



Oil, Yields Jump as Inflation Looms

In swan-song press conference, Powell warns that prices would likely increase

BY JARED MITOVICH

The Dow Jones Industrial Average slipped, bond yields rose and energy prices touched wartime highs as Jerome Powell took the podium for the last time as Federal Reserve chair and warned that inflation would likely rise in the months to come.

“It hasn’t even peaked yet,” Powell said during a Wednesday afternoon press conference. “There’s headline inflation coming out of the Gulf and we don’t know how much that will be.”

Rising prices top the list of challenges that will confront Kevin Warsh as the nominee to be Powell’s successor advances toward confirmation. A stalemate over access to the Strait of Hormuz, a Persian Gulf waterway through which 20% of the world’s oil passes, has pressured markets, lifted the cost of oil and compelled the Fed to keep interest rates unchanged Wednesday.

The sharp rise in energy prices overshadowed the Fed decision in many parts of the market, after The Wall Street Journal reported that President Trump has told aides to prepare for an extended blockade of Iran. Futures for Brent crude that will change hands in June traded around \$118 a barrel, their highest since March 31 and an eighth consecutive daily increase. They settled up 6.1% at \$118.03 a barrel.

The prospect of energy-driven inflation drove up Treasury yields, which posted most of their climb before Powell took the podium. The yield on the 2-year Treasury—which often rises and falls with investors’ expectations for short-term rates set by the Fed—settled at 3.932%, according to Tradeweb, just shy of its highest this year. The yield on the 10-year note climbed to 4.415%, the highest since the U.S. and Iran struck a shaky cease-fire in early April.

The shock to energy prices is, for now, the main variable affecting the cost of borrowing, said David Krakauer, vice president of portfolio management at Mercer Advisors. Investors have all but given up on any Fed rate cuts this year.

“It all comes back to the Strait of Hormuz,” Krakauer said. “Little by little, week after week, month after month, we certainly expect this to have an impact on the economic numbers coming out and the overall momentum of the economy.”

Major indexes finished mixed, with the Dow industrials losing 0.6%, the S&P 500 slipping less than 0.1% and the Nasdaq composite gaining less than 0.1%, after the Fed’s rate decision revealed deepening divisions at the central bank. Three Fed officials objected to its policy statement on the basis that it suggested that rate cuts were more likely than a rate increase in the months ahead. A fourth official dissented in the opposite direction, backing a rate cut.

With a slate of earnings from tech giants looming after the closing bell, investors wel-

comed strong results from consumer-discretionary companies like **Starbucks** , which rose roughly 8.4% to its best performance since March 2025, and Taco Bell parent

Yum Brands, which added around 2.2%. Traders also piled back into some of the stocks most burned by an OpenAI-driven selloff on Tuesday and lifted **Intel** 12%.

Past performance, however, is no guarantee of future results. Consumer businesses could be dragged down as Americans weather weeks of higher energy costs due to the war in the Middle East.

Powell, who said that he would stay on the Fed past May 15 when his term as chair ends, added that the central bank was well positioned to wait and see how the conflict plays out before shifting monetary policy.

Those fears have led investors to suspend their expectations for rate cuts, which would make it easier for companies to invest and borrow money. As of Wednesday afternoon, traders are now betting that a rate increase is more likely than a cut. They see a nearly 90% chance that the Fed doesn't cut rates at all in 2026, according to CME FedWatch—up from 4% before the conflict began.

“We had a very different mindset back then,” Alicia Fuller, managing director at Steward Partners, whose firm saw “a good backdrop”—though not perfect—for multiple interest-rate cuts heading into 2026.

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