S&P 500 posts back-to-back gains as Treasury yields retreat

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The U.S. and European stock markets closed higher Thursday as Treasury yields retreated, and investors grew more confident that the Federal Reserve will leave interest rates unchanged this month. The S&P 500 posted a second consecutive advance, rising 1.06% to close at 7,747.71, while the Nasdaq Composite gained 1.4% to 26,584.06 and the Dow Jones Industrial Average climbed 624.16 points, or 1.18%, to 53,686.11 — its best session since August 4.

The rally was driven largely by Federal Reserve Governor Christopher Waller, who said he would be inclined to support holding rates steady this month, barring any surprises in upcoming inflation data. His comments, along with a sharp rally in the Japanese yen, pulled the 10-year Treasury yield down to 4.77%, a day after it touched its highest level since November 2023.

The retreat in yields offered relief even as crude oil stayed elevated, with West Texas Intermediate settling near $91 a barrel. Economic reports offered a constructive combination of steady productivity growth, moderating labor-cost pressures, and limited layoffs. However, investors remained cautious ahead of Friday's employment report, which will provide the most important assessment yet of whether the labor market is cooling gradually or losing momentum more rapidly.

U.S. Markets

Wall Street advanced as retreating Treasury yields supported technology and other growth-oriented shares. The S&P 500 rose 1.06% to close at 7,747.71, the Nasdaq Composite added 1.4% to finish at 26,584.06, and the Dow Jones Industrial Average climbed 624.16 points, or 1.18%, to 53,686.11 — the 30-stock index's best day since August 4.

The benchmark 10-year Treasury yield settled at 4.77%, declining after Waller said he would be "inclined to support" holding rates steady barring any surprises in upcoming inflation data, a day after the yield reached its highest level since November 2023. Fed funds futures traders scaled back bets on a rate move at the September meeting following his remarks, with the odds of a hike easing to roughly 50%, down sharply from the prior session.

Waller's comments, together with a sharp rally in the Japanese yen against the dollar, drove the broader decline in yields and gave the market added momentum even as oil prices stayed elevated. West Texas Intermediate crude edged up 0.32% to settle at $91.30 per barrel, while Brent slipped 0.12% to $95.52. Rising crude has recently put upward pressure on Treasury yields, as investors worry that elevated energy costs could stoke inflation and force the Fed's hand, and yields were already easing ahead of Waller's remarks as the yen strengthened.

Not every strategist is convinced the pressure has fully lifted. CFRA Research's Sam Stovall noted that if oil prices stay stubbornly high, elevated rates could remain a hurdle for investors to have to overcome and cautioned that the Fed's current leadership has kept its focus on inflation over payrolls — meaning a soft jobs report Friday may not shift policy as much as markets expect, while a strong one could reinforce inflation concerns.

Corporate performance was mixed. Snowflake shares jumped more than 20% after the company reported better-than-expected second-quarter earnings and revenue and issued strong guidance, reinforcing optimism around artificial intelligence and cloud-computing demand. Broadcom shares fell 2% after issuing a disappointing revenue forecast for its fiscal fourth quarter, despite topping expectations for the quarter just reported.

European Markets

European markets closed higher Thursday as easing government bond yields improved investor sentiment following three consecutive sessions of declines. The Stoxx Europe 600 gained 3.19 points, or 0.49%, to close at 649.10.

London's FTSE 100 advanced 75.07 points, or 0.70%, to 10,831.52, while Germany's DAX rose 163.99 points, or 0.63%, to finish at 26,003.32.

European equities benefited from a partial reversal in the recent global bond selloff. However, elevated energy prices and slower eurozone services activity continued to raise concerns that persistent inflation could compel the European Central Bank to maintain restrictive monetary conditions for longer than anticipated.

Energy Markets

Crude oil prices remained elevated amid continuing disruptions and geopolitical tensions surrounding the Strait of Hormuz. West Texas Intermediate traded near $92 per barrel, while Brent crude remained above $90.

