

Treasury Yields at Multiyear Highs Drag Wall Street Lower as AI Stocks Stumble; Iran Relief Reports Trim Losses

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The U.S. and European stock markets began the week on a cautious footing as the relentless climb in Treasury yields overshadowed signs of a possible diplomatic opening with Iran. Wall Street posted broad declines led by artificial intelligence stocks, while European markets ended essentially unchanged. With the 10-year Treasury note closing at 5.24% and the 30-year bond closed at 5.56%, investors confronted a simple but uncomfortable question: how much valuation can equities sustain when risk-free returns sit at levels not seen in years?

The day's tension ran between two forces. Midday reports that the White House was open to easing sanctions on Iran over nuclear matters pulled crude prices well below their session highs and helped stocks recover part of their losses. Bond markets, however, offered no such relief, extending last week's sharp selloff and keeping pressure on valuations ahead of a busy week of economic data. Financial stocks were the exception, as a steeper yield curve lifted both of the Birling Capital indexes we follow.

U.S. Markets

All three major averages retreated. The Dow Jones Industrial Average closed at 51,481.51, down 347.11 points or 0.67%; the S&P 500 finished at 7,683.69, down 59.72 points or 0.77%; and the Nasdaq Composite ended at 26,820.69, down 241.33 points or 0.92%. At the session's worst levels, the Dow was down more than 400 points and the S&P 500 about 1%, before the Iran sanctions reports prompted a partial recovery around midday.

AI-related names led the decline, reversing part of last week's technology-driven gains. Advanced Micro Devices fell about 4% and Micron Technology by about 2%. Among the hyperscale's, Meta Platforms dropped 4%, giving back some of the nearly 13% rally it posted last week on enthusiasm for its Muse AI agent, while Amazon and Microsoft each slipped about 1%.

Nvidia was the notable exception, gaining about 2% after announcing an additional \$150 billion share repurchase authorization, lifting its total buyback program to \$235 billion. The move underscored the company's cash-generating capacity at a time when investors are scrutinizing the returns on AI capital spending across the sector.

Banks moved in the opposite direction from the broader market. The Birling Capital U.S. Bank Index rose 105.09 points, or 1.08%, to 9,807.67, and the Birling Capital Puerto Rico Stock Index gained 24.66 points, or 0.51%, to 4,866.56. With the 10-year note at 5.24% and the 2-year note at 4.92%, the 32-basis-point spread between long and short rates supports lending margins, making higher yields a tailwind for banks even as they weigh on growth stocks.

Market participants pointed to a double burden from rising rates: higher yields compete for the same capital that is financing heavy AI infrastructure investment, while also raising borrowing costs for consumers. That combination leaves a market already concentrated in a narrow group of technology leaders even more exposed to a single theme.

In our view, the 10-year yield at 5.24% marks a genuine test for equity valuations. When bonds offer returns of this magnitude with minimal risk, stocks must justify their premium through earnings growth, and the AI leaders that have carried the market now face a higher bar to prove that their spending will generate adequate returns.

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European Markets

European equities held up better than Wall Street but ended the session essentially flat. The Stoxx 600 edged fractionally higher, while the FTSE 100 and DAX Index slipped under renewed pressure from energy prices and rising global bond yields.

Technology was the clearest drag. ASML Holdings, BE Semiconductor, and Infineon each fell more than 1%. The pressure followed reports that OpenAI had paused work involving its most capable models after a security incident, which led investors to reassess spending expectations for AI infrastructure and semiconductor suppliers. In Frankfurt, Zalando, BASF, Rheinmetall, SAP, and Deutsche Telekom were among the weakest names, each down between 1% and 1.5%. BASF's decline came as the company confirmed exploratory talks with RAG-Stiftung and Evonik Industries about a potential takeover of Evonik, while stressing that the outcome remains uncertain.

Defensive sectors provided an offset. Healthcare led German gains: Siemens Healthineers rose more than 3% after a Jefferies buy rating, Fresenius added 2.1%, Fresenius Medical Care gained 1.7%, and Merck and Bayer each advanced more than 1%. Energy shares benefited as crude rose above \$105 per barrel on uncertainty over the Strait of Hormuz and U.S.-Iran negotiations. For TotalEnergies, the day also brought news that it had taken a final investment decision on the Absheron gas and condensate field with SOCAR and XRG, with startup planned for 2029.

