

Dow Drops 443.87 Points as Rising Treasury Yields Overpower Inflation Relief; Nasdaq Finishes September Higher

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by Francisco Rodríguez-Castro
frc@birlingcapital.com

The U.S. and European markets ended September confronting a persistent challenge: improving inflation did not eliminate the pressure from elevated borrowing costs. On Wall Street, an early advance faded as Treasury yields climbed, leaving the S&P 500 and Dow lower while the Nasdaq held onto a modest gain. Softer inflation offered encouragement, but resilient growth and continued hiring reinforced concerns that interest rates could remain restrictive.

The session captured the divide that defined September. Technology helped the Nasdaq finish the month higher, while the Dow sustained a pronounced decline. In our view, investors increasingly rewarded earnings potential while remaining cautious about businesses more exposed to rising financing costs.

U.S. Markets

Wall Street ended the final session of September with mixed results as the bond market overwhelmed the initial optimism surrounding cooler inflation. The **S&P 500 fell 0.25% to 7,651.54**, reversing an intraday advance of nearly 0.7%. The **Dow Jones Industrial Average dropped 443.87 points, or 0.86%, to 50,906.05**, while the **Nasdaq Composite gained 0.24% to 26,861.06**.

August's inflation reports initially supported equities. The headline personal consumption expenditures price index increased **3.4% year over year**, down from **3.7% in July** and below expectations. Core PCE, which excluded food and energy, slowed to **3.0% from 3.3%**, providing additional evidence that underlying price pressures had moderated.

However, Treasury yields moved higher as investors weighed that progress against stronger economic activity. The **10-year Treasury yield rose approximately four basis points to 5.298%**, after exceeding **5.3%** during the session. The **30-year yield increased nearly five basis points to 5.642%**. In our view, the bond market's reaction reflected the tension between cooling inflation and resilient demand. The upward revision to second-quarter GDP growth and continued private-sector hiring suggested that the economy retained momentum despite higher financing costs. That strength supported the earnings outlook, but it also limited confidence that monetary policy would become less restrictive soon.

ADP reported **90,000 additional private-sector jobs in September**, exceeding the **68,000 consensus estimate** cited in the latest market update. Attention shifted to Friday's official employment report, with nonfarm payrolls expected to increase by approximately **84,000**, compared with **162,000 in August**.

Interest-rate expectations nevertheless softened. The implied probability of an October quarter-point Fed hike declined to approximately **35% from 51% a day earlier**, although another increase by December remained anticipated. The inflation report reduced the perceived urgency of further tightening without removing that possibility.

September and third-quarter performance highlighted the market's uneven leadership:

- **S&P 500:** Declined **0.5% in September**, but advanced **2.0% in the third quarter**.
- **Nasdaq Composite:** Gained **1.9% in September** and **2.5% in the third quarter**.
- **Dow Jones Industrial Average:** Fell **4.3% in September** and **2.7% in the third quarter**.

As the fourth quarter approached, the central question was whether earnings growth could continue to offset the valuation pressure from elevated Treasury yields. September demonstrated that economic resilience alone was insufficient to lift the entire market.

European Markets

European equities gave up their early gains and closed lower, leaving the broader regional benchmark under pressure for September. Rising global bond yields and higher energy costs complicated the investment outlook, and the Stoxx 600 ended the month facing its first monthly decline in six months.

For European businesses, the central issue remained the interaction between financing costs, energy expenses, and demand. In our view, a sustained improvement in sentiment would require greater stability in those costs alongside evidence that corporate margins could withstand them.

The three indexes we follow closed lower: Stoxx 600, down 3.19 points; FTSE 100, down 30.71 points; and DAX Index, down 260.02 points.

Energy Markets

Oil prices eased in early trading as signs of improving Middle Eastern export flows offered some relief from supply concerns. Diplomatic uncertainty persisted, however, leaving the energy outlook sensitive to developments involving the United States and Iran.

The economic implications extended well beyond gasoline prices. Elevated energy costs affected transportation, manufacturing, agriculture, and household purchasing power. A sustained reduction would help reinforce the improvement in inflation; renewed supply disruptions could undermine it.

