ARCHIVED UPDATE

National

August 10, 2026

Market Commentary

LAST WEEK - JOBS MISS & STRAIT OF HORMUZ UNCERTAINTY

Throughout last week, oil prices fell on expectations of an agreement that would open the Strait of Hormuz to ship traffic. Over the weekend, however, Iran stated demands that must be met before the Strait opens - conditions the U.S. and Israel will not accept - reversing that optimism heading into this week. Friday's July Employment Report was notably weak: nonfarm payrolls came in at -23K, and May and June were revised down a combined 103K. The unemployment rate fell to 4.09%, but for the wrong reason - 250K workers stopped looking for work entirely, pushing labor force participation down to 61.1%, the lowest since February 2021 and prior to that a 50-year low. The decline in participation is attributed primarily to low immigration and ongoing baby boomer retirements.

FEDERAL RESERVE POLICY OUTLOOK

With the labor market softening, inflation remains the sole focus for monetary policy. Current market pricing stands at a 70% probability of a rate hike at the October 28th FOMC meeting and 100% probability of a hike by the December 9th meeting - the market now considers at least one hike by year-end a near certainty. Whether that first move comes in October or is pulled forward to September 16th will depend heavily on the inflation data released this week.

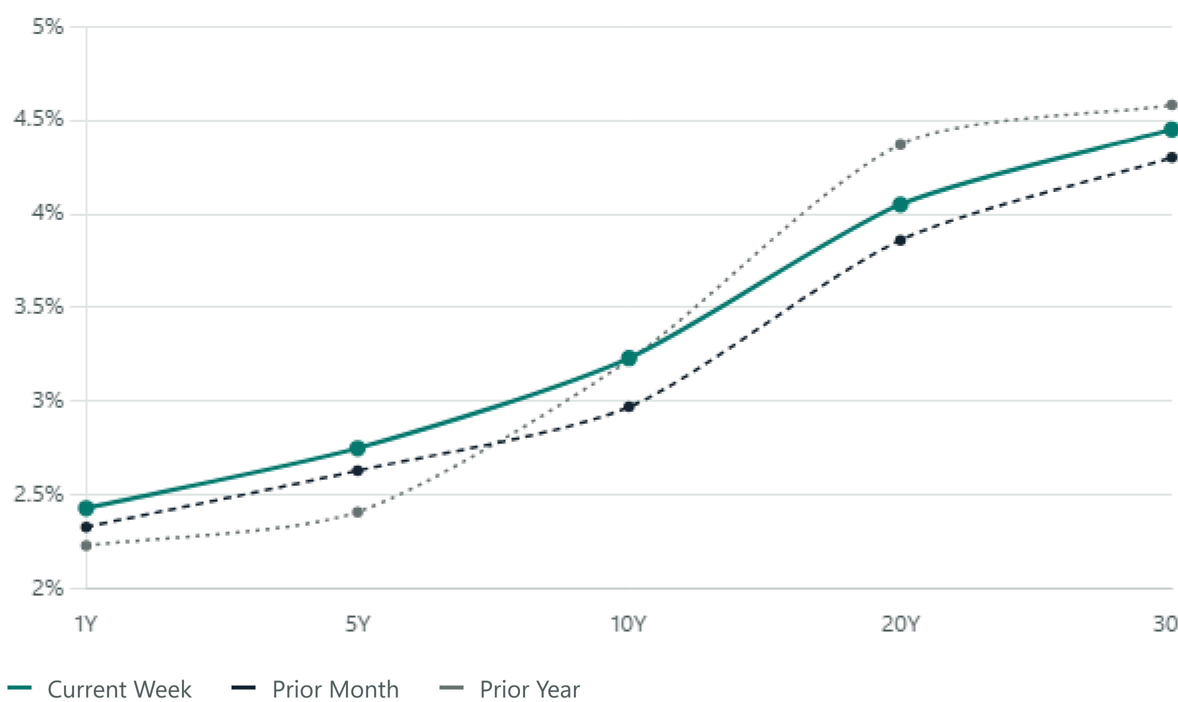
TREASURY SUPPLY & ECONOMIC CALENDAR - HEAVY WEEK ON BOTH FRONTS

The Treasury sells the August Refunding auction this week with new coupons and maturities across three sessions: $58bn 3-Year Tuesday, $42bn 10-Year Wednesday, and $35bn 30-Year Thursday - $135bn in total. Data releases: CPI Wednesday (est. +0.1%, Core +0.2%), PPI Thursday (est. +0.2%, Core +0.3%), and Retail Sales Friday (est. +0.1%). The July CPI and PPI prints will be directly factored into the rate decision at the September 16th FOMC meeting, now four weeks away.

MACRO OUTLOOK

The market's focus remains squarely on three things: oil prices, inflation data, and news headlines from the Middle East. The Strait of Hormuz remains the linchpin - Iran's new weekend demands have reintroduced uncertainty just as markets had begun pricing in a diplomatic resolution. The inflation prints Wednesday and Thursday will be the most consequential data of the week. A hotter-than-expected CPI or PPI could pull the anticipated rate hike from October into September; a soft print would provide some relief to the long end, which has been under sustained pressure.

AAA MMD Yield Curve



Federal Reserve & Market Expectations

FED FUNDS TARGET

4.25% - 4.50%

FOMC STANCE

Labor market softening; inflation is the sole policy focus. Markets price a 70% probability of a hike at the October 28 FOMC and a 100% probability of at least one hike by the December 9 meeting; hot July CPI/PPI could pull the first move to September 16

MEETING	HOLD	CUT	HIKE
Sep 2026	**75%**	0%	25%
Oct 2026	30%	0%	**70%**
Dec 2026	0%	0%	**100%**

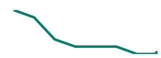
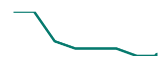
Implied probabilities derived from 30-Day Fed Fund futures (CME FedWatch).

U.S. Treasury Benchmarks

TENOR	CURRENT	Δ WOW	PRIOR WK	PRIOR MO	PRIOR YR	8-WK TREND
2Y	4.17%	-3 bp	4.20%	4.13%	3.74%	
5Y	4.36%	—	4.36%	4.26%	3.82%	
10Y	4.70%	+4 bp	4.66%	4.55%	4.29%	

TENOR	CURRENT	Δ WOW	PRIOR WK	PRIOR MO	PRIOR YR	8-WK TREND
30Y	5.26%	+5 bp	5.21%	5.08%	4.88%	

Municipal AAA MMD Benchmarks

TENOR	CURRENT	Δ WOW	PRIOR WK	PRIOR MO	PRIOR YR	8-WK TREND
1Y	2.43%	-1 bp	2.44%	2.33%	2.23%	
5Y	2.75%	-2 bp	2.77%	2.63%	2.41%	
10Y	3.23%	-2 bp	3.25%	2.97%	3.22%	
20Y	4.05%	—	4.05%	3.86%	4.37%	
30Y	4.45%	—	4.45%	4.30%	4.58%