Corporate dealmaking remained active. Armani reportedly began the sale of a 15% stake and held talks with L'Oréal, LVMH, and EssilorLuxottica. Rexel agreed to acquire GCG for an enterprise value of approximately \$1.4 billion, with closing expected by the end of 2026.

Europe remained exposed to the economic consequences of expensive imported energy. Higher fuel costs could squeeze household purchasing power, increase production expenses, and complicate efforts to contain inflation without weakening growth.

The day's rotation from technology into healthcare and energy shows investors seeking earnings visibility as bond yields rise. A sustained recovery in energy deliveries would give European markets a more durable foundation than short-lived optimism about diplomatic negotiations.

Energy Markets

Oil prices climbed as expectations for a near-term diplomatic agreement weakened. Reports that President Trump rejected Iran's proposed seven-day ceasefire reinforced uncertainty over the prospects for restoring energy trade and easing regional tensions.

Nevertheless, supply developments offered a potential counterweight. Estimates cited in the morning report suggested that Middle East crude exports could approach 13 million barrels per day in September, their highest level since the conflict began. Even at that pace, shipments would remain approximately 6 million barrels per day below prewar levels.

Reports of increasing oil and liquefied natural gas flows through the Strait of Hormuz suggested that some supply restrictions were becoming less binding.

The distinction matters: negotiations can move prices immediately, but sustained deliveries are what ultimately ease shortages. A continued recovery in exports could help moderate energy costs and inflation pressures, although the remaining supply shortfall left markets vulnerable to further disruptions.

Economic & Policy Outlook

A busy economic calendar placed the Federal Reserve's October decision firmly in focus.

August personal income, spending, and personal consumption expenditures inflation data were

scheduled for Wednesday, September 30. The September employment report was due Friday, October 2, while consumer confidence and manufacturing sentiment reports would provide additional insight into economic conditions.

The consensus cited in the morning report anticipated approximately 90,000 additional payrolls and an unchanged unemployment rate. A stronger employment report, accompanied by persistent inflation, could reinforce the argument for further monetary tightening. More moderate hiring and easing price pressures could give policymakers greater flexibility to pause.

Markets were assigning roughly a 70% probability to a quarter-point rate increase at the October 28 decision.

In our view, the combination of employment strength and inflation persistence would be more consequential than either report alone. Resilient growth can support corporate earnings, but it can also keep monetary policy restrictive when price pressures remain elevated.

The Final Word

Higher oil prices threatened to prolong inflation, while rising Treasury yields increased the cost of capital. Earnings remained the market's essential support, but a more durable recovery would require tangible relief in energy costs and inflation.

Economic Benchmarks Reporting This Week:

- **US Personal Consumption Expenditures:** latest value \$22.25 trillion; next release Wednesday, September 30, 2026, at 8:30 AM.
- **US Personal Income:** latest value \$27.11 trillion; next release Wednesday, September 30, 2026, at 8:30 AM.
- **US Real GDP QoQ:** latest value 1.50%; next release Wednesday, September 30, 2026, at 8:30 AM.
- **US Real Personal Consumption Expenditures:** latest value \$16.90 trillion; next release Wednesday, September 30, 2026, at 8:30 AM.
- **US Real Disposable Personal Income:** latest value \$18.12 trillion; next release Wednesday, September 30, 2026, at 8:30 AM.
- **US Personal Savings Rate:** latest value 2.80%; next release Wednesday, September 30, 2026, at 8:30 AM.
- **US Initial Claims for Unemployment Insurance:** latest value 197,000; next release Thursday, October 1, 2026, at 8:30 AM.
- **US ISM Manufacturing PMI:** latest value 54.60; next release Thursday, October 1, 2026, at 10:00 AM.

