

WEEKLY ECONOMIC UPDATE SEPT. 14, 2026

Stocks fell over a shortened trading week as higher oil prices rattled investors.

The Standard & Poor's 500 Index declined 0.80 percent, while the Nasdaq Composite Index edged down 0.66 percent. The Dow Jones Industrial Average fell 1.57 percent. The MSCI EAFE Index, which tracks developed overseas stock markets, skidded 1.39 percent.^{1,2}

Sluggish Start

Stocks fell in response to higher oil prices at Tuesday's opening bell as investors returned from the long Labor Day weekend. Investors kept one eye on diplomatic efforts in the Middle East and another on fresh inflation reports due out later in the week.³

Stocks were under pressure again on Wednesday as oil prices continued climbing. After the Treasury Department announced it was tripling its long-dated debt buyback program (to as much as \$6 billion), the yield on the 10-year Treasury note rose to a 3-year high. Investors continued to fret over inflation as the week progressed, putting further pressure on stocks.^{4,5}

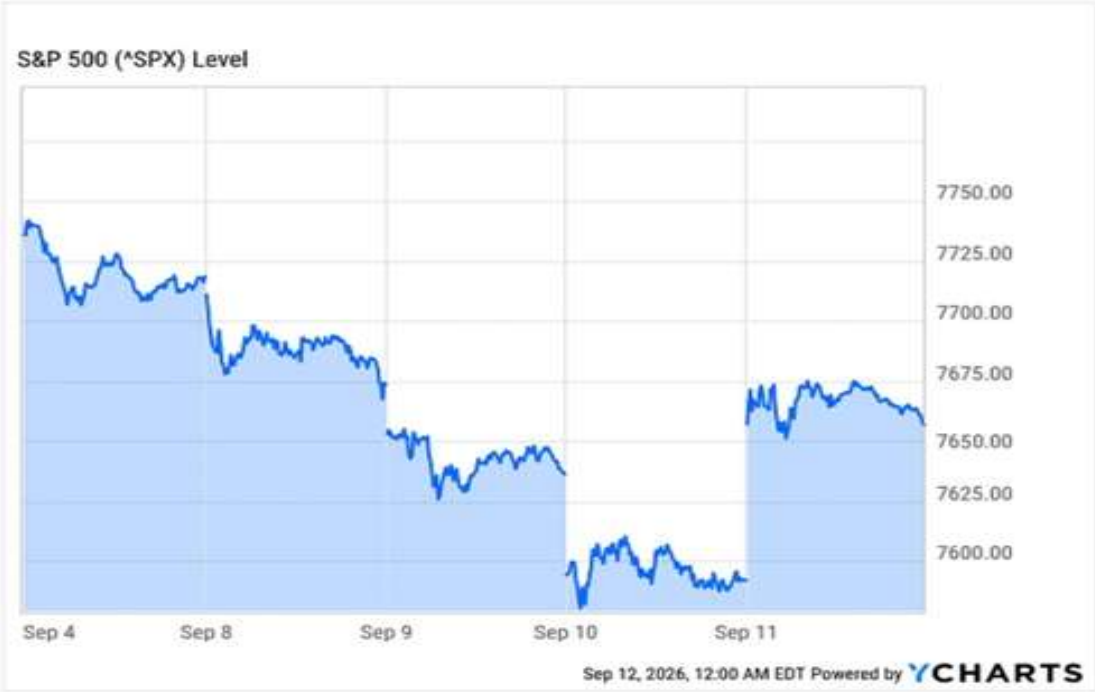
On Friday, stocks rebounded after news that annualized inflation held steady in August, puzzling some who expected stocks to decline. Oil prices fell, and markets rebounded to finish a tough week on an upbeat note.⁶

Weekly Market Insights (WMI)

Major Index Return Summary

Name	1M TR	YTD TR	1Y TR	5Yr TR
MSCI EAFE	-1.49%	12.88%	19.61%	56.65%
Nasdaq Composite	-1.89%	12.69%	19.89%	78.98%
S&P 500	-1.96%	11.80%	17.59%	82.90%
Dow Jones Industrial Average	-3.31%	9.57%	16.32%	65.31%

S&P 500 Daily Close



10-Year Note Review

Indicator Name	Latest Value	1M Ago	1M Change
Date		3M Ago	3M Change
		1Y Ago	1Y Change
10 Year Treasury Rate	4.96%	4.70%	5.53% ▲
09/11/26		4.45%	11.46% ▲
		4.01%	23.69% ▲

Inflation Reports

Wholesale inflation was released on Thursday; PPI, or the Producer Price Index, rose 0.4 percent in August over the prior month, in line with expectations. Stocks were under pressure despite the tame results.⁷

But on Friday, the latest CPI (Consumer Price Index) report showed that year-over-year retail inflation in August held steady at 3.4 percent. Traders appeared to look past the report, with the question shifting from whether the Fed will adjust rates this year to how many times the Fed may need to act.⁸

This Week: Key Economic Data

Tuesday: Federal Open Market Committee (FOMC) Meeting, Day 1.

