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WALL STREET

Markets hit records after update on inflation

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why?

NEW YORK >> U.S. stocks hit records on Friday after an update on inflation came in a bit less painful than feared.

The S&P 500 rose 0.8% and topped its prior all-time high, which was set earlier this month. The Dow Jones Industrial Average rallied 472 points, or 1%, and the Nasdaq composite climbed 1.1%. Both also set records.

The data on inflation is encouraging because it could mean less pain for lower- and middle-income households struggling with still-high increases in prices every month. Even more importantly for Wall Street, it could also clear the way for the Federal Reserve to keep cutting interest rates in hopes of giving a boost to the slowing job market.

The Fed just cut its main interest rate last month for the first time this year, but it's been hesitant to promise more relief because lower rates can make inflation worse, beyond goosing the economy and prices for investments. Following the inflation report, traders continue to bet on a near certainty that the Fed will cut rates at its next two meetings, including one next week.

Stocks had been shaky in recent weeks following a tremendous rally of 35% for the S&P 500 from a low in April. Criticism climbed that stocks became too expensive after their prices rose much faster than corporate profits. Worries also flared about potentially bad loans that banks made following a period of calm that may have encouraged too much risk-taking.

But stocks have rebounded each time, only to push higher. Banks have characterized the industry's hiccups as just a collection of one-offs, while Trump is set to meet China's leader, Xi Jinping, at a conference next week.

And most big U.S. companies are reporting stronger profits for the latest quarter than analysts expected, as is usually the case.

All told, the S&P 500 rose 53.25 points to 6,791.69. The Dow Jones Industrial Average jumped 472.51 to 47,207.12, and the Nasdaq composite climbed 263.07 to 23,204.87.

In the bond market, Treasury yields held relatively steady, as the inflation solidified already high expectations for coming cuts to rates by the Fed. The yield on the 10-year Treasury edged down to 3.99% from 4.01% late Thursday.