Economic & Policy Outlook

Inflation eased while consumer spending remained firm. Headline PCE inflation slowed to 3.4% year over year in August, compared with 3.7% in July, while core inflation eased to 3.0%. Headline prices increased 0.3% during the month, below the 0.4% expectation cited in the morning data.

Revisions to previous months also indicated that inflation had been less pronounced than initially estimated. Meanwhile, real consumer spending increased 0.6% in August, demonstrating that households continued to expand purchases even after adjusting for inflation.

Upward revisions to the household saving rate suggested a larger financial cushion than previously reported. However, aggregate savings figures did not imply that all households had equal capacity to absorb higher borrowing and energy costs.

Private-sector hiring strengthened. ADP reported that employers added 90,000 jobs in September, exceeding expectations for approximately 70,000. The improvement provided another indication that employment continued to support household income and spending.

Attention then shifted to Friday's official employment report. Its payroll, wage, and unemployment figures would provide a broader assessment of labor-market conditions; the ADP release offered useful context but did not determine the government report's outcome.

The Federal Reserve still faced a difficult balance. Slower inflation was welcome, but stronger demand gave policymakers reason to remain cautious. In our view, the latest data reduced concern about an immediate economic slowdown without establishing that inflation had returned to a sustainable path toward the Fed's objective.

The Final Word

Cooling inflation alongside resilient growth offered investors a welcome opening. Sustaining that improvement would require continued progress on prices and relief from elevated borrowing costs. For now, earnings strength remained the market's most important support.

GDPNow Update:

- The GDPNow for the third quarter of 2026 was updated today fell to 3.70%, from 5.00% a 25.99% decrease.

Economic Data:

- **US PCE Price Index YoY:** rose to 3.42%, compared to 3.36% last month.
- **US Core PCE Price Index YoY:** rose to 3.01%, compared to 2.98% last month
- **US Real GDP QoQ:** fell to 2.20%, compared to 2.50% last quarter.
- **US Total Vehicle Sales:** rose to 16.98 million, up from 16.58 million last month, increasing 2.43%
- **US Personal Income MoM:** fell to 0.24%, compared to 0.29% last month.
- **US Personal Spending MoM:** rose to 0.86%, compared to 0.10% last month.
- **US Crude Oil Production:** fell to 413.76 million, down from 426.42 million last month
- **Japan Housing Starts YoY:** fell to 6.14%, compared to 8.19% last month.

Eurozone Summary:

- **Stoxx 600:** closed at 634.89, down 3.19 points or 0.50%.
- **FTSE 100:** closed at 10,606.00, down 30.71 points or 0.29%.
- **DAX Index:** closed at 25,199.19, down 260.02 points or 0.79%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 50,906.05, down 443.87 points or 0.86%.
- **S&P 500:** closed at 7,651.54, down 19.30 points or 0.25%.
- **Nasdaq Composite:** closed at a record 26,861.06, up 63.52 points or 0.24%.
- **Birling Capital Puerto Rico Stock Index:** closed at 4,722.75, down 74.77 points or 1.56%.
- **Birling Capital U.S. Bank Index:** closed at 9,563.98, down 42.42 points or 0.44%.
- **U.S. Treasury 10-year note:** closed at 5.29%.
- **U.S. Treasury 2-year note:** closed at 4.88%.

