Chip Selloff Weighs on Wall Street as Treasury Yields Retreat and Dow Bucks the Trend

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The U.S. and European stock markets ended mostly lower Monday as a broad selloff in semiconductor and technology shares outweighed relief from falling Treasury yields. The S&P 500 declined 0.28%, and the Nasdaq Composite fell 0.76%, pressured by losses across chipmakers and AI-related technology companies, while the Dow Jones Industrial Average bucked the trend with a 0.26% gain. Treasury yields retreated following reports that the Treasury Department could use its General Account to help finance expanded government debt buybacks, pushing the 10-year yield down to approximately 4.69% and the 30-year yield down to 5.216%. Investors also confronted another escalation in U.S.-Canada trade tensions after President Donald Trump announced that tariffs on Canadian automobiles, trucks, automotive parts, and steel would rise to 50% beginning January 1, 2027. With NVIDIA earnings, July PCE inflation, and Federal Reserve Chair Kevin Warsh's Jackson Hole address all ahead, markets began the week cautiously as investors weighed whether earnings growth and easing bond yields could overcome persistent inflation, trade, and geopolitical risks.

U.S. Markets

Wall Street began the week with a sharp divergence between technology shares and the broader industrial market as semiconductor weakness pulled the S&P 500 and Nasdaq lower while the Dow managed to advance.

The S&P 500 fell 0.28% to close at 7,652.96, while the Nasdaq Composite declined 0.76% to 25,980.19. The Dow Jones Industrial Average gained 139.98 points, or 0.26%, finishing at 53,416.99.

Semiconductors were at the center of Monday's decline. Micron Technology fell more than 5%, Advanced Micro Devices retreated approximately 3%, and Broadcom declined about 2%, helping push the iShares Semiconductor ETF (SOXX) down roughly 2%. Weakness extended across the technology supply chain, with Coherent and Lumentum losing approximately 4% each, Corning declining 3%, and Sandisk and Seagate Technology falling about 6%.

The pullback comes at a particularly important moment for the AI trade. NVIDIA reports earnings Wednesday, followed by Marvell Technology on Thursday, giving investors another opportunity to evaluate whether the extraordinary capital spending behind artificial intelligence continues to translate into the revenue and earnings growth necessary to support elevated technology valuations.

The bond market offered equities some relief. The 10-year Treasury yield fell more than four basis points to approximately 4.69%, while the 30-year yield declined six basis points to 5.216%, retreating from last week's levels above 5.30% that had not been seen in nearly two decades.

The decline followed reports that the Treasury Department could potentially use funds from the Treasury General Account to support expanded repurchases of outstanding government debt. Treasury Secretary Scott Bessent indicated last week that planned buybacks of longer-dated Treasuries could ultimately exceed the previously announced $4 billion level.

While expanded buybacks may improve liquidity and reduce some of the pressure on the long end of the yield curve, the underlying drivers of higher global interest rates remain firmly in place.

Government borrowing requirements, persistent inflation concerns, elevated energy prices, and geopolitical uncertainty have pushed sovereign yields higher not only in the United States but also across Japan and Europe.

Trade policy added another complication Monday. President Donald Trump announced that U.S. tariffs on Canadian cars, trucks, automotive parts, and steel would increase to 50% effective January 1, 2027, further escalating tensions between two of the world's most deeply integrated trading partners. The announcement creates another source of uncertainty for North American manufacturers and could increase costs across automotive and industrial supply chains.

Away from technology, homebuilder PulteGroup gained nearly 1% after Wolfe Research upgraded the stock to Outperform from Peer Perform and established a $158 price target. The firm cited PulteGroup's increasing shift toward built-to-order construction, which it expects could provide an approximately 50-basis-point tailwind to gross margins over time.

The market now turns toward three major catalysts. July's Personal Consumption Expenditures Price Index will provide the next important reading on inflation Wednesday, NVIDIA's results that evening will test the durability of the AI investment cycle, and Federal Reserve Chair Kevin Warsh's Jackson Hole speech Friday could provide critical guidance on how the Fed intends to balance persistent inflation against elevated long-term borrowing costs.

For investors, the central question has not changed: whether earnings growth can remain strong enough to compensate for structurally higher interest rates. Monday's trading offered a reminder that, even when Treasury yields retreat, the market's most richly valued sectors remain vulnerable whenever expectations run ahead of fundamentals.

