp 17.9% increase in energy prices. Core CPI edged up to 2.8%, slightly above the 2.7% consensus, while shelter inflation accelerated to 3.3%, underscoring persistent housing-related cost pressures and the effects of recent data normalization.

These figures reaffirm that inflation remains structurally above the Federal Reserve’s 2% target, extending a prolonged period of price instability. The combination of energy-driven gains and sticky shelter costs suggests that the disinflation process will remain uneven and vulnerable to external shocks.

Labor market conditions, while no longer accelerating, continue to provide underlying support to demand. According to ADP, private hiring has improved modestly on a rolling basis, suggesting that employment remains stable enough to sustain consumption. This resilience limits the pace at which inflation can ease and reinforces the likelihood that the Federal Reserve maintains a cautious, higher-for-longer policy stance.

### Strategic View

The market is transitioning from a growth-driven narrative to a rate-sensitive equilibrium. Inflation—particularly when driven by exogenous factors such as energy—has reasserted itself as the dominant macroeconomic variable.

Three forces now define the investment landscape:

- **Higher-for-longer interest rates** anchoring valuations
- **Energy-driven inflation volatility** linked to geopolitical risk
- **A resilient but decelerating labor market** sustaining demand without overheating

For investors, this environment demands selectivity and discipline. Equity markets can continue to advance, but the path forward is increasingly dependent on earnings durability rather than multiple expansion. Oil remains the critical transmission mechanism between geopolitics and inflation—and, by extension, the single most important variable to monitor in the near term.

### Economic Data:

- **US Consumer Price Index YoY:** rose to 3.80%, up from 3.30% last month.
- **US Core Consumer Price Index YoY:** rose to 2.70%, compared to 2.60% last month.
- **US Inflation Rate:** rose to 3.80% from 3.30% last month.
- **US Retail Gas Price:** rose to \$4.581, up from \$4.257 last week, an increase of 7.61%.
- **Japan Business Conditions Composite Coincident Index:** rose to 116.50, up from 116.20 last month.

### Eurozone Summary:

- **Stoxx 600:** closed at 606.63, down 6.16 points or 1.01%.
- **FTSE 100:** closed at 10,265.32, down 4.11 or 0.04%.
- **DAX Index:** closed at 23,954.93, down 395.35 points or 1.62%.

### Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 49,760.56, down 56.09 points or 0.11%
- **S&P 500:** closed at 7,400.96, down 11.88 points or 0.16%.
- **Nasdaq Composite:** closed at 26,088.20, down 185.92 points or 0.71%.
- **Birling Capital Puerto Rico Stock Index:** closed at 4,200.06, down 95.50 points or 2.22%.
- **Birling Capital U.S. Bank Index:** closed at 9,000.22, down 69.84 points or 0.77%
- **U.S. Treasury 10-year note:** closed at 4.46%.
- **U.S. Treasury 2-year note:** closed at 4.00%.

# US CPI & US Core CPI

## May 12, 2026

### U.S. CPI & CORE CPI

Birling Capital Advisors, LLC

Year-over-Year Change (%) | January 2025 - April 2026 | Source: Bureau of Labor Statistics

CPI at 3.80% in April 2026 · Core CPI at 2.70% · Both above Fed 2% target

<b>3.80%</b> CPI Apr 2026	<b>2.70%</b> Core CPI Apr 2026	<b>3.30%</b> CPI Mar 2026	<b>2.60%</b> Core CPI Mar 2026	<b>2.00%</b> Fed Target
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Think Strategically™ - Source: BLS - Birling Capital Advisors, LLC

# US Retail Gas Price

## February 2026 to May 12, 2026

### U.S. RETAIL GASOLINE PRICES

Birling Capital Advisors, LLC

Weekly Average Price per Gallon (All Grades) | Feb 16 - May 4, 2026 | Source: U.S. Energy Information Administration (EIA)

