Stocks tumble as Dow falls 1,153.18 points, bond market signals Fed risk falling behind on inflation

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The US and European Stock markets tumbled Wednesday after the Federal Reserve held interest rates steady, and the bond market responded as if the central bank were losing the inflation fight. The Dow Jones Industrial Average dropped 1,153.18 points, its worst session since April 2025; the S&P 500 slid 1.52%, and the Nasdaq Composite fell 1.74%. The 10-year Treasury yield jumped 6 basis points to above 4.67%, while the 30-year yield surged 11 basis points to above 5.20%, near multiyear highs. This reaction suggests bond investors weren't convinced by Fed Chair Kevin Warsh's hawkish tone at the press conference, even after three officials pushed for a hike. DoubleLine's Jeffrey Gundlach argued on CNBC that reaching the Fed's 2% target requires actually raising rates, not just talking tough, framing the post-meeting yield spike as "bond market vigilantes" testing Warsh's resolve.

Adding to the inflation picture, oil extended its climb after President Trump said the U.S. would hit Iran "hard" in response to the overnight attacks on American forces, with WTI crude advancing more than 7% to trade above $90 a barrel. European markets closed mixed as the same forces weighed on sentiment into the close.

U.S. Markets

Equities sold off sharply as the Fed's decision to hold rates — rather than the hold itself — became the story. Markets had priced in a pause, but the bond market's violent reaction argued that policymakers may be behind the curve on inflation, especially with oil now surging past $90 on renewed Iran tensions. Warsh, delivering his statement without prior forward guidance, said the Committee's decisions carry real weight and that it would act when necessary — language the bond market did not find reassuring given the scale of the yield move that followed. Semiconductors extended their losing streak to a fifth straight session, with the iShares Semiconductor ETF down nearly 3%; Micron fell 9%, KLA dropped more than 9%, and AMD slipped over 4%, as anxiety over AI capital-spending returns compounded worries about rising Chinese competition. The combination of a hawkish-hold Fed, a jump in long-end yields, and a fresh leg higher in oil left little room for the broader market to shrug off the semiconductor rout, and the Dow's 2.1% decline marked its worst day since April 2025.

European Markets

European markets closed mixed Wednesday as the overnight escalation in the Middle East interrupted the region's two-session advance. The Stoxx 600 slipped modestly, giving back a small part of its recent gains as energy-driven inflation concerns weighed on sentiment, while the FTSE 100 outperformed on strength in its heavily weighted energy and mining components, benefiting directly from the jump in oil prices. The DAX was essentially flat, holding just below the unchanged mark as exporters and industrials balanced resilient earnings against renewed geopolitical risk. Overall, the region's move was far more contained than the volatility seen on Wall Street, with investors still positioning ahead of the Fed decision and tonight's Microsoft and Meta results.

Energy Markets

Oil extended its advance through the close Wednesday after Iran's missile strike on the U.S. base in Jordan and President Trump's warning that the U.S. would hit Iran "hard" in response, snapping the pullback that had taken crude lower through most of the week on hopes for a diplomatic breakthrough over the Strait of Hormuz. WTI crude advanced more than 7% to trade above $90 a barrel, a sharper and more sustained move than the morning's roughly 6% gain suggested, while still below last week's highs but sharply above the low-$70s seen at the end of June. The scale of the move helped drive the broader risk-off tone into the close: rather than simply lifting energy stocks while the rest of the market held up, today's oil spike combined with the bond market's reaction to the Fed decision to pull Treasury yields sharply higher underscoring how sensitive markets remain to the pace of Middle East escalation, even after weeks of choppy de-risking.

