ARCHIVED UPDATE

National

August 03, 2026

Market Commentary

INFLATION & RATE OVERVIEW

Despite tame June inflation data - Core PCE rose +0.1% month-over-month and 3.3% year-over-year, driven primarily by lower gasoline prices - the bond market sold off dramatically following the FOMC meeting and press conference. Inflation fears are driving long rates higher, while the short end of the yield curve remains anchored by a fed funds rate that has been held firm for the past seven months. Since the June FOMC meeting the yield curve has steepened meaningfully, with the 30-year Treasury now 33 basis points higher than it was in June. The long bond closed Friday at 5.21% - yields not seen since 2007 - and the 10-year closed at 4.73%.

FEDERAL RESERVE POLICY OUTLOOK

The FOMC left interest rates unchanged at its July meeting, but 3 of the 12 voting members dissented in favor of a rate hike. Current market pricing places a rate hike at the October 28th FOMC meeting. However, that move could be pulled forward to the September 16th meeting should the July and August inflation data come in hotter than expected over the next six weeks.

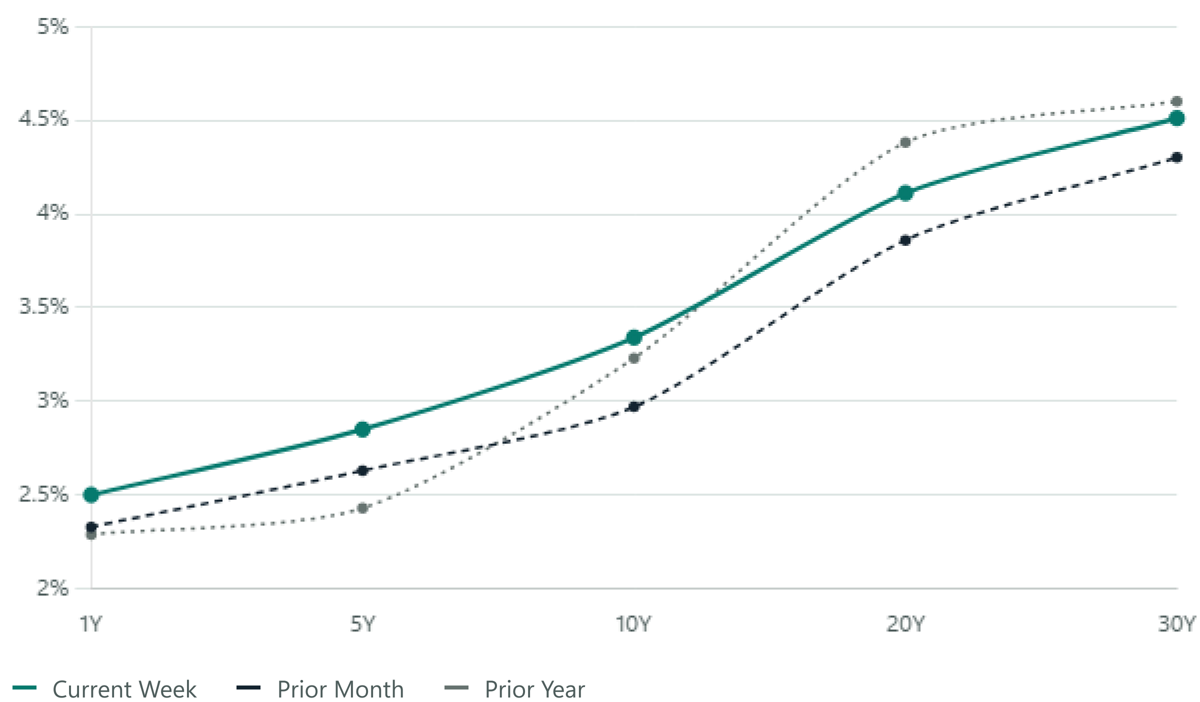
TREASURY SUPPLY & ECONOMIC CALENDAR

No coupon bond auctions this week - T-bills only. The primary focus is Friday's July employment report: NFP est. +85K, with the unemployment rate expected unchanged at 4.2%.

MACRO OUTLOOK

The market is not particularly focused on the labor market - it is strong and unemployment is low. The primary concern is inflation, and the number one driver of inflation is oil prices. If WTI breaks out above $90/bbl, the long end of the curve could easily move toward 5.35-5.40% given the bearish sentiment currently in the market. The Iran War and traffic through the Strait of Hormuz will continue to be the central variable influencing oil prices - and by extension, rates. As of this morning WTI has fallen below $80/bbl and bond yields have followed oil lower, as President Trump has called off new attacks on Iran.

AAA MMD Yield Curve



Federal Reserve & Market Expectations

FED FUNDS TARGET

4.25% - 4.50%

FOMC STANCE

Held firm for a seventh month; 3 of 12 FOMC members dissented in favor of a hike in July. A hike is priced for the October 28 meeting and could be pulled forward to September 16 on hot inflation data

MEETING	HOLD	CUT	HIKE
Sep 2026	60%	0%	40%
Oct 2026	25%	0%	75%

Implied probabilities derived from 30-Day Fed Fund futures (CME FedWatch).

U.S. Treasury Benchmarks

TENOR	CURRENT	Δ WOW	PRIOR WK	PRIOR MO	PRIOR YR	8-WK TREND
2Y	**4.19%**	**-7 bp**	4.26%	4.14%	3.69%	
5Y	**4.33%**	**-2 bp**	4.35%	4.23%	3.75%	
10Y	**4.63%**	**+2 bp**	4.61%	4.49%	4.22%	
30Y	**5.19%**	**+10 bp**	5.09%	4.98%	4.80%	

Municipal AAA MMD Benchmarks

TENOR	CURRENT	Δ WOW	PRIOR WK	PRIOR MO	PRIOR YR	8-WK TREND
1Y	2.50%	+17 bp	2.33%	2.33%	2.29%	
5Y	2.85%	+22 bp	2.63%	2.63%	2.43%	
10Y	3.34%	+37 bp	2.97%	2.97%	3.23%	
20Y	4.11%	+25 bp	3.86%	3.86%	4.38%	
30Y	4.51%	+21 bp	4.30%	4.30%	4.60%