Wall Street falls as hot inflation and an AI selloff hit stocks; Bank of America sinks on a revenue miss and $1.2 billion in penalties

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The U.S. and European stock markets moved in opposite directions on Wednesday. Wall Street fell as hotter-than-expected September inflation data and a selloff in artificial-intelligence stocks hit the major averages, while European stocks closed higher. The S&P 500 lost 1.11% to 7,718.94, and the Nasdaq Composite dropped 1.88% to 26,692.87. The Dow Jones Industrial Average slipped only 0.09% to 51,621.48. The annual inflation rate came in at 3.7%, above the 3.6% economists expected, and core prices also rose faster than forecast, so traders now see the Fed as in play for December. Bank of America fell almost 5% after a revenue miss and more than $1.2 billion in federal penalties.

U.S. Markets

Stocks fell on Wednesday as two worries arrived at once: inflation that is running hotter than expected and doubts about how the artificial-intelligence boom is being financed. The S&P 500 fell 1.11%, or 86.51 points, to 7,718.94, and the Nasdaq Composite dropped 1.88%, or 511.51 points, to 26,692.87. The Dow Jones Industrial Average held up better, slipping 48.62 points, or 0.09%, to 51,621.48, as gains in UnitedHealth and Amgen offset weakness elsewhere.

The inflation report set the tone. Consumer prices rose 0.6% in September, as expected, but the 3.7% annual gain topped the 3.6% forecast. Core prices, which leave out food and energy, rose 0.3% on the month and 2.6% on the year, both a little above the 0.2% and 2.5% economists had predicted. One strategist said the data puts the Fed in play for December but argued that much of the inflation is already priced in and may prove temporary.

The sharper damage came from technology. Investors grew more worried that companies outside the largest tech names are borrowing too heavily to pay for the AI buildout. CoreWeave plunged more than 15% and Oracle fell almost 9%. Chip stocks extended their recent slide. Micron Technology fell 4% after a drop of more than 3% a day earlier, Advanced Micro Devices and Sandisk each lost more than 5%, and Intel fell 4%.

Bank of America fell almost 5% after its third-quarter revenue missed expectations. The bank also faces more than $1.2 billion in federal penalties, with regulators saying it failed to report more than $5 billion in suspicious transactions. Morgan Stanley beat expectations but still ended nearly 3% lower, another sign that good earnings are not enough for investors this season.

European Markets

European stocks closed higher on Wednesday, shrugging off a hotter-than-expected U.S. inflation report that sent Wall Street lower in the morning. The FTSE 100 led with a 0.70% gain, ahead of the Stoxx 600 at 0.43% and the DAX Index at 0.15%. European investors appear to see the inflation scare as mostly an American problem for now. The FTSE 100's lead reflects a market with a heavy weighting in energy and other multinational companies. Oil prices rose on reports of a strike at Saudi Aramco's headquarters, and a stronger dollar boosted the pound-denominated value of those companies' foreign earnings. The gain was a fairly quiet one, though, and the next test is whether yields keep climbing and whether the Fed's path toward more tightening reaches Europe's own central bank. The three indexes we follow closed higher: Stoxx 600, up 2.74 points; FTSE 100, up 74.53 points; and DAX Index, up 38.71 points.

Banks report: the consumer is holding up
The first week of bank earnings gave a more upbeat read on the economy than the stock moves suggested. Financial stocks lagged the market on Tuesday, but management teams offered constructive updates on their customers. Credit card spending grew by more than 10% from a year earlier at JPMorgan Chase and by 13% at Citibank. Wells Fargo said lower-income customers are stable and not getting worse. That fits with a resilient consumer and healthy corporate balance sheets. Analysts expect S&P 500 earnings to grow by nearly 30% in the third quarter. That would be a third straight quarter above 25% and the first time since 2021 that all 11 sectors add to growth. We continue to believe earnings, not valuations, will drive the market, because a tougher Fed and higher rates put pressure on the prices investors are willing to pay.