Atlanta Fed GDPNow: 3Q26 Estimate

September 30: 3.7%

Real GDP growth estimate by model update, Aug. 3 – Sept. 30, 2026

▼ 1.3 pts vs. Sept. 25 ▼ 2.5 pts vs. initial

Labels show each estimate and its % change from the prior update

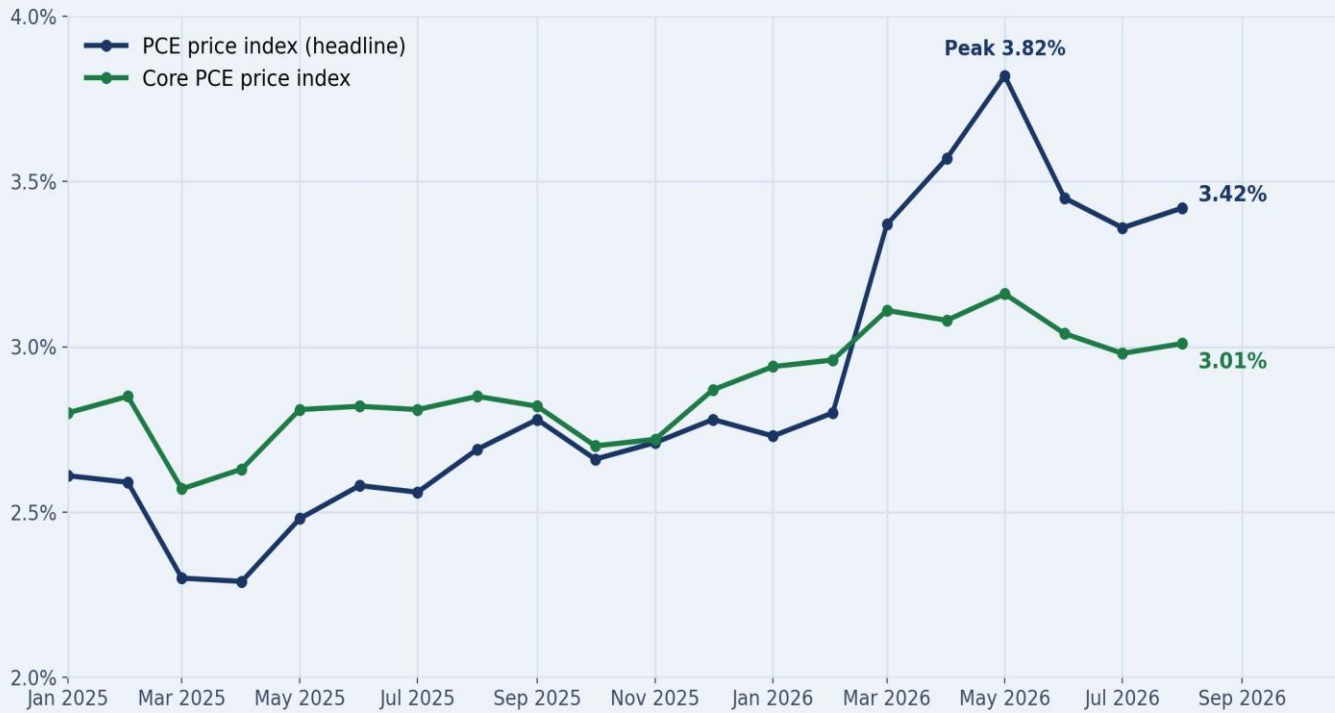


Source: Federal Reserve Bank of Atlanta — Birling Capital Advisors

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US PCE And Core PCE Price Index, Year Over Year