Economic & Policy Outlook

The Federal Reserve held its rate decision this afternoon, with the FOMC voting 9–3 to maintain the federal funds target range at 3.50%–3.75%, confirming the hawkish hold we flagged heading into the meeting. Beth Hammack, Neel Kashkari, and Lorie Logan dissented in favor of a quarter-point hike, underscoring the inflation-focused wing's discomfort while holding steady while price pressures remain above target. The Committee's statement struck a measured tone: economic activity is expanding at a solid pace, productivity growth and capital investment remain strong, and job gains have kept pace with the workforce, with the unemployment rate little changed. On inflation, the Committee explicitly cited supply shocks—including those in energy—as a driver of price increases still running above its 2% goal, language that lines up with today's sharp oil move following the Iran-Jordan strike. With three dissents already on board favoring a hike, September remains a live meeting, and today's statement does little to rule out a further hawkish shift if energy prices and geopolitical tensions continue to build. Chair Kevin Warsh's press conference should offer more color on how the Committee is weighing that risk.

Puerto Rico Banks Lead on Capital Strength

The chart below compares Q2 2026 Tier 1 capital ratios across ten globally systemic and Puerto Rico banks, and the dashboard that follows breaks out each institution's full quarter — revenue, net income, EPS, price target, and Tier 1 ratio side by side. Together they show Puerto Rico's institutions sitting at the very top of the group: First BanCorp (16.96%), Popular (16.08%), and OFG Bancorp (14.07%) all posted stronger capital cushions than money-center peers JPMorgan Chase (14.10%), Citigroup (12.80%), Bank of America (11.20%), and Wells Fargo (10.30%), as well as UBS (14.40%), as shown in the ranked bar chart below. All ten institutions remain well above the 6.0% regulatory minimum marked on the chart, but the spread is notable — First BanCorp's 16.96% ratio is more than 6.5 percentage points above Wells Fargo's 10.30%. The dashboard below adds the context of the earnings behind those capital positions: Puerto Rico's three publicly traded banks combined strong profitability with meaningfully more capital buffer relative to risk-weighted assets than several of Wall Street's largest firms. For a banking sector still closely watched for its resilience since the PROMESA era, that combination is worth flagging as a structural advantage heading into the back half of 2026.

The Final Word

Wednesday made clear that markets are no longer willing to give the Fed the benefit of the doubt on inflation. The Dow's 1,153.18-point decline — its worst session since April 2025 — wasn't really about the Fed holding rates, which was the expected outcome; it was about the bond market's verdict that a hawkish hold isn't enough given oil's surge back above $90 and the widening war in the Middle East. When the 10-year and 30-year yields jump the way they did today, right after **a Fed chair insists the Committee will act "where necessary and appropriate," the message from bond investors is that rhetoric alone won't cut it**. Semiconductors extended their losing streak to a fifth session, and this time the broader market didn't shrug it off — financials, energy, and healthcare weren't enough to offset the combination of higher yields, higher oil, and renewed doubt about the Fed's inflation resolve. Microsoft and Meta report after tonight's close, followed by Apple and Amazon tomorrow, and those results now carry extra weight: with the macro backdrop deteriorating, the market has even less room for disappointing AI monetization numbers than it did this morning.

Corporate Earnings Parade:

- **UBS Group AG (UBS):** reported earnings for the second quarter of 2026 with revenues of $13,700 billion, up 13.11%, with Net Income of $2,800 billion, up 16.91%, and Earnings Per Share of $0.87. UBS has a Stock Price Target of $52.20 and a Tier 1 Capital Ratio of 14.40%. Check our report on UBS: UBS Overview

Economic Data:

- **Target Federal Funds Rate Upper Limit:** is Unchanged at 3.75%, compared to 3.75% yesterday.
- **Japan Consumer Confidence Index:** rose to 33.80, up from 33.60 last month.

Eurozone Summary:

- **Stoxx 600:** closed at 645.01, down 1.88 points or 0.29%.
- **FTSE 100:** closed at 10,908.41, up 37.39 points or 0.34%.
- **DAX Index:** closed at 25,460.48, down 3.53 points or 0.01%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 51,594.14, down 1,153.18 points or 2.19%.
- **S&P 500:** closed at 7,316.15, down 112.63 points or 1.52%.
- **Nasdaq Composite:** closed at 24,442.94, down 433.97 points or 1.74%.
- **Birling Capital Puerto Rico Stock Index:** closed at 5,207.71, up 98.15 points or 1.92%
- **Birling Capital U.S. Bank Index**: closed at 10,340.25, down 43.69 points or 0.42%
- **U.S. Treasury 10-year note:** closed at 4.67%.
- **U.S. Treasury 2-year note:** closed at 4.22%.