The sustained increase in energy prices represents an increasingly important risk for the global economy. Higher fuel and transportation costs could slow consumer spending, compress corporate profit margins, and complicate the inflation outlook just as central banks evaluate whether monetary policy is sufficiently restrictive.

For the Federal Reserve, the critical question is whether rising energy prices will remain concentrated in headline inflation or begin spreading into broader prices, wages, and inflation expectations.

Economic & Policy Outlook

Second-quarter nonfarm business productivity increased at an unrevised annualized rate of 1.4%, improving from the first quarter's 0.8% advance. Hourly compensation rose 2.6% from a year earlier, providing continued income growth without producing an equivalent acceleration in labor-related inflation.

Unit labor costs increased at a revised annualized rate of 1.2%, slightly below the previously reported 1.3%. The combination of productivity growth and moderate labor-cost increases was encouraging because it suggested that companies may be able to absorb wage gains without passing the full cost to consumers through higher prices.

Initial unemployment claims increased modestly to 206,000, while continuing claims rose to 1.78 million. Both measures remained consistent with a labor market in which hiring has moderated but widespread layoffs have not emerged.

Attention now turns to Friday's August employment report. Economists expect payroll growth of approximately 65,000 and an increase in the unemployment rate to 4.2%. A weaker report could support expectations that the Fed will hold rates steady, while stronger employment or wage growth could revive the possibility of another rate increase.

The Final Word

Thursday's advance provided investors with welcome relief from rising Treasury yields, but it did not eliminate the market's central risks. Steady productivity and moderate labor costs strengthened the case for improving inflation, while oil near $92 per barrel argued for continued caution.

The market now faces a delicate balance: slower hiring could restrain inflation and keep the Fed on hold, but a sharper deterioration would raise concerns about economic growth. Friday's employment report may determine which interpretation prevails.

GDPNow Update:

- The GDPNow for the third quarter of 2026 was updated on September 3, 2026, falling to 4.70%, down from 4.80% to a 2.08% decrease.

Economic Update:

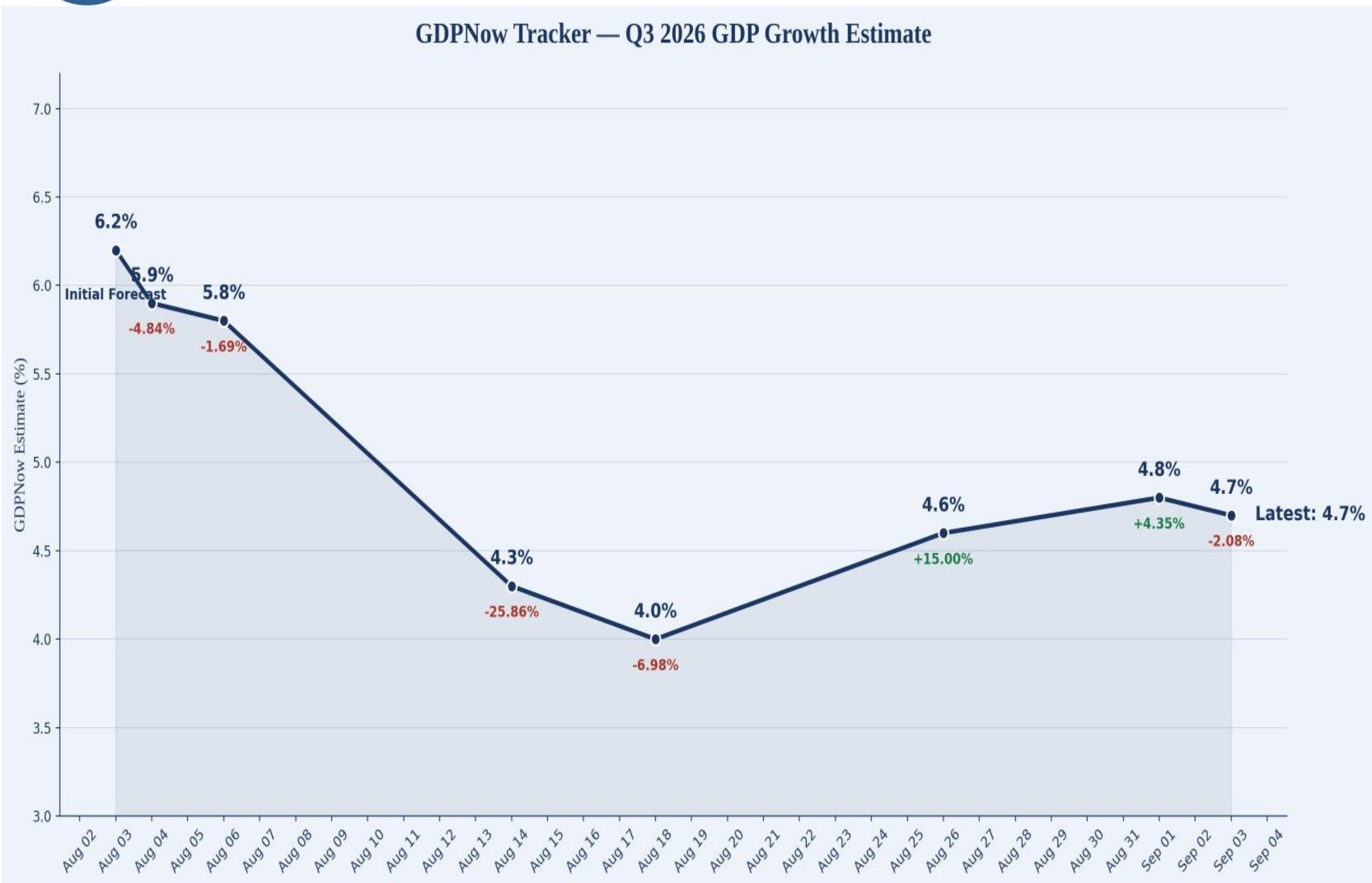
- **US Initial Claims for Unemployment Insurance:** rose to 206,000.0, up from 204,000.0 last week.
- **US 4-Week Moving Average of Initial Claims for Unemployment Insurance:** rose to 207,250.0, up from 205,750.0 last week.
- **US ISM Services PMI:** is at a current level of 55.40, N/A from last month.
- **US ISM Services Employment Index:** rose to 47.80, up from 47.40 last month.
- **US ISM Services New Orders Index:** rose to 60.90, up from 57.20 last month.
- **US ISM Services Prices Paid Index:** rose to 72.60, up from 70.30 last month.
- **US Trade Balance on Goods:** rose to -119.59B, down from -101.97B last month.
- **30 Year Mortgage Rate:** rose to 6.66%, compared to 6.65% last week.

Eurozone Summary:

- **Stoxx 600:** closed at 649.10, up 3.19 points or 0.49%.
- **FTSE 100:** closed at 10,831.52, up 75.07 points or 0.70%.
- **DAX Index:** closed at 26,003.32, up 163.99 points or 0.63%

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 53,686.11, up 624.16 points or 1.18%
- **S&P 500:** closed at 7,747.71, up 81.11 points or 1.06%
- **Nasdaq Composite:** closed at 26,584.06, up 366.23 points or 1.40%
- **Birling Capital Puerto Rico Stock Index:** closed at 5,089.28, up 98.78 points or 1.98%
- **Birling Capital U.S. Bank Index:** closed at 10,394.65, up 100.44 points or 0.98%
- **U.S. Treasury 10-year note:** closed at 4.77%.
- **U.S. Treasury 2-year note:** closed at 4.34%.


