ARCHIVED UPDATE

National

August 17, 2026

Market Commentary

LAST WEEK - SOFT INFLATION, WEAK RETAIL SALES, BUT FISCAL CONCERNS PUSH YIELDS HIGHER

The market received soft inflation data for July along with weaker-than-expected Retail Sales, which together have lowered the probability of near-term interest rate hikes: July Core CPI +0.215% month-over-month and +2.498% year-over-year, with the 3-month annualized Core CPI now running at +1.6% - trending toward the Fed's 2.0% target - and July Retail Sales falling -0.6% against a +0.1% estimate. The positive rate impulse from those prints was countered by a troubling July budget deficit of -$432 billion. After 10 months of the 2026 fiscal year the cumulative deficit stands at $1.8 trillion, projected to top $2 trillion by end of September; the national debt is approaching $40 trillion, and debt service has grown into one of the largest single line items in the federal budget. Concern about the long-term supply of Treasuries is putting upward pressure on long-end yields: last week's 30-year auction brought the highest auction yield since 2001 at 5.216%, and the long bond closed the week at 5.27%.

FEDERAL RESERVE POLICY OUTLOOK

The market is currently pricing a 90% probability of a rate hike by year-end 2026. Soft July inflation has pushed the anticipated first move later into the year.

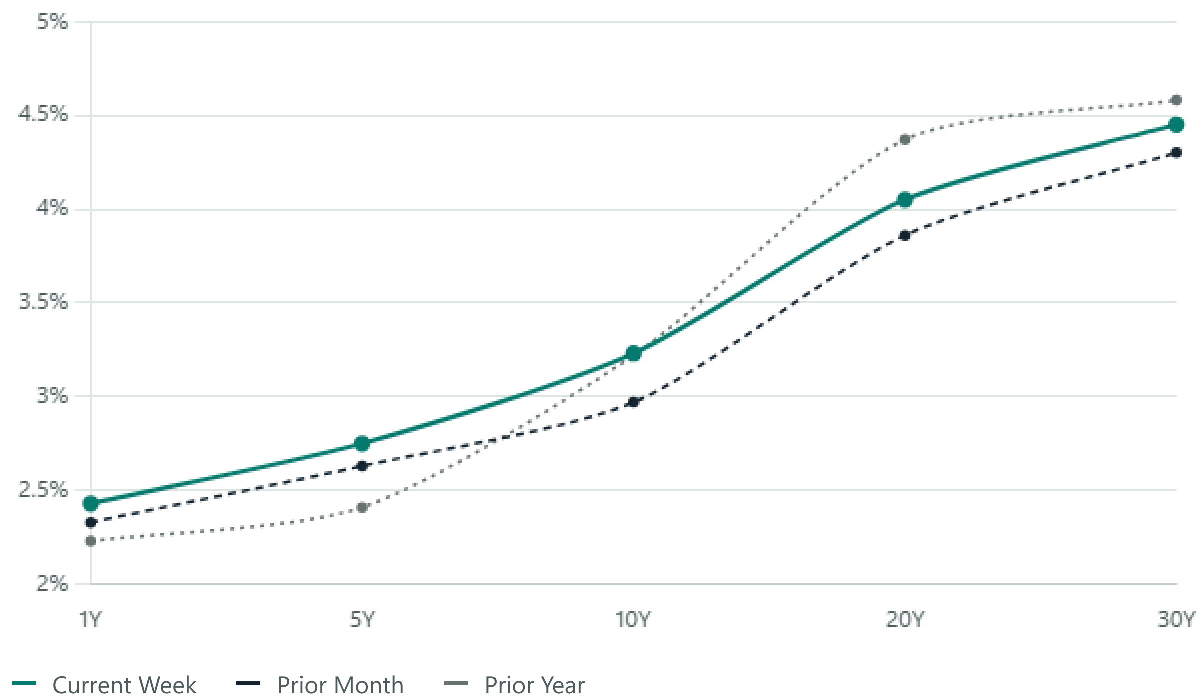
TREASURY SUPPLY & ECONOMIC CALENDAR

No major Tier I economic data this week. Treasury auctions: $16bn 20-Year Bond Wednesday and $8bn 30-Year TIPS Thursday.

MACRO OUTLOOK

The next significant market-moving event outside of Iran War headlines is Chairman Warsh's speech at the Kansas City Fed's Jackson Hole Symposium in Wyoming on August 28th. Over the next two weeks the market is expected to continue trading off the price of oil, inflation concerns, and headlines from the Iran War.

AAA MMD Yield Curve



Federal Reserve & Market Expectations

FED FUNDS TARGET

4.25% - 4.50%

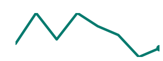
FOMC STANCE

Soft July inflation (Core CPI +0.215% MoM, 3-month annualized +1.6%) and weak Retail Sales lowered near-term hike odds, but markets still price a 90% probability of a rate hike by year-end 2026

MEETING	HOLD	CUT	HIKE
Sep 2026	85%	0%	15%
Dec 2026	10%	0%	90%

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%	-2 bp	4.19%	4.13%	3.74%	
5Y	4.36%	+1 bp	4.35%	4.26%	3.82%	
10Y	4.68%	+3 bp	4.65%	4.55%	4.29%	
30Y	5.25%	+6 bp	5.19%	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%	

TENOR	CURRENT	Δ WOW	PRIOR WK	PRIOR MO	PRIOR YR	8-WK TREND
30Y	**4.45%**	—	4.45%	4.30%	4.58%