Wednesday: Federal Open Market Committee (FOMC) Meeting, Day 2. Retail Sales. Import Prices. Manufacturing & Trade Inventories. NAHB Housing Market Index. Fed interest rate decision.

Thursday: Housing Starts. Weekly Jobless Claims. Pending Home Sales.

Friday: Industrial Production. Capacity Utilization. Leading Indicators.

Quote of the Week



"Be careful of reading health books, you may die of a misprint"

—Mark Twain

Of Note



Federal Reserve officials have signaled they're prepared to raise interest rates if inflation doesn't improve soon, but they may find their main policy tool will do little to restrain some of the forces pushing up prices now.

The consumer price index report due Friday is poised to determine whether policymakers will lift rates next week, with officials emphasizing they need reassurance underlying inflation is on track to reach the Fed's 2% goal. Investors are pricing in about 60% odds of a rate hike at the Sept. 15-16 gathering, according to futures contracts. (Amadeus comment - an approximation that restores 1970s-style homeowner costs, today's rate would plausibly be materially higher than headline CPI—potentially high single digits under certain housing assumptions).

“The key drivers of above-trend inflation are the Iran war, tariffs, and the chip shortage. If the Fed hikes one to two times, that is unlikely to change the backdrop one way or the other,” said Stephanie Roth, chief economist at Wolfe Research.

Two big drivers of inflation this year — tariffs and energy prices — tend not to be especially rate sensitive. A third, the AI buildout, doesn't appear to be either given the billions of dollars in investment flowing into the space. Meanwhile, worries about persistent inflation and ballooning government debt have already pushed borrowing costs higher for American households.

The CPI report for August is expected to show that headline inflation rose 0.4% and core inflation rose 0.2% from the prior

month, according to the median forecast in a Bloomberg survey of economists.

Fed officials have been sending mixed signals ahead of the data, with some saying it is time to raise rates while others are hopeful price pressures are abating.

Central banks typically raise interest rates to increase borrowing costs, reduce overall demand and restrain inflation. But higher rates aren't well equipped to address the series of recent supply shocks that have raised prices and reignited inflationary pressures.

The start of the Iran war in February sent global oil prices above \$100 a barrel, raising fuel costs and sending headline inflation higher. Elevated energy prices are one reason the overall August CPI is expected to pick up from a month earlier.

Trade policy created another shock by raising the cost of overseas goods and curtailing their supply. President Trump in April 2025 announced sweeping tariffs, one of several moves to set up trade barriers that have evolved amid a series of court challenges and ongoing negotiations with other nations.

Many Fed officials think the brunt of that impact has already passed, though they are watchful for evidence the price pressures are becoming more broad based — a development that could increase the need for rate hikes.

“The evidence is that the price effects of tariffs have largely passed through inflation, and my earlier worry that higher energy prices would bleed into many goods and services prices hasn't come to pass, at least so far,” Fed Governor Christopher Waller said.

Elevated interest rates are weighing on the housing market, but they're doing little to curb the boom in demand for data centers and key components.

Residential construction employment has been trending lower since September 2024 as high rates and lofty home prices hit sales. But overall construction employment hit a record in August as nonresidential specialty hiring and engineering construction picked up — likely reflecting AI.

Announcements of capital investment, or capex, into data centers continues to soar, potentially totaling \$5.5 trillion by 2030, according to JPMorgan Chase & Co. That AI shock absorber is complicating the Fed's job, economists at Barclays PLC said, by blocking one traditional mechanism for monetary policy: a housing slowdown that triggers construction industry layoffs and ripples through the economy. Back in 2022, home sales nosedived as the Fed raised interest rates. They've been hovering at subdued levels since.

“The economy is much less sensitive to rates than it has been in past cycles,” said Ajay Rajadhyaksha, global chairman of research at Barclays. Analysis by Barclays found that hyperscalers are spending over 90% of their cash flow from operations on AI infrastructure. “They are unlikely to reconsider their spending plans because the cost of financing a data center has risen by 50-75 basis points,” Rajadhyaksha and chief US economist Marc Giannoni wrote in a note.

With many of the recent inflationary drivers showing potentially limited effects from higher rates, Fed officials may have to put more pressure on a component of the economy that is more immediately affected by higher borrowing costs: the consumer.

Households are already feeling the strain as markets push borrowing costs higher even without the Fed raising rates. Yields on 10-year Treasuries recently climbed to their highest level since 2023. At the same time, mortgage rates last week hit a more than one-year high.

At a time when real incomes are flat, a rate increase could “put

downward pressure on discretionary purchases, which will marginally slow growth,” said Christopher Hodge, chief US economist at Natixis.

To be clear, the Fed has a mandate to support jobs and control inflation. With unemployment remaining low, there’s pressure on officials to act on the inflation front, said Hodge, but getting that judgment right is a close call. “The onus is on the inflation data to impress,” he said. “Anything short of another clear signal of progress being made will prompt a hike next week.”¹⁰

Footnotes And Sources

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