



INSIGHTS

Economic and Market Overview

September 2026

Markets

	12/31/25	8/31/26	9/30/26	MoM Chg.
2-year Treasury Yield	3.48%	4.34%	4.89%	+0.55%
5-year Treasury Yield	3.73%	4.49%	5.09%	+0.59%
10-year Treasury Yield	4.17%	4.75%	5.29%	+0.54%
30-year Treasury Yield	4.85%	5.24%	5.63%	+0.39%
Bloomberg Int. Credit Index OAS	63	62	65	+3 bps
Bloomberg Long Credit Index OAS	95	99	98	-1 bp
Bloomberg Corporate High Yield OAS	266	261	311	+50 bps
S&P 500	6,845.50	7,686.14	7,651.54	-0.3%
WTI	\$57.42	\$85.76	\$90.09	+\$4.33
The U.S. Dollar Index	98.32	99.43	101.45	+2.03

Sources: Bloomberg Index Services Ltd., Bloomberg.

The S&P 500's modest decline masked what was generally a tough month for equities, as the equally weighted version (-4.8%), the Dow Jones Industrial Average (-4.1%) and the Russell 2000 (-5.3%) had an altogether different experience. The front end led a selloff in Treasuries that ultimately propelled the Bloomberg 20+ STRIPS Index to a -7.86% return. Investment-grade supply remained heavy as J.P. Morgan reported \$198 billion in issuance, 34% above the average for the trailing four Septembers. Intermediate credit spreads crept wider, but longer spreads held up as issuers sought to avoid locking in higher yields for decades. In high yield, the primary market was also active: \$52 billion priced, and spreads widened 50 bps. WTI traded above \$100/bbl mid-month before retreating over the second half to finish 5.0% higher. The Dollar Index strengthened 2.0%, while gold fell 6.3%.

Economic Data

Data releases over the month were mixed but, on balance, weaker than expected. August's nonfarm payrolls growth annihilated expectations. The 162k beat by 107k, and the prior two months were revised up by 55k total. The unemployment rate was far less remarkable, as it drifted 0.05% higher to 4.14% but rounded to 4.1% as expected, even as the participation rate rose by 0.2% to 61.6%. Looking ahead, economists expect a 90k gain in nonfarm payrolls and no change in the unemployment rate when September data are released on Oct. 10. Retail sales rebounded

sharply in August as the headline rate gained 1.2% MoM after a 0.5% decline in July. Consumer sentiment weakened in September, however, and the Conference Board's Confidence Index hit its lowest level since 2014. Manufacturing sentiment was more positive. Housing releases were mixed, with new and pending home sales topping expectations and existing home sales and housing starts disappointing. U.S. GDP grew at a 2.2% pace in Q2, according to the third release, which was revised up 0.7% from the second figure as personal consumption was revised 0.4% upward to a solid 3.8% rate.