January 2025 to August 2026, percent change from a year earlier

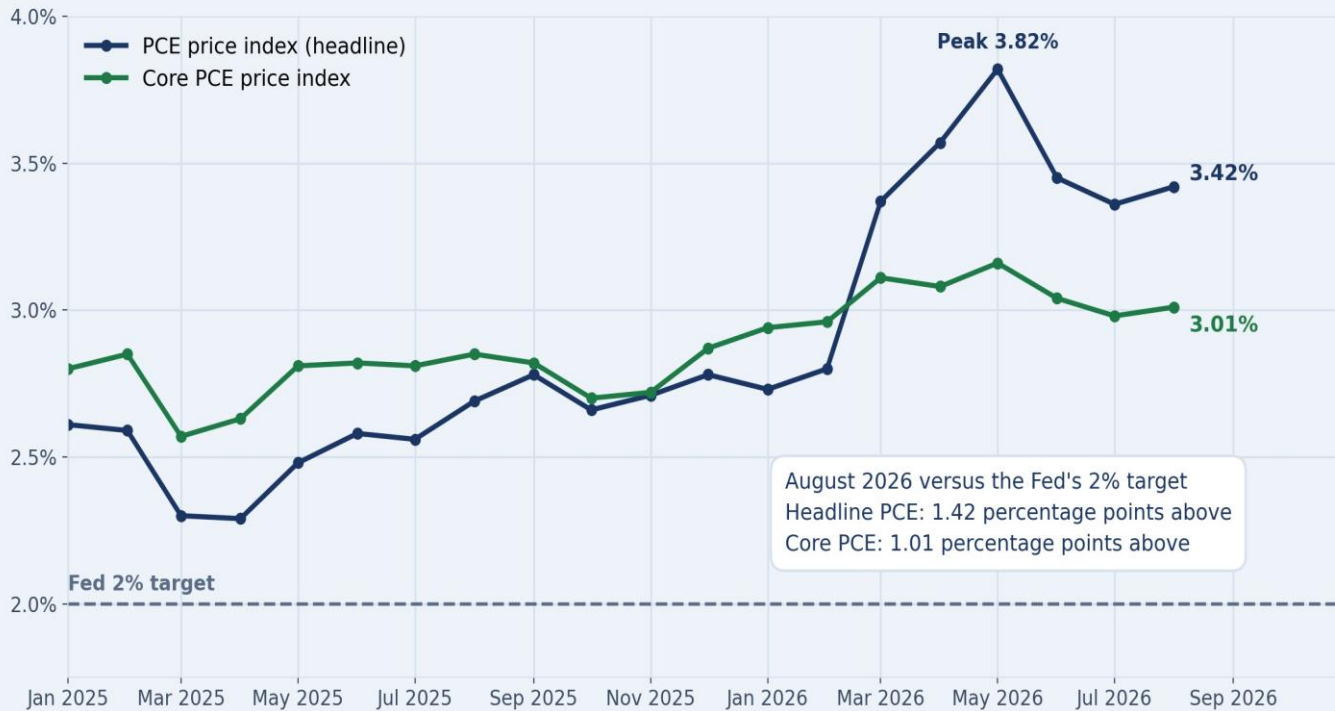


Source: Bureau of Economic Analysis — Birling Capital Advisors

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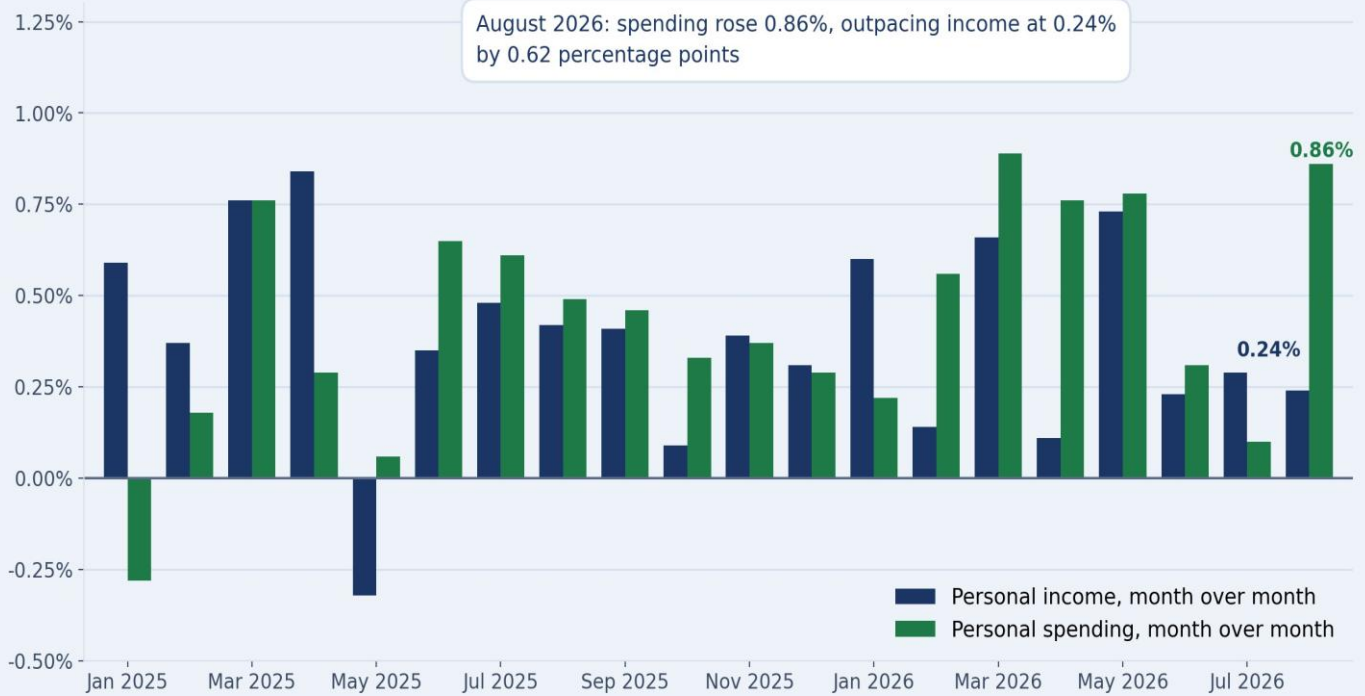