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Globally Systemic Banks Vs Puerto Rico Banks

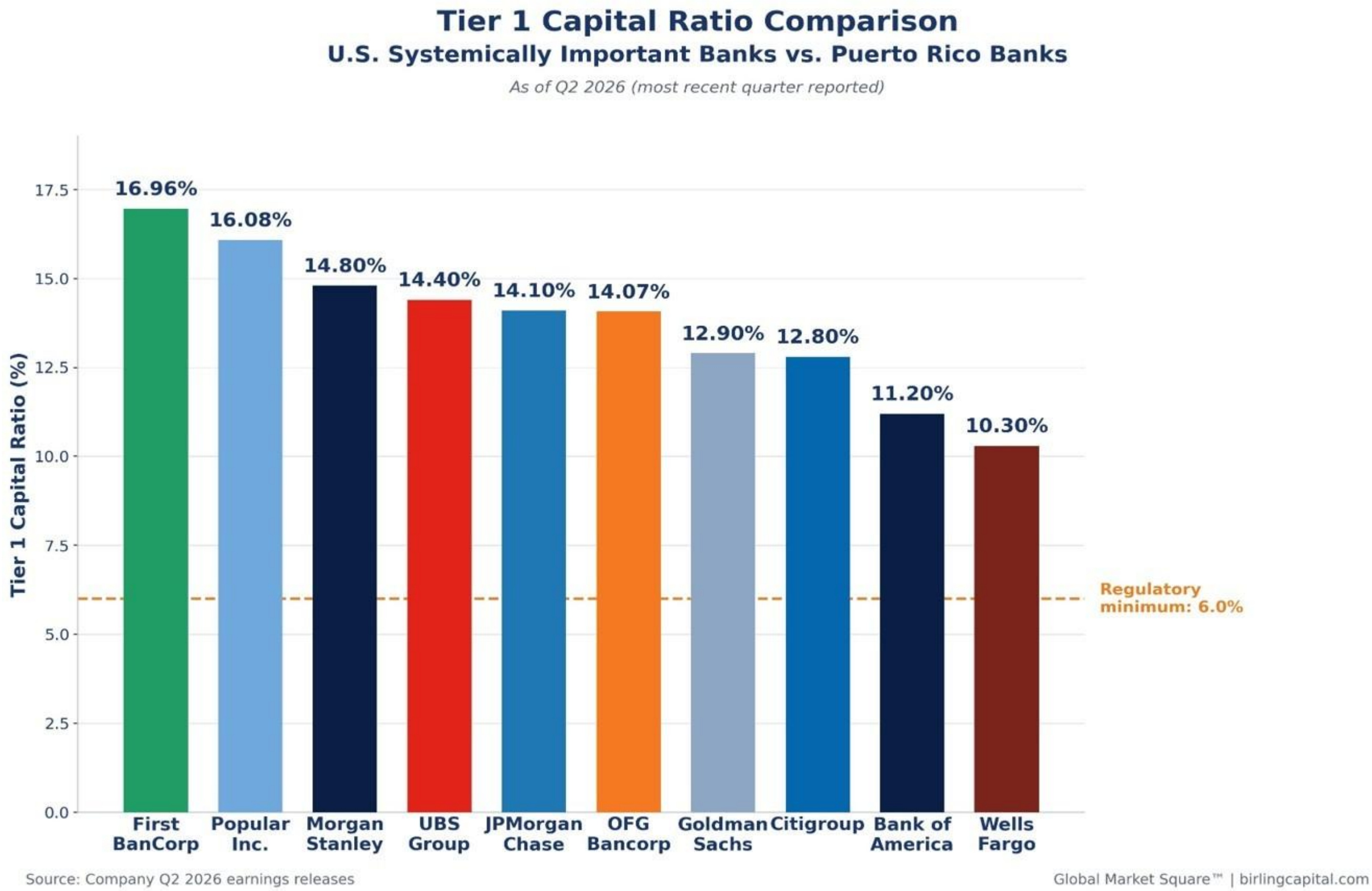