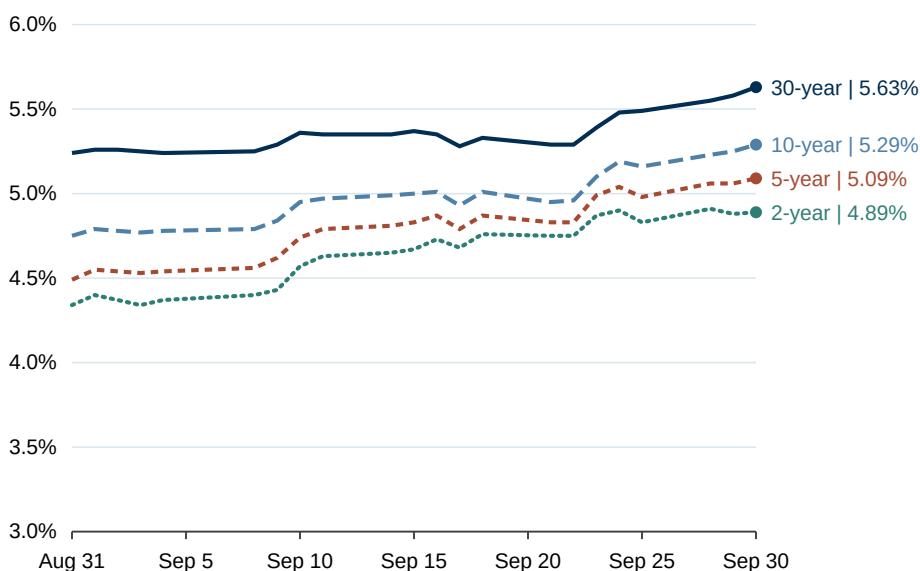
Inflation

August's CPI came in hot, as the 0.4% MoM pace was 0.1% above estimates. Core CPI accelerated to 0.3% MoM, but data were distorted by the largest-ever contribution from [wireless telephone services](#). Nonetheless, the data confirmed the market's increasing conviction that the Fed would raise the policy rate at their next meeting for the first time in over three years (see below). PCE measures were a touch cool, on the other hand, particularly the core index, which rose at a 0.2% MoM pace versus the consensus estimate of 0.3%. Breakevens followed oil higher, as the 2-year level climbed 13 bps to finish the month at 2.50%. Longer maturities rose 5 to 6 bps.

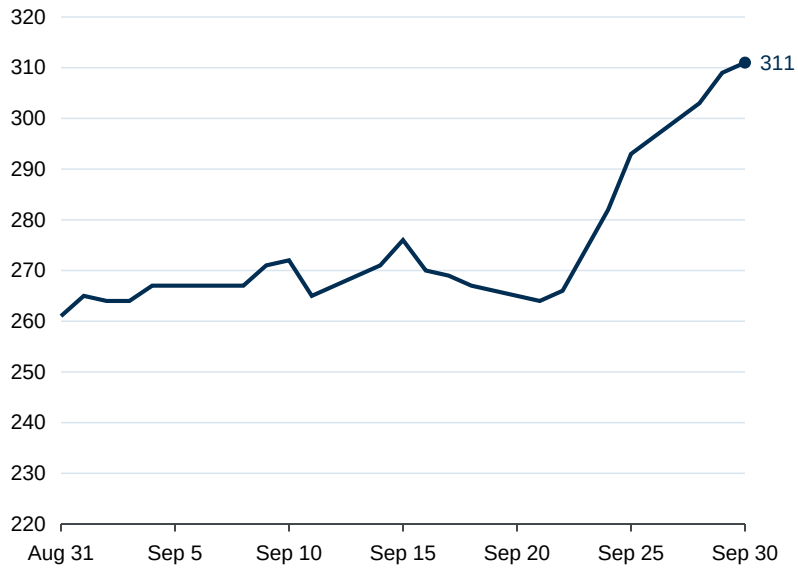
Federal Reserve

The FOMC raised the federal funds rate by 25 bps in September in a unanimous vote, finally following through on all the hawkish language that Chairman Warsh had uttered since taking office. The dot plot revealed a strong majority of participants in favor of a surprisingly hawkish policy path, with 14 out of 18 participants projecting a policy rate at or above 4.125% until January 2028. To further amplify the hawkish tone, Chairman Warsh twice described the action as "removing a dose of accommodation." The FOMC, like the market consensus, has embraced the notion that booming demand for AI infrastructure is pushing the neutral policy rate higher and will power the economy forward despite a higher-for-longer interest rate environment. As of month end, short rate markets are pricing in nearly four additional hikes by the end of 2027.