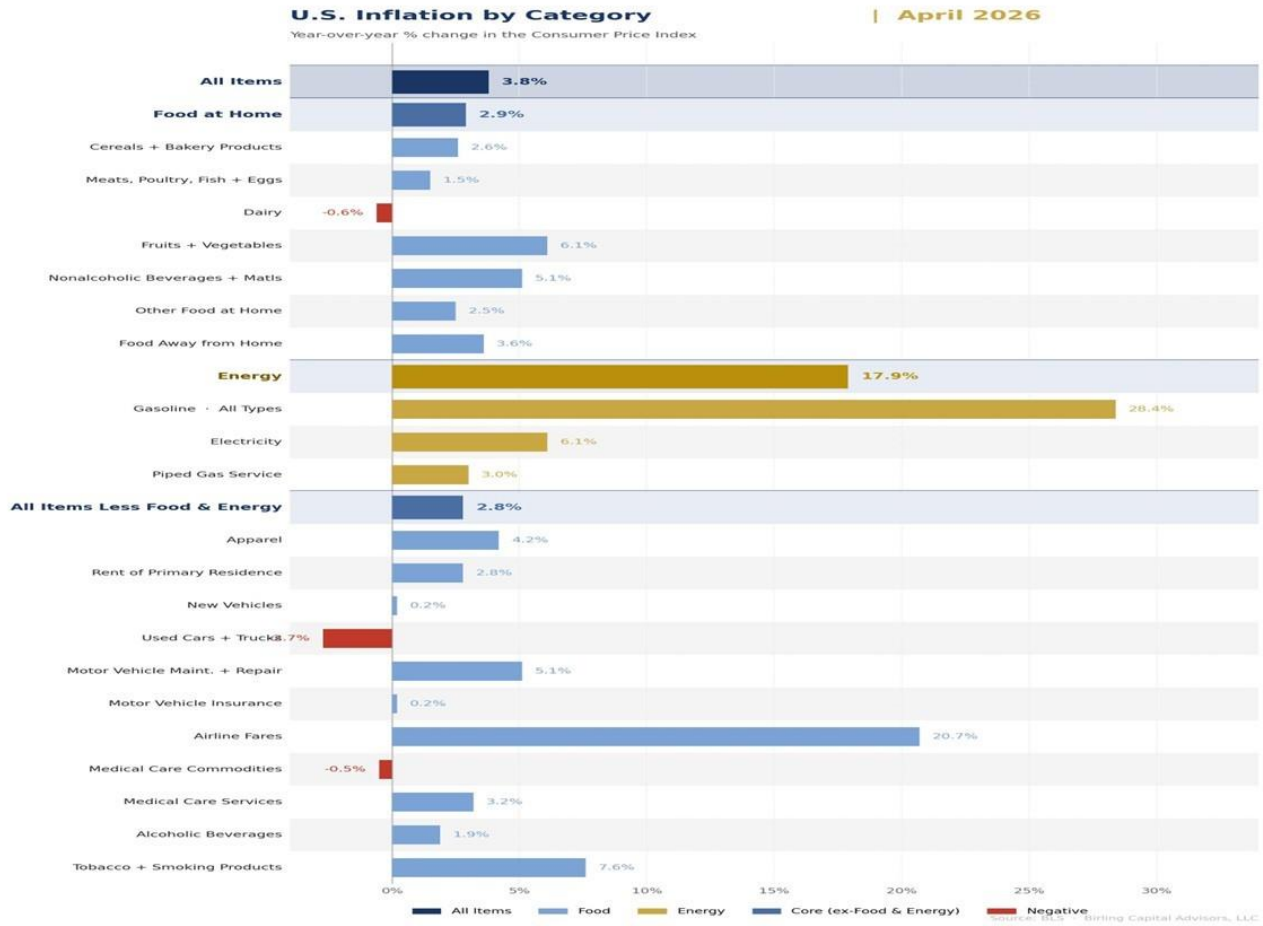
Gasoline surges +49.9% since Operation Epic Fury began - U.S.-Iran conflict drives energy price shock

<b>\$4.581</b> Latest May 4, 2026	<b>\$3.057</b> Pre-War Feb 16, 2026	<b>+\$1.524</b> Price Increase \$/Gallon	<b>+49.9%</b> Pct Increase Since War
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Think Strategically™ - Source: U.S. Energy Information Administration (EIA) - Birling Capital Advisors, LLC

# US Inflation by Category: April 2026





# European Markets Summary

## May 12, 2026

### European Markets Summary

Major European Equity Indices | Tuesday, May 12, 2026 | All 3 Markets Lower



Ticker	Index	Level	Change	% Chg
.STOXX	STOXX Europe 600	606.63	-6.16	-1.01%
.FTSE	FTSE 100	10,265.32	-4.11	-0.04%
.GDAXI	Germany DAX	23,954.93	-395.35	-1.62%

