ARCHIVED UPDATE

National

September 14, 2026

Market Commentary

LAST WEEK - SHARP SELLOFF AS INFLATION REACCELERATES

A very bearish week in rates. The 2-year Treasury finished +26 bps higher and the 10-year +20 bps higher by week's end, while WTI crude rose above $100/bbl. August inflation pointed to reacceleration, with Core CPI printing +0.396% for the month. Core CPI feeds into PCE - the Fed's #1 inflation gauge - and PCE is not moving fast enough toward the 2.0% target. Energy prices are adding to the pressure: thus far in September, diesel has risen above $6/gal for the first time ever, and unleaded gasoline is +5% for the month. The last time 10-year yields were this high was October 2023, when the 10-year peaked at 5.02%, and before that June 2007, when it hit 5.29%.

FOMC WEDNESDAY - MARKET EXPECTS A HIKE

The market's focus this week is squarely on Wednesday's FOMC meeting: the policy statement, the Summary of Economic Projections and new dot plot, and Chairman Warsh's press conference. The market expects a +25 bp rate hike. The Fed does not pivot on rate policy for just one hike or cut. This hike should be the first of at least three over the next six months, which would bring the funds rate target range to 4.25%-4.50%. These hikes should flatten the yield curve - short-end yields rise, while long-end yields rise less on the market's confidence that the Fed will bring inflation back toward 2%. The new dot plot is the key focus, particularly the year-end dots: 2026 expected +50 bps higher than the June dot, to 4.10% - projecting two hikes for the remainder of 2026; 2027 expected +20 bps higher, at 4.30%; 2028 expected +70 bps higher, at 4.50%.

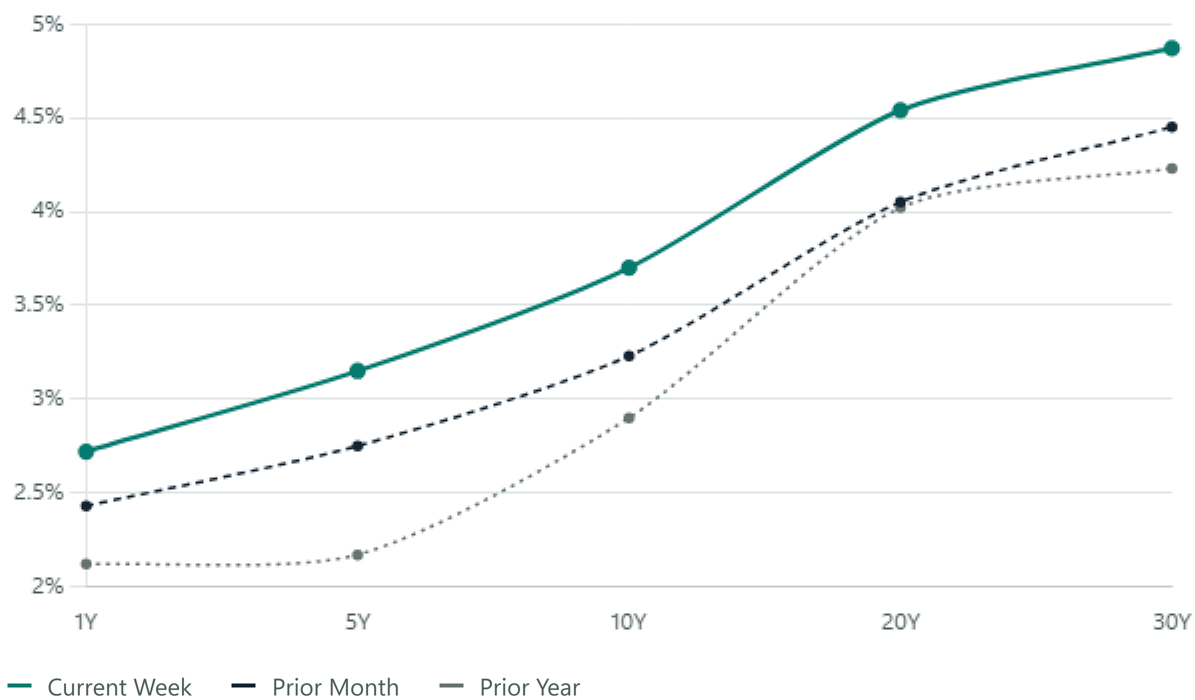
THIS WEEK - TREASURY SUPPLY

Tuesday: 20-Year Bond - $13bn. Thursday: 10-Year TIPS.

MACRO OUTLOOK - DEFICIT PRESSURE ON THE LONG END

The size of the deficit continues to be another factor forcing long-term Treasury rates higher. The 2026 fiscal deficit is expected to exceed $2 trillion, and debt service on the national debt is now 21% of the federal budget. Investors are demanding more yield compensation to extend out the curve, adding further upward pressure on long rates.

AAA MMD Yield Curve



Federal Reserve & Market Expectations

FED FUNDS TARGET

3.50% - 3.75%

FOMC STANCE

The market expects a +25 bp hike at Wednesday's FOMC meeting - the first of at least three over the next six months. Focus is on the new dot plot: 2026 year-end dot expected +50 bps higher at 4.10%, 2027 at 4.30%, 2028 at 4.50%

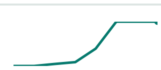
MEETING	HOLD	CUT	HIKE
Sep 2026	15%	0%	85%

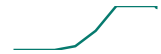
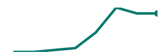
Implied probabilities derived from 30-Day Fed Fund futures (CME FedWatch).

U.S. Treasury Benchmarks

TENOR	CURRENT	Δ WOW	PRIOR WK	PRIOR MO	PRIOR YR	8-WK TREND
2Y	**4.63%**	+26 bp	4.37%	4.20%	3.52%	
5Y	**4.78%**	+24 bp	4.54%	4.38%	3.59%	
10Y	**4.96%**	+18 bp	4.78%	4.68%	4.01%	
30Y	**5.35%**	+11 bp	5.24%	5.24%	4.65%	

Municipal AAA MMD Benchmarks

TENOR	CURRENT	Δ WOW	PRIOR WK	PRIOR MO	PRIOR YR	8-WK TREND
1Y	**2.72%**	+18 bp	2.54%	2.43%	2.12%	
5Y	**3.15%**	+22 bp	2.93%	2.75%	2.17%	

TENOR	CURRENT	Δ WOW	PRIOR WK	PRIOR MO	PRIOR YR	8-WK TREND
10Y	3.70%	+23 bp	3.47%	3.23%	2.90%	
20Y	4.54%	+19 bp	4.35%	4.05%	4.02%	
30Y	4.87%	+17 bp	4.70%	4.45%	4.23%