Energy Markets
Oil prices rose on Wednesday after reports of a strike at Saudi Aramco's headquarters. West Texas Intermediate futures settled up 1.01% at $95.09 a barrel. Energy remains the main driver of headline inflation, and consumers are feeling it at the pump. A 9.1% jump in gasoline prices accounted for more than half of September's rise in consumer prices. Gasoline now averages $4.33 a gallon, according to AAA, roughly 41% above the $3.08 of a year ago. Last week, the White House said it would ease restrictions on Russian diesel exports for a time, but analysts do not expect the move to lower fuel costs much for truckers and farmers. Any further rise in oil will feed straight into the next inflation reading and into what traders expect from the Fed.

Economic & Policy Outlook
September's consumer price index confirmed that the Fed is not finished. Headline prices rose 0.6% from August and 3.7% from a year earlier, as forecast, driven mostly by energy. Core prices, which leave out food and energy, rose 2.6% from a year earlier, up from 2.4% in August. That suggests inflation is spreading and supports our view that the Fed's September hike was not a one-time move. The data probably doesn't justify another increase this month, with the midterm elections close, but we think a December hike is very likely. Bond traders now see about a 50% chance of another hike this year, up from 22% before the report. More tightening will slow growth and inflation. We expect the Fed to ease on the brakes rather than slam them as it did in 2022, because policy rates then were far below the rate of inflation.

The Final Word
The inflation data changed the conversation from whether the Fed will raise rates again to how many more times. Energy is still the largest driver of inflation, but the climb in core prices shows the pressure is broadening. Strong earnings and a resilient consumer best support stock. We expect investors to keep watching the 10-year yield and the dollar closely, because both are now rising at the same time.

Corporate Earnings Parade:

- **Bank of America Corp. (BAC):** reported third-quarter 2026 earnings with revenues of $29.96 billion up 3.16%, Net Income of $6.93 billion down 16.10%, Earnings Per Share of $0.91 with Tier 1 Capital of 12.20% and a Stock Price Objective of $66.59.
- **Morgan Stanley (MS):** reported third-quarter 2026 earnings with revenues of $20.33 billion up 11.60%, Net Income of $4.90 billion up 6.48%, Earnings Per Share of $3.03 with Tier 1 Capital of 16.60% and a Stock Price Objective of $1,069.10.

Economic Update:

- **US Consumer Price Index YoY: rose to** 3.70% from 3.40% last month.
- **US Core Consumer Price Index YoY:** rose to 2.60%, compared to 2.40% last month
- **US Inflation Rate:** rose to 3.70%, compared to 3.40% last month.
- **US Retail Gas Price:** fell to $4.496, down from $4.603 last week, decreasing by 2.32%.

Eurozone Summary:

- **Stoxx 600:** Closed at 637.75, up 2.74 points, or 0.43%.
- **FTSE 100**: Closed at 10,724.86, up 74.53 points, or 0.70%.
- **DAX Index:** Closed at 25,298.61, up 38.71 points, or 0.15%.

Wall Street Summary:

- **Dow Jones Industrial Average**: closed at 51,521.48, down 48.62 points, or 0.09%.
- **S&P 500**: closed at 7,718.94, down 86.51 points, or 1.11%.
- **Nasdaq Composite**: closed at 26,692.86, down 511.51 points, or 1.88
- **Birling Capital Puerto Rico Stock Index**: closed at 4,885.23, up 30.30 points, or 0.62%.
- **Birling Capital U.S. Bank Index**: closed at 9,362.54, down 203.96 points, or 2.13%.
- **U.S. Treasury 10-year note**: closed at 5.19%.
- **U.S. Treasury 2-year note**: closed at 4.82%



U.S. Retail Gasoline Prices

Dollars per gallon, weekly, January 5 to October 5, 2026

BIRLING CAPITAL ADVISORS, LLC



Source: U.S. Energy Information Administration — Birling Capital Advisors. Increase measured from the last reading before the war, February 23, 2026.