Source: Bureau of Economic Analysis — Birling Capital Advisors

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US Personal Income And Personal Spending, Month Over Month

January 2025 to August 2026, percent change from the prior month

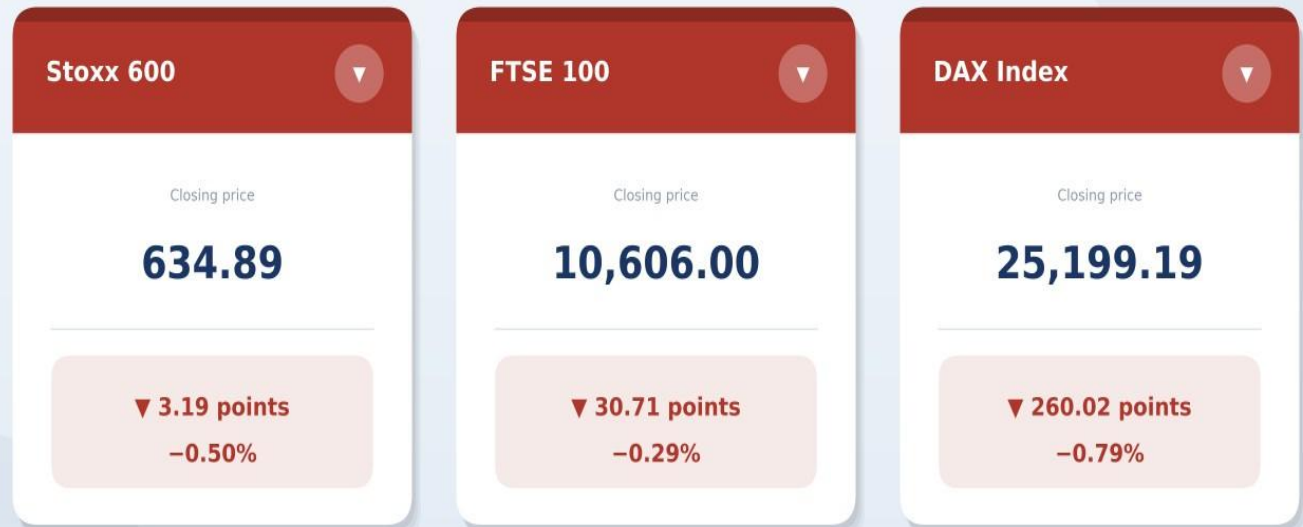


Source: Bureau of Economic Analysis — Birling Capital Advisors

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Eurozone indexes close

Wednesday, September 30, 2026



Source: Bloomberg, LSEG — Birling Capital Advisors

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Wall Street and Birling Capital indexes close

Wednesday, September 30, 2026



Source: Bloomberg, LSEG — Birling Capital Advisors

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Wall Street Recap September 30, 2026



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