ARCHIVED UPDATE

National

September 28, 2026

Market Commentary

LAST WEEK - LARGEST BOND SELLOFF SINCE "LIBERATION DAY"

Treasuries posted their largest weekly selloff since last year's "Liberation Day," as a convergence of events raised inflation risk across the curve and pushed the long bond above 5.50% for the first time since 2004. Notably, bond yields began to decouple from oil prices last week, a sign that the repricing is now being driven by domestic growth and inflation dynamics rather than by geopolitics alone. The drivers were broad. Economic data remained strong, with the Atlanta Fed's GDPNow tracking 5% growth for the third quarter. Hyperscaler capital expenditures have now exceeded, in inflation-adjusted terms, the amounts spent building the railroads and the electrical grid in U.S. history. Each of these pushed rates higher on its own; together they produced the sharpest weekly move of the year. Since Chairman Warsh's Jackson Hole speech on August 27, the 2-year Treasury is up roughly 60 bps and the 2s/30s curve has flattened by 30 bps. The strength of the data suggests the Fed may raise rates again at the October 28 FOMC meeting. Markets are currently pricing roughly 70% odds of a hike on October 28 and of two additional hikes by the end of January 2027.

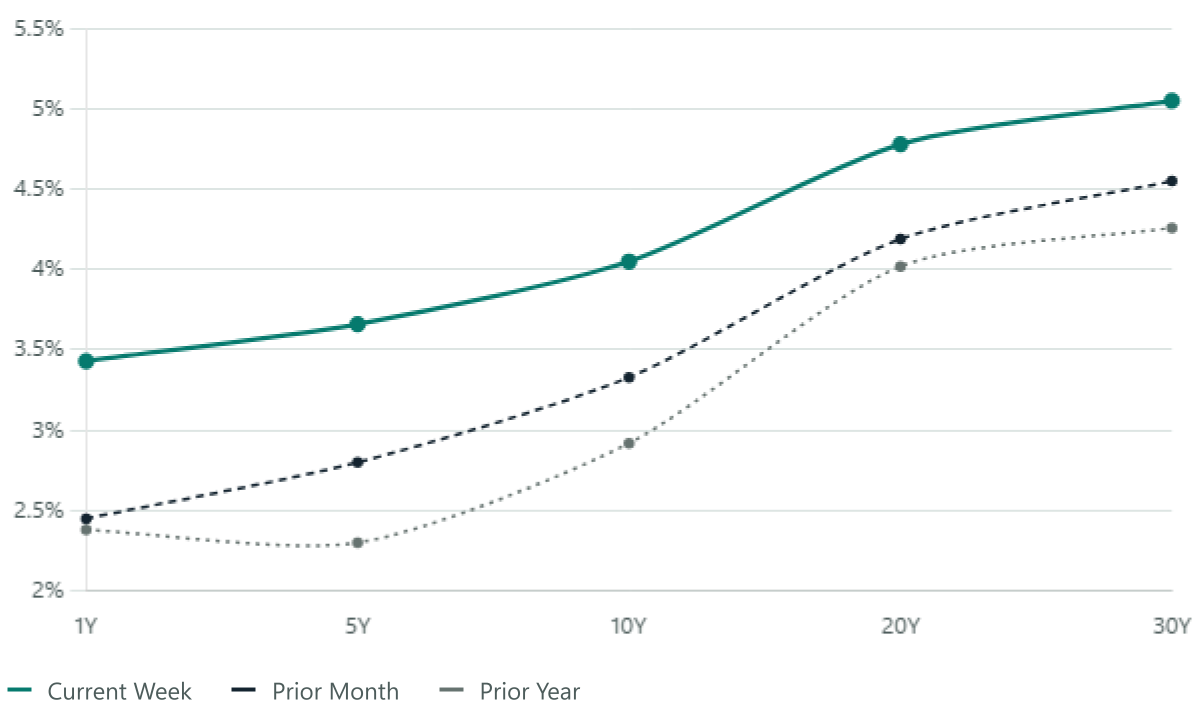
TREASURY SUPPLY & ECONOMIC CALENDAR

There are no coupon auctions this week, only T-bills, so supply will not be a factor in price action. The calendar is instead crowded with Fed speakers. Wednesday brings the week's key release: August Core PCE (est. +0.3% m/m, +3.3% y/y) and August Personal Spending (est. +0.9% m/m). Consumer spending continues to run hot and remains the primary engine behind the elevated GDP tracking estimates, so a print in line with or above expectations would reinforce the case for October. Friday delivers September Employment. Nonfarm Payrolls are expected at +95k, with the Unemployment Rate estimated to hold at 4.1%. A labor market that is cooling only gradually gives the Committee little reason to pause.

MACRO OUTLOOK

The rate hiking cycle has begun in earnest, and with the Fed's near-term direction established, markets remain dependent on the incoming economic data and on geopolitical headlines for their next move. Wednesday's PCE release and Friday's employment report are the two data points most likely to shift October pricing in either direction. Over the weekend, President Trump rejected Iran's proposal to reopen the Strait of Hormuz, and both oil and rates moved higher this morning in response. Even as yields have begun to decouple from crude, this is the most likely source of an upside surprise to inflation expectations, and by extension to the long end of the curve.

AAA MMD Yield Curve



Federal Reserve & Market Expectations

FED FUNDS TARGET

3.75% - 4.00%

FOMC STANCE

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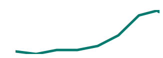
MEETING	HOLD	CUT	HIKE
Oct 2026	30%	0%	70%

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	4.81%	+5 bp	4.76%	4.19%	3.64%	
5Y	4.98%	+12 bp	4.86%	4.37%	3.75%	
10Y	5.17%	+16 bp	5.01%	4.66%	4.18%	
30Y	5.49%	+15 bp	5.34%	5.18%	4.75%	

Municipal AAA MMD Benchmarks

TENOR	CURRENT	Δ WOW	PRIOR WK	PRIOR MO	PRIOR YR	8-WK TREND
1Y	3.43%	+45 bp	2.98%	2.45%	2.38%	
5Y	3.66%	+36 bp	3.30%	2.80%	2.30%	
10Y	4.05%	+30 bp	3.75%	3.33%	2.92%	
20Y	4.78%	+23 bp	4.55%	4.19%	4.02%	
30Y	5.05%	+18 bp	4.87%	4.55%	4.26%