GDPNow Tracker — Q3 2026 GDP Growth Estimate
GDPNow Estimate (%)
6.2%
Initial Forecast
5.9%
-4.84%
5.8%
-1.69%
4.3%
-25.86%
4.0%
-6.98%
4.6%
+15.00%
4.8%
+4.35%
4.7%
-2.08%
Latest: 4.7%
7.0
6.5
6.0
5.5
5.0
4.5
4.0
3.5
3.0
Aug 02
Aug 03
Aug 04
Aug 05
Aug 06
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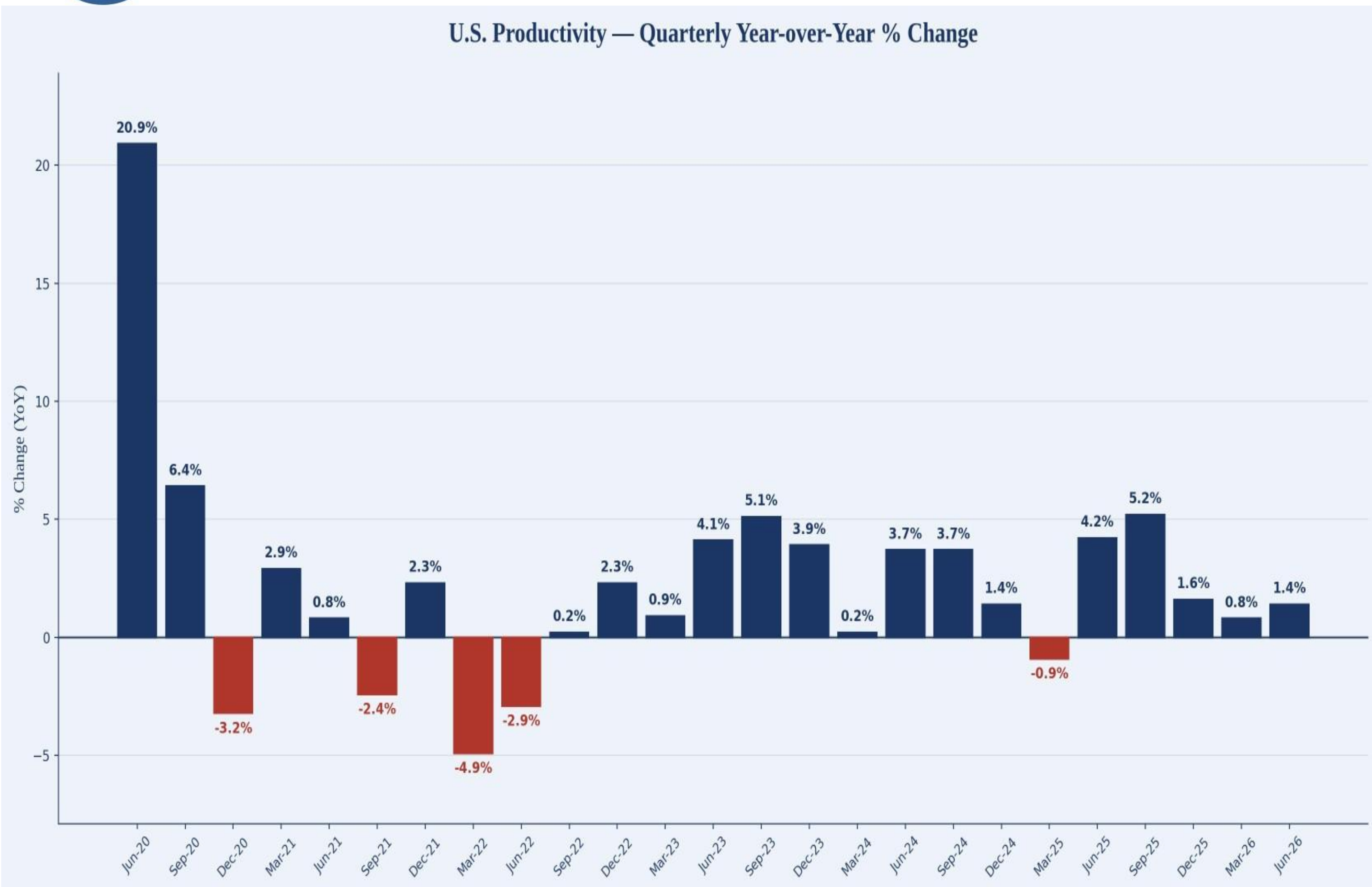
U.S. Productivity — Quarterly Year-over-Year % Change
% Change (YoY)
20.9%
6.4%
-3.2%
2.9%
0.8%
-2.4%
2.3%
-4.9%
-2.9%
0.2%
2.3%
0.9%
4.1%
5.1%
3.9%
0.2%
3.7%
3.7%
1.4%
-0.9%
4.2%
5.2%
1.6%
0.8%
1.4%
Jun-20
Sep-20
Dec-20
Mar-21
Jun-21