Q2 2026 Bank Earnings Dashboard

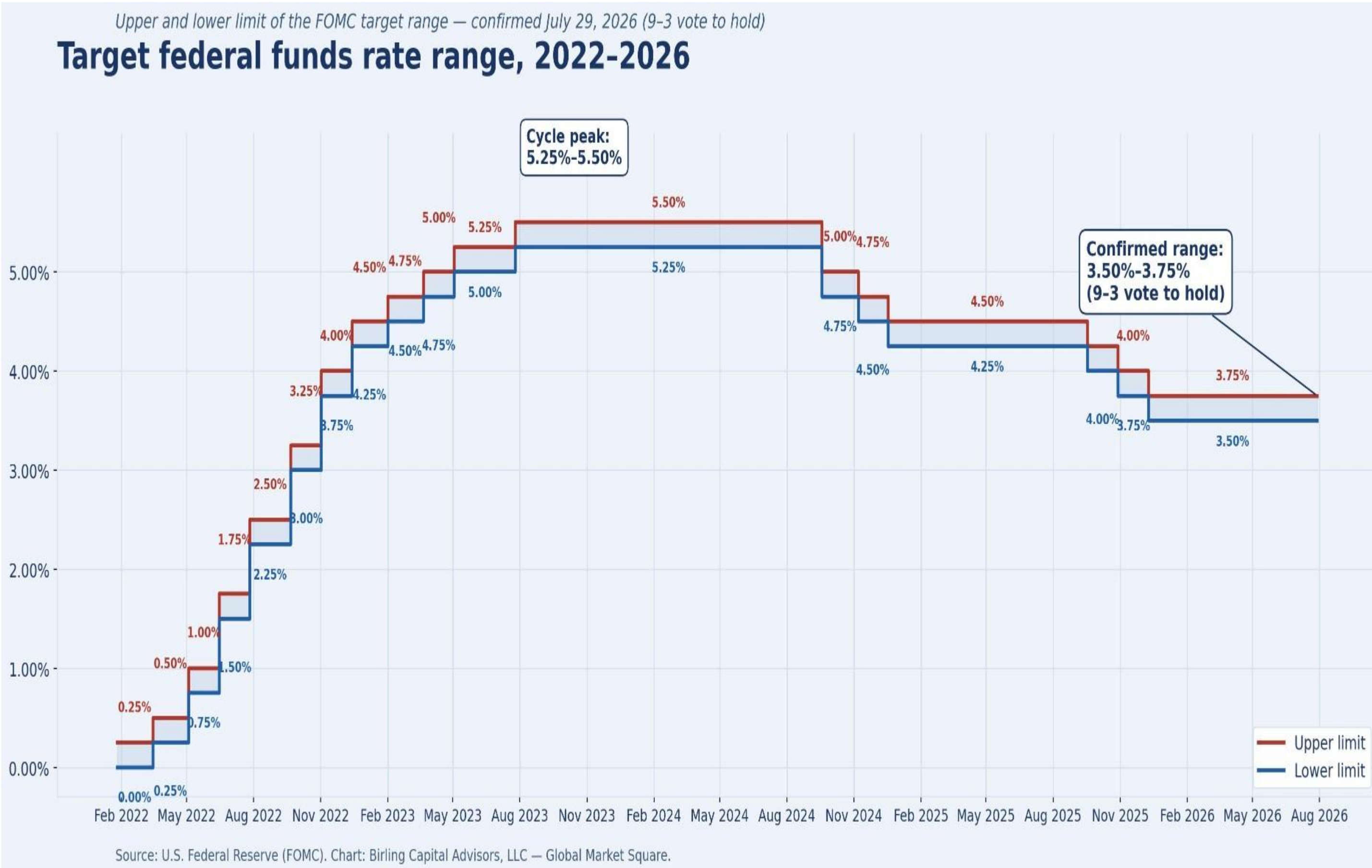
U.S. money-center banks, UBS, and Puerto Rico banks — ranked by Tier 1 capital ratio

