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Stocks v Bonds

Bond yields move even higher, pull stocks down

Translate

By Stan Choe
The Associated Press

NEW YORK >> Yields in the U.S. bond market cranked higher Monday and again touched their highest levels in roughly two decades, which knocked U.S. stocks further from their record high.

The S&P 500 fell 0.8% and gave back much of its gain from last week, which had brought it to the brink of its all-time high. The Dow Jones Industrial Average dropped 347 points, or 0.7%, and the Nasdaq composite sank 0.9%.

Stocks felt pressure as the yield on the 10-year Treasury briefly topped 5.27% before pulling back to 5.23%, up from 5.17% late Friday. It's back to where it was in 2007, before the financial crisis and Great Recession sent yields toward zero.

The 30-year Treasury yield rose to 5.55% from 5.49% and is back to where it was in 2004.

Treasury yields have been rising for a range of reasons, from worries about inflation to Washington's massive debt load to signs that the U.S. economy remains solid despite its many challenges. That pressures the economy because higher yields make borrowing money more expensive for everyone, while also undercutting prices for stocks and other investments.

Monday's rise in yields followed the latest swings for oil prices, which have been yo-yoing on uncertainty about when the war with Iran will allow tankers to flow freely again through the Strait of Hormuz. That would allow them deliver oil from the Middle East to customers worldwide.

The latest turns came after President Donald Trump said over the weekend he's rejecting an offer from Iran to reopen the Strait of Hormuz and resume talks on its nuclear program.

"I'd like to make a deal, too," Trump said Saturday. "But that deal would not be acceptable."

The price for Brent crude in the most actively traded part of the oil market briefly climbed above \$101 per barrel Monday morning, but it pared its gains as U.S. officials said mediators were still working with Iran and the United States on a deal to end the fighting and open the strait. It settled at \$97.83, up 0.4%.

For all its ups and downs, a barrel of Brent remains much more expensive than the roughly \$72 it cost before the United States and Israel attacked Iran in late February. That has helped worsen inflation, and the average price for a gallon of regular gasoline is up to nearly \$4.48 from \$3.13 a year ago, according to AAA.