Worst Performer

Germany DAX -1.62%

Average Change

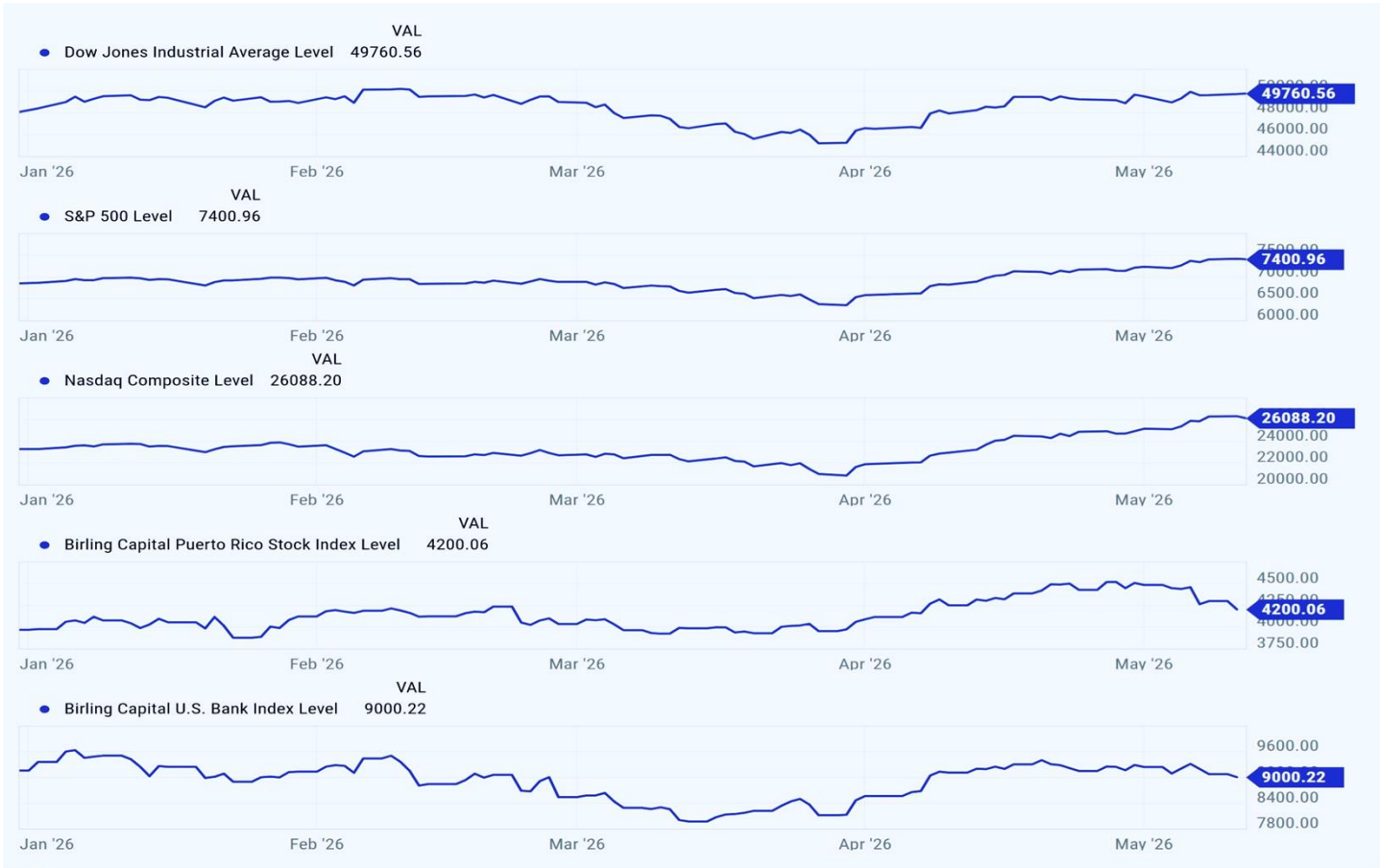
-0.89%

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# Wall Street Recap

## May 12, 2026



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