

THURSDAY, OCTOBER 15, 2026

2026.10.15

Σ E C O

WALL STREET

# Stocks drop to their worst day since July as inflation worsens

Stock  
buff

Translate

By Stan Choe  
The Associated Press

NEW YORK>> U.S. stocks dropped to their worst day since July on Wednesday following the latest signal that inflation is getting worse.

The S&P 500 sank 1.1% for a fifth loss in the six days since setting its all-time high. The Dow Jones Industrial Average fell 48 points, or 0.1%, and the Nasdaq composite slid 1.9% as stocks in the artificial-intelligence industry led the way lower.

Stocks felt pressure from rising yields in the bond market, where worries grew after a report said U.S. consumers had to pay prices for fuel, food and other costs of living last month that were 3.7% higher overall than a year earlier.

That means inflation accelerated from its 3.4% rate in August and was worse than the 3.6% that economists expected.

Inflation has remained more painful than anyone would like since the economy catapulted out of the crevasse created by the COVID-19 pandemic. It's accelerated recently in part because of jumps in fuel prices caused by the war with Iran, and the price for a barrel of Brent crude added 0.4% Wednesday to \$106.06.

That has added to the longstanding worries about fast-rising debt loads for governments, signals that the U.S. economy is still growing and other factors that have sent bond yields to their highest levels in years.

The centerpiece of the U.S. bond market, the 10-year Treasury, saw its yield briefly jump above 5.32% from less than 5.17% just before the inflation report's release. It eventually gave back much of the gain.

Yields on shorter-term Treasuries had even bigger leaps as traders raised their expectations for coming hikes to interest rates by the Federal Reserve, though they also moderated as the day progressed.

The Fed recently raised the interest rate that it controls, which affects very short-term loans, for the first time in three years in hopes of reining in inflation. Higher rates do that by making it more expensive for everyone to borrow money and slowing the overall economy.

Traders now see a nearly 35% chance the Fed will raise the federal funds rate at its next meeting in two weeks, up from the 22% probability seen a day earlier, according to data from CME Group.

Part of what's keeping inflation high is that Americans overall are continuing to spend, which encourages businesses to keep raising prices for their products and services. As Americans become more "price-sensitive" and the economy also benefits from greater productivity by workers, Vanguard Senior Economist Adam Schickling said inflation should slow, but "patience will be required."

Much of Wall Street's pain on Wednesday was due to drops for companies riding the AI frenzy to huge profit growth and stellar stock gains.

Higher bond yields making borrowing money more expensive could make it more difficult for companies to raise cash to build data centers and fill them with AI chips. Drops of 3.2% for Nvidia, 3.1% for Broadcom and 5.7% for Advanced Micro Devices were among the day's heaviest weights on the S&P 500.