Sep-21
Dec-21
Mar-22
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Dec-22
Mar-23
Jun-23
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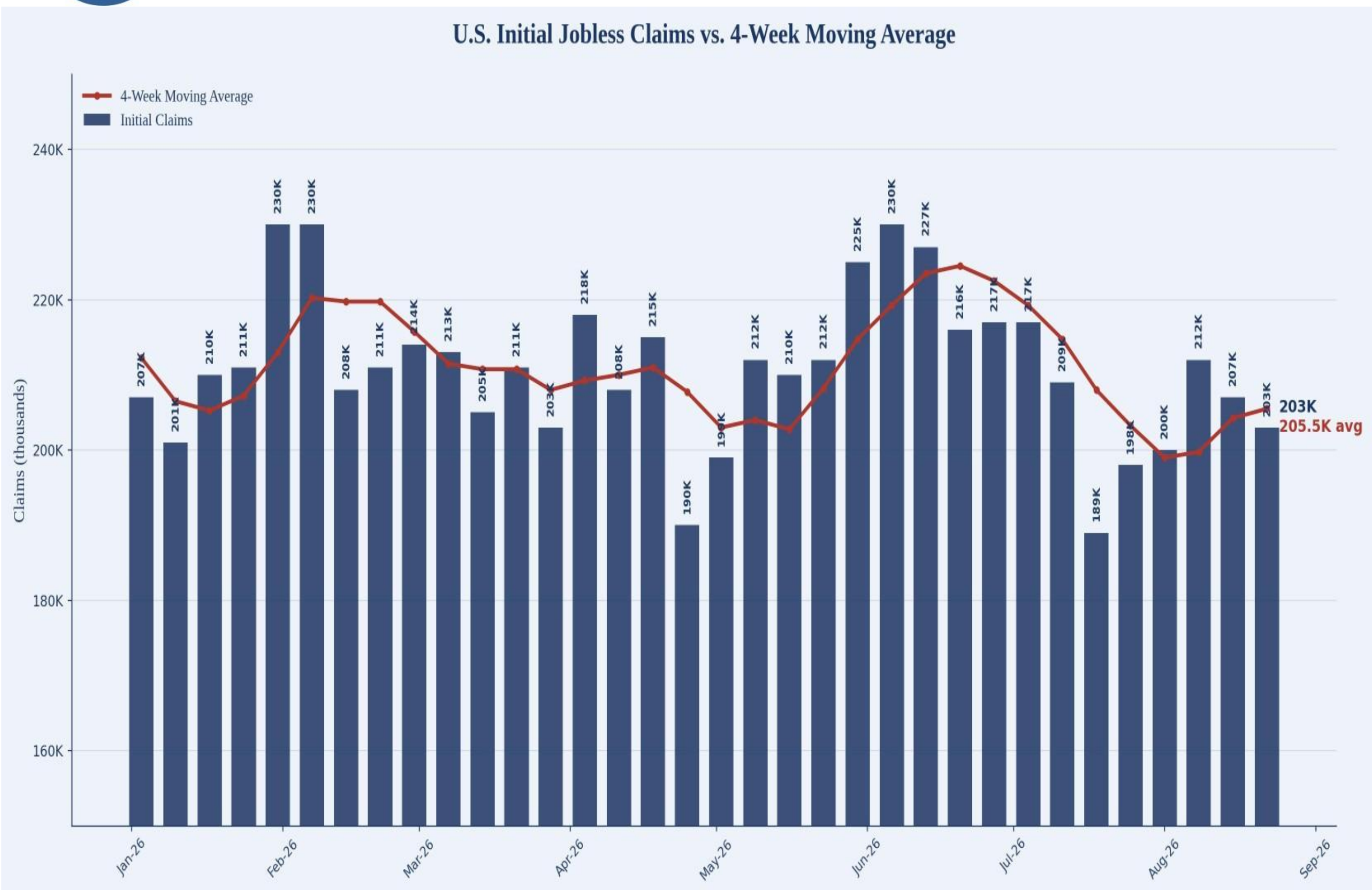
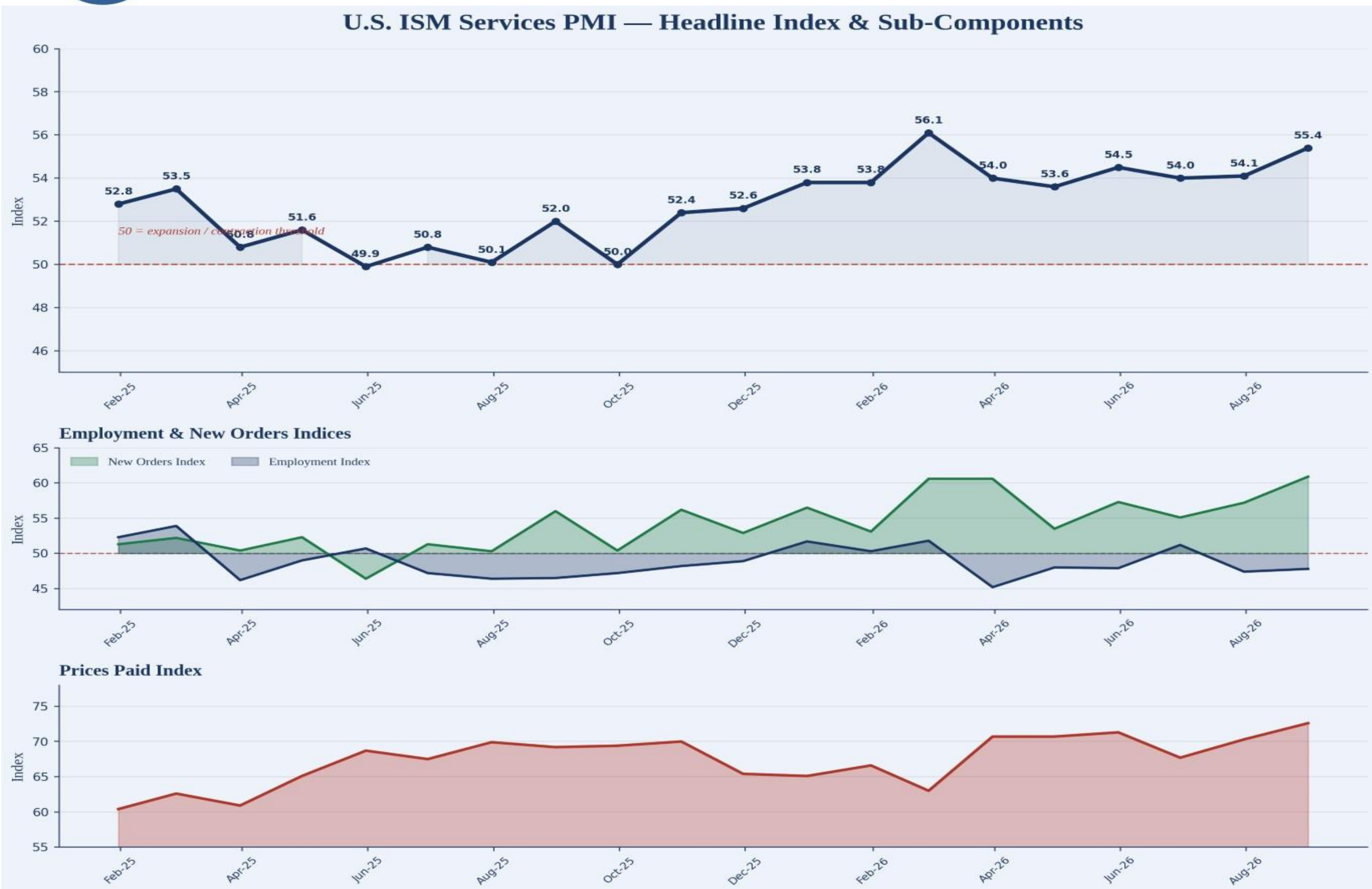
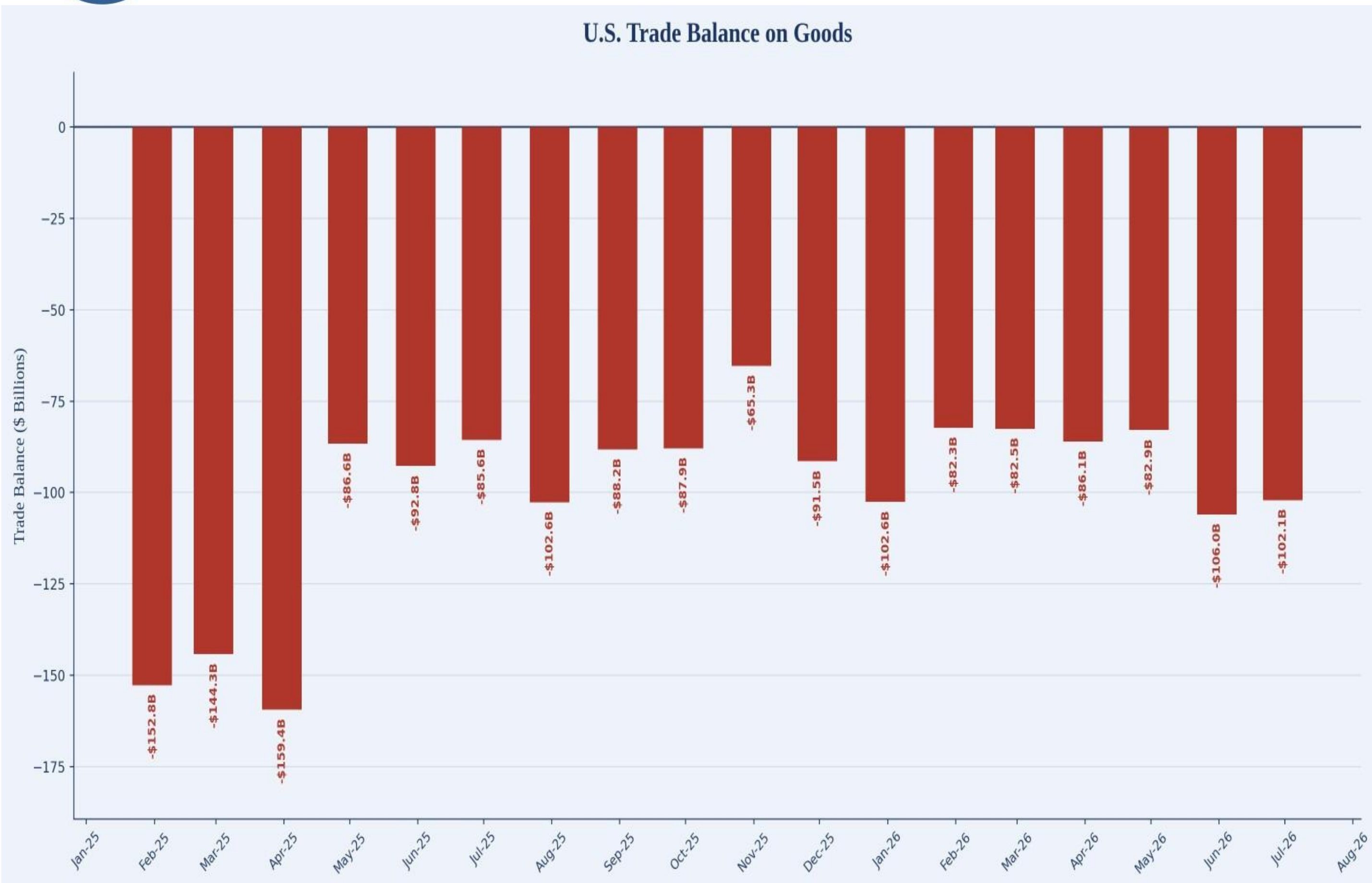
Dec-25
Mar-26
Jun-26


