ARCHIVED UPDATE

National

August 31, 2026

Market Commentary

LAST WEEK - WARSH STRIKES A HAWKISH TONE AT JACKSON HOLE

The market-moving event of last week occurred on Friday when Federal Reserve Chairman Kevin Warsh spoke at the Kansas City Fed's annual symposium in Jackson Hole, Wyoming. Warsh struck a decidedly hawkish tone and opened the door explicitly for future rate hikes. He stated that inflation has been too high for the past four-plus years and that current rates are not restrictive enough to meaningfully impair borrowing or lending - despite the fact that the housing and agriculture sectors are already hurting. With year-over-year Core PCE at 3.7%, inflation remains far from the Fed's stated 2.0% target. The market interpreted his comments as a clear signal that the Fed is more likely to raise rates in the near term. The 2-year Treasury note fell 12 basis points in response - reflecting the repricing of short-term rate expectations - while the long bond dropped only 1 basis point, a curve-flattening reaction consistent with a market pricing in tighter policy. The probability of a September 16th rate hike rose from 30% to over 50% on the speech alone.

FEDERAL RESERVE POLICY OUTLOOK

Contrary to the Administration's wishes for lower interest rates, Chair Warsh continues to focus squarely on returning inflation to the 2% target. To achieve that goal, the Fed will need to raise short-term rates in an effort to slow the economy and stifle inflation and price demand. September 16th is now a live meeting.

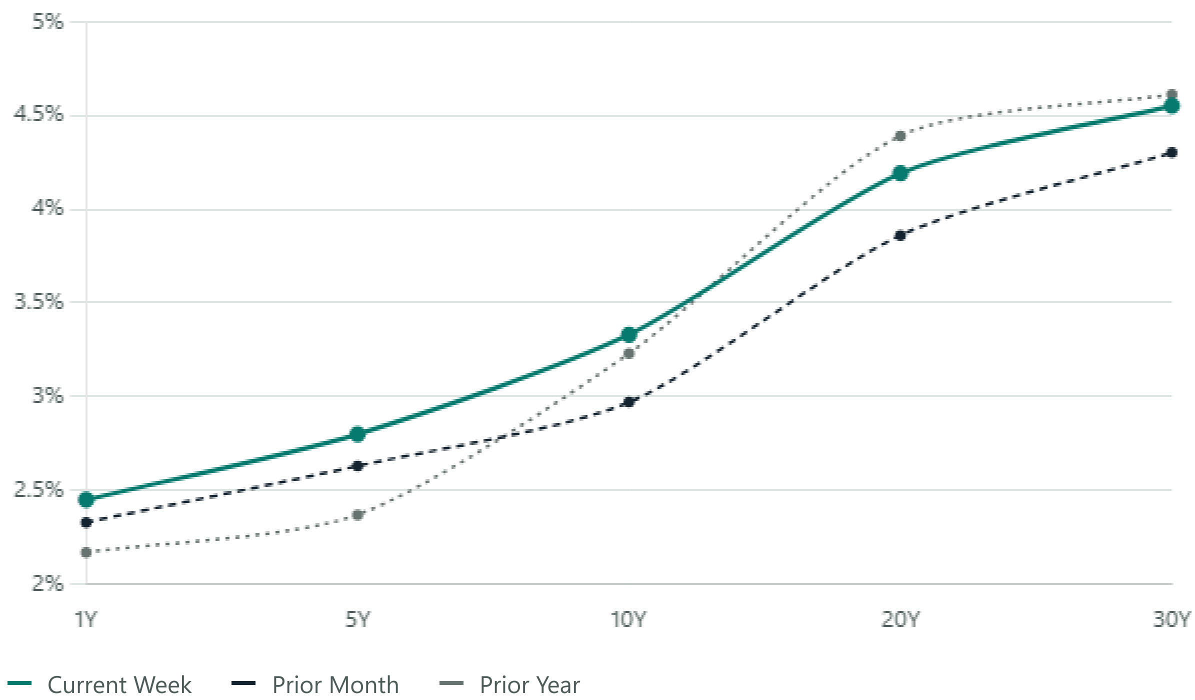
THIS WEEK - TREASURY SUPPLY & ECONOMIC CALENDAR

Markets are closed next Monday for Labor Day. No early close on Friday. No coupon bond auctions this week - T-bills only. The sole economic release of consequence comes Friday: the August Employment Report, with nonfarm payrolls estimated at +58K and the unemployment rate estimated at 4.1%.

MACRO OUTLOOK - JOBS REPORT FRIDAY TAKES ON ADDED SIGNIFICANCE

With September 16th now carrying better than even odds of a hike, Friday's jobs number takes on added significance. A soft August payroll print - consistent with the trend of recent months - would complicate the case for an immediate move but is unlikely on its own to reverse the hawkish momentum Warsh established at Jackson Hole. The Fed has clearly signaled its direction; the data will determine the timing.

AAA MMD Yield Curve



Federal Reserve & Market Expectations

FED FUNDS TARGET

4.25% - 4.50%

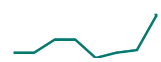
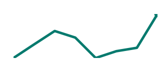
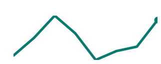
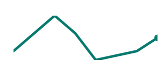
FOMC STANCE

Chair Warsh struck a decidedly hawkish tone at Jackson Hole and opened the door explicitly to future rate hikes; the probability of a September 16th hike rose from 30% to over 50% on the speech alone, making September a live meeting

MEETING	HOLD	CUT	HIKE
Sep 2026	45%	0%	55%

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	4.34%	+10 bp	4.24%	4.22%	3.62%	
5Y	4.48%	+5 bp	4.43%	4.37%	3.69%	
10Y	4.73%	-1 bp	4.74%	4.67%	4.22%	
30Y	5.22%	-5 bp	5.27%	5.20%	4.88%	

Municipal AAA MMD Benchmarks

TENOR	CURRENT	Δ WOW	PRIOR WK	PRIOR MO	PRIOR YR	8-WK TREND
1Y	2.45%	+2 bp	2.43%	2.33%	2.17%	
5Y	2.80%	+2 bp	2.78%	2.63%	2.37%	
10Y	3.33%	+2 bp	3.31%	2.97%	3.23%	
20Y	4.19%	+3 bp	4.16%	3.86%	4.39%	
30Y	4.55%	—	4.55%	4.30%	4.61%