	First BanCorp (FBP)	Popular, Inc. (BPOP)	Morgan Stanley (MS)	UBS Group AG (UBS)	JPMorgan Chase (JPM)
Revenue	$264.9M	$846.9M	$21.3B	$13,700B	$58.0B
Net Income	$96.2M	$278.0M	$5.6B	$2,800B	$21.2B
EPS	$0.62	$4.35	$3.46	$0.87	$7.70
Price Target	$28.86	$196.00	$258.00	$52.20	$344.39
Tier 1 Ratio	16.96%	16.08%	14.80%	14.40%	14.10%

	OFG Bancorp (OFG)	Goldman Sachs (GS)	Citigroup (C)	Bank of America (BAC)	Wells Fargo (WFC)
Revenue	$190.3M	$20.3B	$24.8B	$31.6B	$22.6B
Net Income	$58.8M	$6.4B	$5.8B	$9.1B	$6.4B
EPS	$1.39	$20.98	$3.15	$1.21	$2.00
Price Target	$51.00	$1,148.00	$150.48	$62.50	$97.75
Tier 1 Ratio	14.07%	12.90%	12.80%	11.20%	10.30%

Source: Company Q2 2026 earnings releases; analyst price targets per consensus estimates as of late July 2026. Chart: Birling Capital Advisors, LLC — Global Market Square.


Tier 1 Capital Ratio Comparison
U.S. Systemically Important Banks vs. Puerto Rico Banks
As of Q2 2026 (most recent quarter reported)
Tier 1 Capital Ratio (%)
17.5
15.0
12.5
10.0
7.5
5.0
2.5
0.0
16.96%
16.08%
14.80%
14.40%
14.10%
14.07%
12.90%
12.80%
11.20%
10.30%
Regulatory minimum: 6.0%
First BanCorp
Popular Inc.
Morgan Stanley
UBS Group
JPMorgan Chase
OFG Bancorp
Goldman Sachs
Citigroup
Bank of America
Wells Fargo
Source: Company Q2 2026 earnings releases
Global Market Square™ | birlingcapital.com


Upper and lower limit of the FOMC target range — confirmed July 29, 2026 (9–3 vote to hold)
Target federal funds rate range, 2022-2026
Cycle peak:
5.25%-5.50%
Confirmed range:
3.50%-3.75%
(9-3 vote to hold)
0.00%
1.00%
2.00%
3.00%
4.00%
5.00%
Feb 2022
May 2022
Aug 2022
Nov 2022
Feb 2023
May 2023
Aug 2023
Nov 2023
Feb 2024
May 2024
Aug 2024
Nov 2024
Feb 2025
May 2025
Aug 2025
Nov 2025
Feb 2026
May 2026
Aug 2026
Upper limit
Lower limit
Source: U.S. Federal Reserve (FOMC). Chart: Birling Capital Advisors, LLC — Global Market Square.

Eurozone Summary Close

Wednesday, July 29, 2026

Stoxx 600	FTSE 100	DAX Index
645.01	10,908.41	25,460.48
▼ 1.88 pts | 0.29%	▲ 37.39 pts | 0.34%	▼ 3.53 pts | 0.01%

Source: Bloomberg. Chart: Birling Capital Advisors, LLC — Global Market Square.

Wall Street and Birling Capital Indexes Close

Wednesday, July 29, 2026

Dow Jones Industrial Average	S&P 500	Nasdaq Composite	Birling Capital Puerto Rico Stock Index	Birling Capital U.S. Bank Index
51,594.14	7,316.15	24,442.94	5,207.71	10,340.25
▼ -1,152.18 pts	▼ -112.63 pts	▼ -433.97 pts	▲ +98.15 pts	▼ -43.69 pts
-2.19%	-1.52%	-1.74%	+1.92%	-0.42%

U.S. Treasury 10-Year Note

4.67%

U.S. Treasury 2-Year Note

4.22%

Source: Bloomberg. Chart: Birling Capital Advisors, LLC — Global Market Square.

Wall Street Recap

July 29, 2026

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