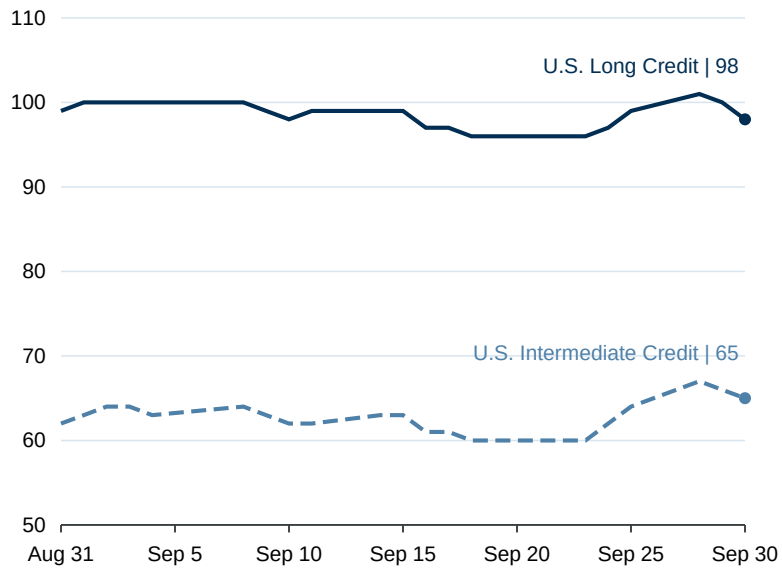
Treasury Yield



U.S. Corporate High Yield Index OAS | bps



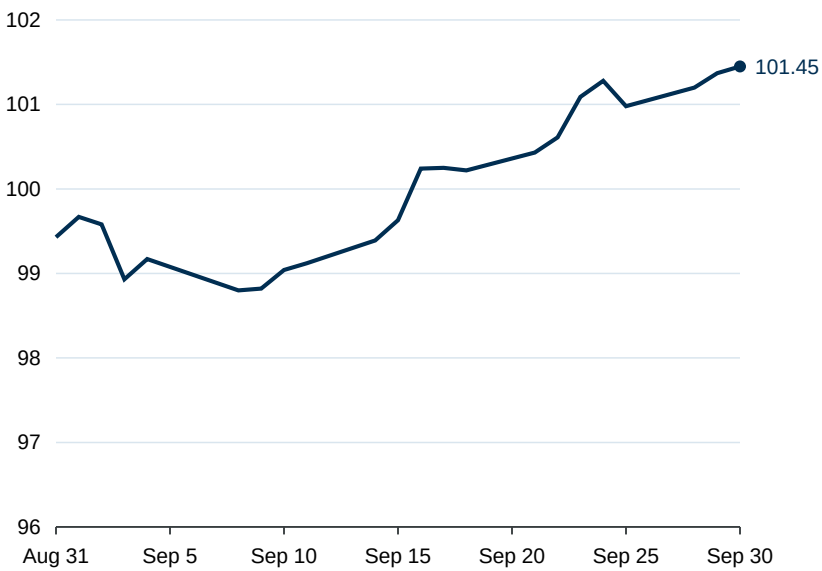
Credit Index OAS | bps



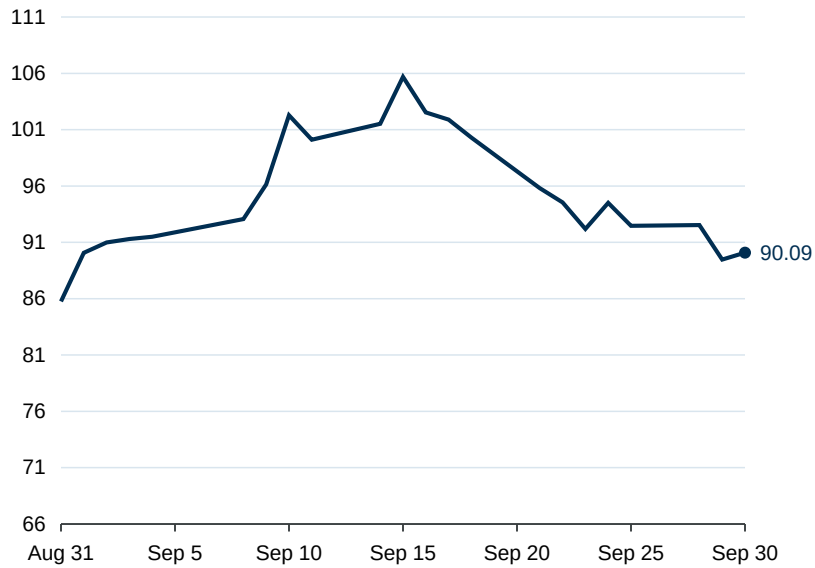
S&P 500 Index



U.S. Dollar Index



Crude Oil | \$/bbl



Sources: Bloomberg Index Services Ltd., Bloomberg.

This overview is for informational purposes only. The information has been obtained from sources considered to be reliable, but the accuracy and completeness are not guaranteed. There is no assurance that any economic trends mentioned will continue or that any forecasts will occur. Economic data are as of the dates noted.

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