Eurozone Summary:

- **Stoxx 600:** closed at 638.68, up 0.03 points or 0.00%.
- **FTSE 100:** closed at 10,684.88, down 10.37 points or 0.10%.
- **DAX Index:** closed at 25,374.42, down 34.22 points or 0.13%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 51,481.51, down 347.11 points or 0.67%.
- **S&P 500:** closed at 7,683.69, down 59.72 points or 0.77%.
- **Nasdaq Composite:** closed at a record 26,820.38, down 248.33 points or 0.92%.
- **Birling Capital Puerto Rico Stock Index:** closed at 4,866.56, up 24.66 points or 0.51%.
- **Birling Capital U.S. Bank Index:** closed at 9,807.67, up 105.09 points or 1.08%.
- **U.S. Treasury 10-year note:** closed at 5.24%.

- **U.S. Treasury 2-year note:** closed at 4.92%.

Economic Benchmarks Reporting This Week

Week of September 28, 2026 — latest value and next release

Wednesday, September 30

6 releases

US Personal Consumption Expenditures

Latest value

\$22.25T

🕒 8:30 AM ET

US Personal Income

Latest value

\$27.11T

🕒 8:30 AM ET

US Real GDP QoQ

Latest value

1.50%

🕒 8:30 AM ET

US Real Personal Consumption Expenditures

Latest value

\$16.90T

🕒 8:30 AM ET

US Real Disposable Personal Income

Latest value

\$18.12T

🕒 8:30 AM ET

US Personal Savings Rate

Latest value

2.80%

🕒 8:30 AM ET

Thursday, October 1

2 releases

US Initial Claims for Unemployment Insurance

Latest value

197,000

🕒 8:30 AM ET

US ISM Manufacturing PMI

Latest value

54.60

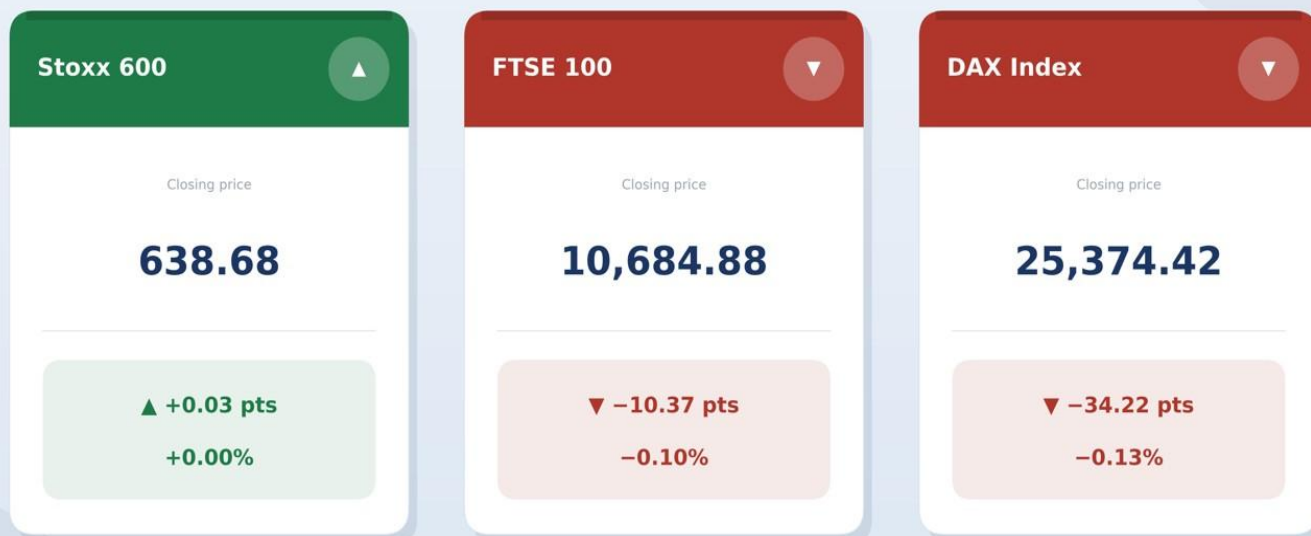
🕒 10:00 AM ET

Source: Bureau of Economic Analysis, Department of Labor, ISM — Birling Capital Advisors

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Eurozone Markets Close

Monday, September 28, 2026



Source: Bloomberg, LSEG — Birling Capital Advisors

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Wall Street and Birling Capital indexes close

Monday, September 28, 2026



Source: Bloomberg, LSEG — Birling Capital Advisors

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Wall Street Recap September 28, 2026



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