U.S. Initial Jobless Claims vs. 4-Week Moving Average
4-Week Moving Average
Initial Claims
Claims (thousands)
240K
220K
200K
180K
160K
207K
201K
210K
211K
230K
230K
208K
211K
214K
213K
205K
211K
203K
218K
208K
215K
190K
212K
210K
212K
225K
230K
227K
216K
217K
217K
209K
189K
198K
200K
212K
207K
203K
203K
205.5K avg
Jan-26
Feb-26
Mar-26
Apr-26
May-26
Jun-26
Jul-26
Aug-26
Sep-26


U.S. ISM Services PMI — Headline Index & Sub-Components
Index
50 = expansion / contraction threshold
52.8
53.5
50.8
51.6
49.9
50.8
50.1
52.0
50.0
52.4
52.6
53.8
53.8
56.1
54.0
53.6
54.5
54.0
54.1
55.4
Employment & New Orders Indices
New Orders Index
Employment Index
Prices Paid Index
Feb-25
Apr-25
Jun-25
Aug-25
Oct-25
Dec-25
Feb-26
Apr-26
Jun-26
Aug-26



U.S. Trade Balance on Goods
Trade Balance ($ Billions)
0
−25
−50
−75
−100
−125
−150
−175
-$152.8B
-$144.3B
-$159.4B
-$86.6B
-$92.8B
-$85.6B
-$102.6B
-$88.2B
-$87.9B
-$65.3B
-$91.5B
-$102.6B
-$82.3B
-$82.5B
-$86.1B
-$82.9B
-$106.0B
-$102.1B
Jan-25
Feb-25
Mar-25
Apr-25
May-25
Jun-25
Jul-25
Aug-25
Sep-25
Oct-25
Nov-25
Dec-25
Jan-26
Feb-26
Mar-26
Apr-26
May-26
Jun-26
Jul-26
Aug-26

