

8-12-25

WALL STREET

Stocks slip as inflation update to come today

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THE ASSOCIATED PRESS

NEW YORK >> U.S. stocks edged back from their record heights on Monday in Wall Street's final moves before an upcoming update on inflation.

The S&P 500 dipped 0.3% after flirting with its all-time high, which was set two weeks ago, earlier in the day. The Dow Jones Industrial Average dropped 200 points, or 0.5%, while the Nasdaq composite shaved 0.3% off its own record.

The highlight of this week for Wall Street will likely arrive today, when the government will report how bad inflation was across the country in July. Economists expect it to show U.S. consumers had to pay prices for groceries, gasoline and other costs of living that were 2.8% higher from a year earlier, a slight acceleration from June's 2.7% inflation.

Inflation has remained above 2%, even if it has improved substantially from its peak above 9% three years ago. And the worry is that President Donald Trump's tariffs could push inflation higher.

That in turn is raising fears about a potential, worst-case scenario called "stagflation" where the economy stagnates but inflation remains high. The Federal Reserve has no good tool to fix both at once, and it would need to concentrate on either the job market or inflation first. But helping one of those areas by moving interest rates would likely hurt the other.

A top Fed official, Michelle Bowman, said on Saturday that she believes the job market is the bigger concern. She is still backing three cuts to interest rates by the Fed this year following this month's stunning, weaker-than-expected report on the U.S. job market. Trump has also been angrily calling for cuts to interest rates to support the economy.

Other Fed officials, led by Chair Jerome Powell, have been more hesitant. Powell has said he wants to wait for more data about how Trump's tariffs are affecting inflation before the Fed makes its next move, and Tuesday's update on the consumer price index may offer a big clue about that.

Strategists at Stifel are warning that stagflation may already be on the way, with spending by U.S. consumers slowing. That in turn could create a reckoning for investors after they sent stock prices soaring to records from their low point in April. In the bond market, the yield on the 10-year Treasury held at 4.27%, where it was late Friday.

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