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## U.S. Inflation Halts Stock Rally

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– *Categories: Economics*

A sudden rise in U.S. producer prices has caused caution among investors, prompting them to temper expectations of an imminent Federal Reserve interest-rate cut.

Markets paused after the Producer Price Index (PPI) for July surged significantly, signaling persistent inflation. That shift lifted bond yields and strengthened the dollar, causing traders to scale back the odds of rate relief in September.

Although the S&P 500 had surged approximately 30% since April lows, its gains flatlined, and over 350 stocks declined as investors reassessed the outlook. Meanwhile, bond yields climbed in response to the heat in wholesale prices, signaling a more cautious sentiment around future Federal Reserve policy moves.

On the upside, Intel Corp. saw a jump in its share price amid market reports of potential government interest, though no official action has been confirmed. In contrast, Applied Materials Inc. delivered a subdued forecast, adding to mixed signals in the market.

The broader economic picture shows continuing inflationary pressures, despite earlier positive readings. Analysts note that this divergence has raised doubts about whether the Fed will proceed with a widely anticipated rate cut next month.

Investors are now closely watching upcoming data points including updated inflation measures and labor statistics to gauge whether inflation will ease sufficiently to support monetary easing.

In summary, the recent rise in producer prices has led investors to pause a strong equity rally, pressured bond markets, and introduced uncertainty into expectations for a rate cut.

While pockets of strength remain, such as gains fueled by Intel, overall sentiment now depends on whether inflationary pressures will subside in the weeks ahead.