Eurozone markets close — September 3, 2026

Stoxx 600	FTSE 100	DAX Index
649.10	10,831.52	26,003.32
▲ +3.19 (+0.49%)	▲ +75.07 (+0.70%)	▲ +163.99 (+0.63%)

Birling Capital Advisors, LLC

Thursday, September 3, 2026

Wall Street and Birling Capital Indexes Close

Dow Jones Industrial Average	S&P 500	Nasdaq Composite	Birling Capital PR Stock Index	Birling Capital U.S. Bank Index
53,686.11	7,747.71	26,584.06	5,089.28	10,394.65
+624.16	+81.11	+366.23	+98.78	+100.44
(+1.18%)	(+1.06%)	(+1.40%)	(+1.98%)	(+0.98%)

U.S. Treasury 10-Year Note	U.S. Treasury 2-Year Note
4.77%	4.34%

10-Year / 2-Year Treasury Spread: 0.43%

Source: Bloomberg, Birling Capital

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VAL
Dow Jones Industrial Average Level 53686.11
53686.11
50000.00
Jan '26
Feb '26
Mar '26
Apr '26
May '26
Jun '26
Jul '26
Aug '26
Sep '26
VAL
S&P 500 Level 7747.71
7747.71
7000.00
VAL
Nasdaq Composite Level 26584.06
26584.06
VAL
Birling Capital Puerto Rico Stock Index Level 5089.28
5089.28
4000.00
VAL
Birling Capital U.S. Bank Index Level 10394.65
10394.65
9000.00
8000.00