European Markets

European equities traded cautiously on Monday as investors assessed the renewed deterioration in global trade relations, developments in the Middle East, and a retreat in global bond yields. The three indexes we follow closed mixed: Stoxx 600, up 0.03 points; FTSE 100, up 37.76 points; and DAX Index, down 29.96 points. The breakdown in negotiations between the United States and Canada reinforced concerns that trade policy could once again become a significant source of volatility for global markets. European companies with substantial North American manufacturing and supply-chain exposure were particularly sensitive to the escalation, especially as Washington threatened additional measures affecting Canadian automobiles, trucks, and automotive components. Lower U.S. Treasury yields provided some support to global risk assets, but the combination of trade uncertainty, elevated geopolitical tensions, and weakness across technology shares kept investors defensive.

Energy Markets

Oil prices moved lower despite the prospect of intensified U.S. economic pressure on Iran. WTI crude fell approximately 1.7% to around $85.50 per barrel as traders weighed the potential impact of additional sanctions against broader concerns surrounding global demand.

The divergence between falling crude prices and rising geopolitical tensions is notable. Markets appear, for now, to believe that additional economic pressure on Iran will not immediately translate into a significant disruption of physical oil supplies.

That assumption remains vulnerable to change. Any meaningful disruption involving Iranian exports, shipping activity or the Strait of Hormuz could quickly restore a geopolitical risk premium to crude prices.

Gold, meanwhile, advanced to its highest level in approximately three months, benefiting from lower Treasury yields, a softer U.S. dollar, and increased demand for defensive assets.

Economic & Policy Outlook

Treasury's $950 Billion Question: Can Buybacks Tame Long-Term Yields?

The Treasury market received some relief Monday following last week's selloff. Still, the more important development was the possibility that the Treasury Department could tap its approximately $950 billion General Account to support expanded bond buybacks.

The TGA effectively functions as the federal government's operating account at the Federal Reserve. Using part of that liquidity to purchase outstanding Treasury securities could provide additional support to market functioning without requiring direct Federal Reserve intervention.

However, the distinction between improving Treasury-market liquidity and fundamentally lowering long-term interest rates is important.

Buybacks can improve liquidity, reduce dislocations among older Treasury issues, and potentially temper volatility. They cannot, by themselves, eliminate the underlying forces keeping long-term yields elevated.

Those forces include persistent inflation concerns, geopolitically driven energy risks, uncertainty surrounding the Federal Reserve's policy trajectory, resilient nominal economic growth, substantial AI-related capital expenditures and the expanding supply of public- and private-sector debt.

In our view, Treasury intervention can influence market mechanics. Still, the direction of long-term yields will ultimately be determined by inflation, economic growth, fiscal expectations, and the supply-and-demand balance for U.S. debt.

Higher Yields Remain a Constraint, Not Yet a Crisis

Despite the recent increase in Treasury yields, we do not believe current levels represent a material threat to the U.S. economy, corporate earnings or the broader equity market.

The 10-year Treasury yield approached 5% in 2023 and has remained within a relatively broad range since then. More importantly, nominal U.S. GDP growth remains around 6.5%, giving the economy considerably more capacity to absorb elevated interest rates than in a weak-growth environment.

For equities, the principal consequence of higher yields is increasingly a valuation constraint rather than an immediate earnings problem. Valuation multiples have already compressed in 2026, making corporate earnings growth increasingly important to sustaining the market advance.

That makes NVIDIA's Wednesday report particularly consequential. Investors will be looking beyond headline earnings toward data-center demand, hyperscaler capital expenditures, margins, order visibility, and management's outlook for AI infrastructure spending. A strong report could reinforce confidence that earnings growth can continue to offset higher discount rates. A disappointment could intensify the market's reassessment of technology valuations.

The second major test comes from Jackson Hole, where Federal Reserve Chair Kevin Warsh will have an opportunity to clarify how policymakers view the balance between persistent above-target inflation, resilient economic activity, and the appropriate path for interest rates.

The Final Word

Markets enter the final week of August facing an unusual combination of powerful crosscurrents: Treasury intervention, elevated long-term yields, an escalating U.S.-Canada trade dispute, renewed economic pressure on Iran, and a critical test of the AI investment cycle from NVIDIA.

The decline in Treasury yields provides some breathing room, but buybacks cannot substitute for fiscal discipline or lower inflation. Ultimately, earnings must justify valuations, and economic growth must justify interest rates.