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Eurozone indexes close

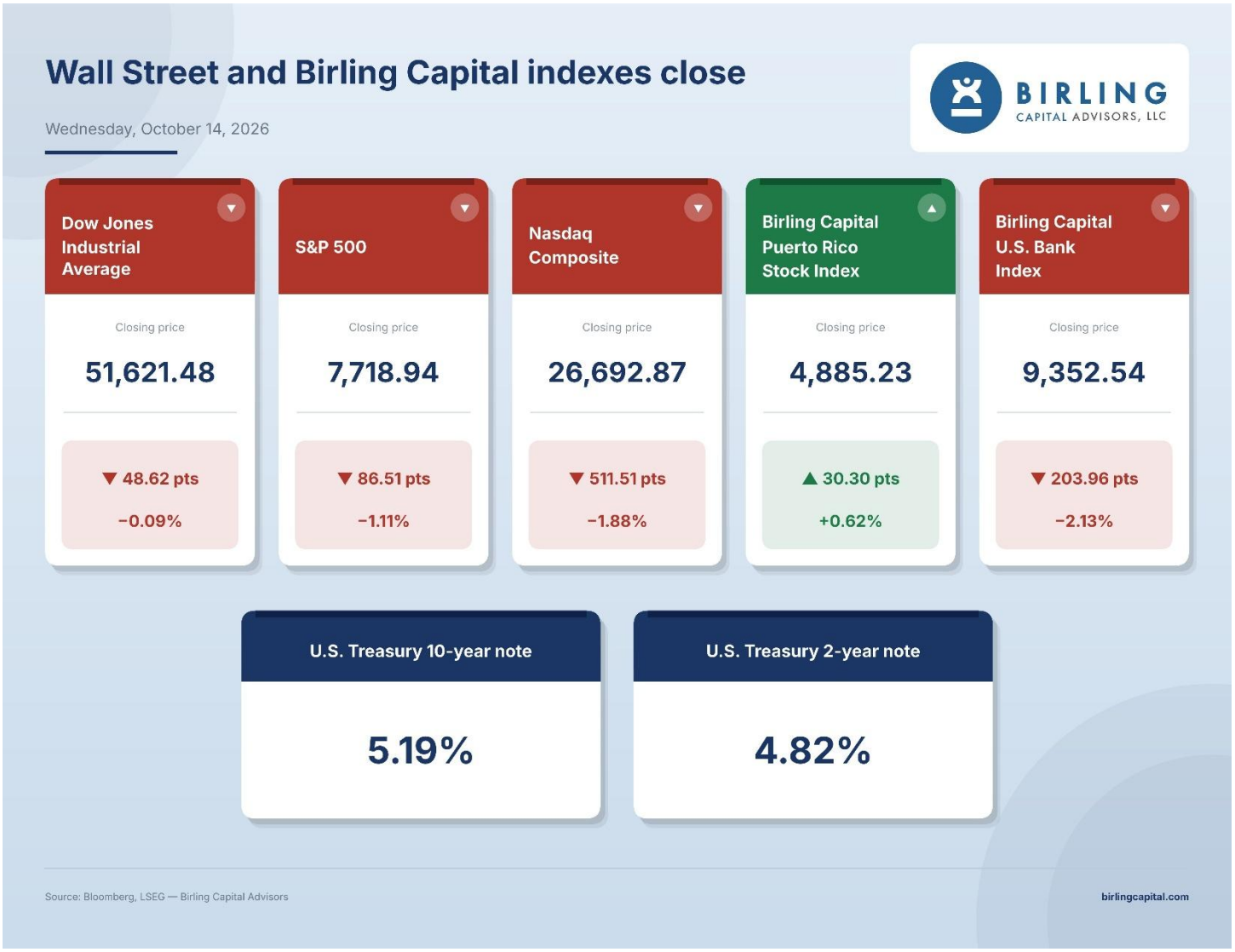
Wednesday, October 14, 2026

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Stoxx 600	FTSE 100	DAX Index
Closing price	Closing price	Closing price
637.75	10,724.86	25,298.61
▲ 2.74 points	▲ 74.53 points	▲ 38.71 points
+0.43%	+0.70%	+0.15%

Source: Bloomberg, LSEG — Birling Capital Advisors

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