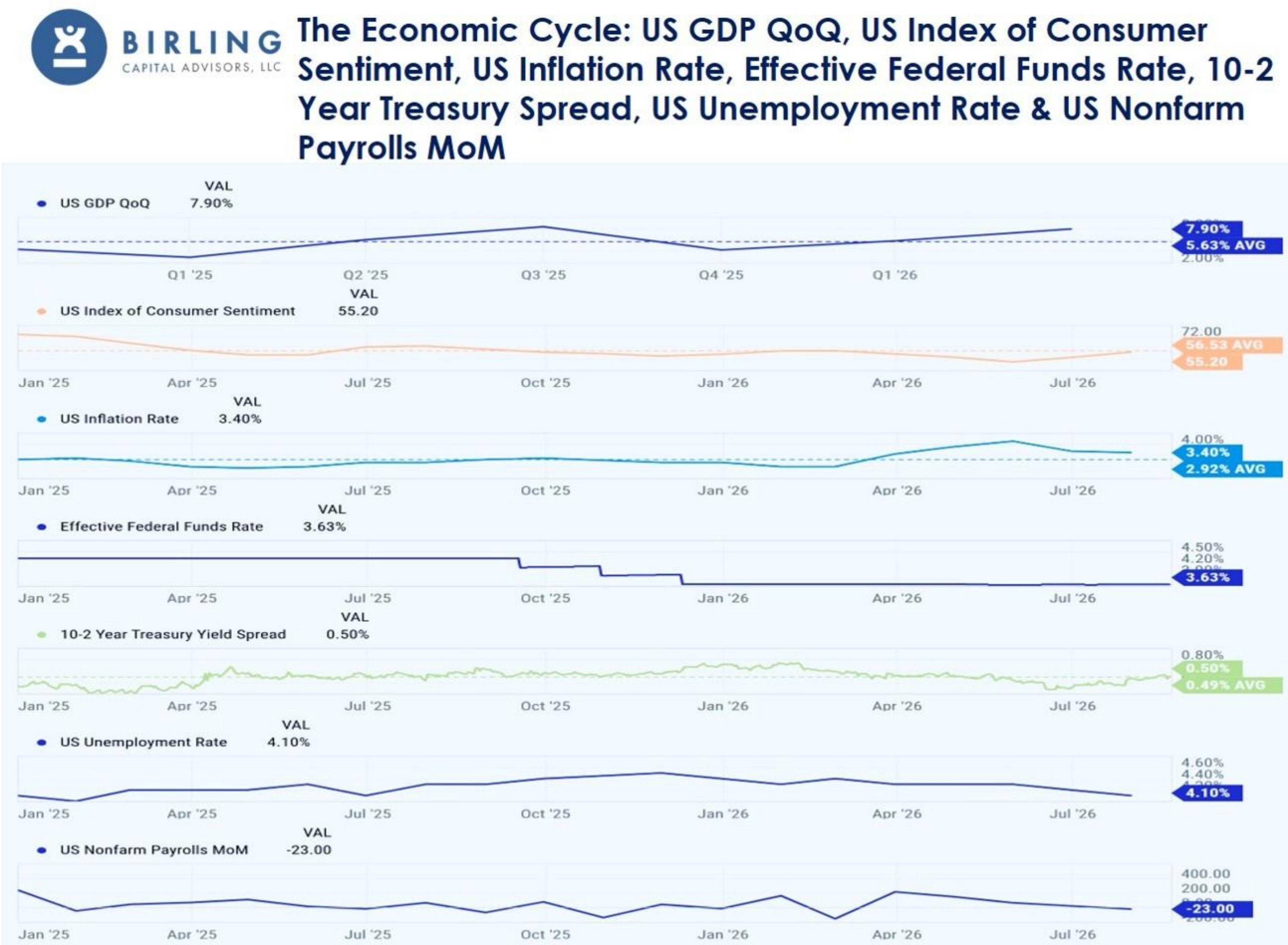
This week, NVIDIA and Jackson Hole will put both propositions to the test.

Eurozone Summary:

- **Stoxx 600: closed at 654.21, up 0.03 points or 0.00%.**
- **FTSE 100: closed at 10,854.32, up 37.76 points or 0.35%.**
- **DAX Index: closed at 26,106.60, down 29.96 points or 0.11%.**

Wall Street Summary:

- **Dow Jones Industrial Average: closed at 53,417.16, up 140. 15 points or 0.26%**
- **S&P 500: closed at 7,652.86, down 21.51 points or 0.28%**
- **Nasdaq Composite: closed at 25,980.19, down 200.26 points or 0.77%**
- **Birling Capital Puerto Rico Stock Index: closed at 5,055.85, up 37.98 points or 0.76%**
- **Birling Capital U.S. Bank Index: closed at 10,272.96, up 141.45 points or 1.40%**
- **U.S. Treasury 10-year note: closed at 4.70%.**
- **U.S. Treasury 2-year note: closed at 4.24%.**



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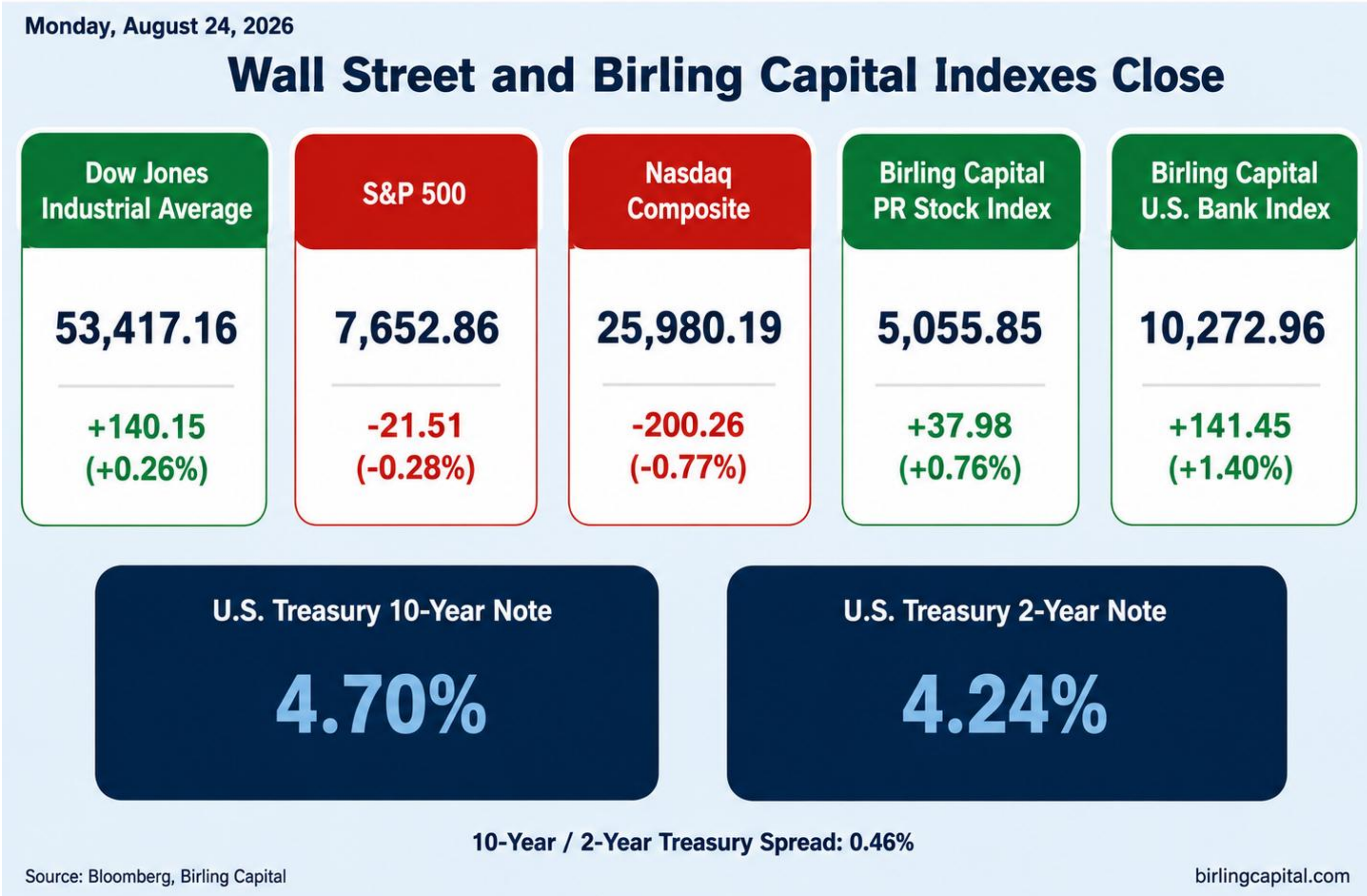
Eurozone markets close

Monday, August 24, 2026

Stoxx 600	FTSE 100	DAX Index
654.21	10,854.32	26,106.60
+0.03 (+0.00%)	+37.76 (+0.35%)	-29.96 (-0.11%)

Source: Bloomberg, Birling Capital

birlingcapital.com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Wall Street and Birling Capital Indexes Close
Dow Jones Industrial Average
53,417.16
+140.15 (+0.26%)
S&P 500
7,652.86
-21.51 (-0.28%)
Nasdaq Composite
25,980.19
-200.26 (-0.77%)
Birling Capital PR Stock Index
5,055.85
+37.98 (+0.76%)
Birling Capital U.S. Bank Index
10,272.96
+141.45 (+1.40%)
U.S. Treasury 10-Year Note
4.70%
U.S. Treasury 2-Year Note
4.24%
10-Year / 2-Year Treasury Spread: 0.46%
Source: Bloomberg, Birling Capital
birlingcapital.com

Wall Street Recap
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