

The Week in Brief

The Federal Reserve's stance on inflation drove the week. Governor Michael Barr said further rate increases are likely to be needed, a business survey showed U.S. activity accelerating, and Brent crude rose with the Strait of Hormuz still closed. All of it came a week after the Fed's first rate increase since 2023. The 10-year Treasury yield climbed to 5.21%, its highest level since 2007.

Rising rates split the markets. The S&P 500 rose 0.9% on a rally in technology shares, while utilities and corporate bonds fell and the Mexican peso lost ground sharply against the dollar. For portfolios, tighter policy is costing most in bonds and rate-sensitive shares. August inflation data on Wednesday and the September jobs report on Friday will show whether that pressure builds.

Three Things That Mattered

The Fed is signaling more increases Barr's remarks, a week after the first increase since 2023, point to further tightening. That keeps bond prices under pressure until inflation data show energy costs are contained.

Income assets bore the cost Utilities fell 4.5%, and corporate and long-dated government bonds had unusually weak weeks. Assets valued for their income are being repriced as yields climb.

Oil keeps inflation risk alive Brent rose with the Strait of Hormuz closed, keeping up the energy costs behind headline inflation. The reported talks on reopening the strait bear most directly on that pressure.

Market Dashboard

INDEX / ASSET	LEVEL	WEEKLY	YTD
S&P 500	7,717.73	+0.9%	+12.7%
Nasdaq Composite	26,995.70	+1.8%	+16.2%
Dow Jones Industrial Avg.	51,504.66	-0.3%	+7.2%
Russell 2000	2,827.94	-1.1%	+13.9%
Nikkei 225 JPY	66,364.20	+2.1%	+31.8%
STOXX Europe 600 EUR	638.48	+0.5%	+7.7%
Hang Seng HKD	24,510.09	-1.0%	-4.4%
U.S. 10-Yr Treasury Yield	5.21	+22 bps	+105 bps
Brent Crude	106.04	+2.1%	+74.3%
Gold	4,314.10	-2.5%	-0.6%
VIX	15.54	+0.73	+0.59

Weekly and YTD are price returns and exclude dividends. All figures are index and asset returns, not the performance of any strategy or client account. Yields in basis points, VIX in index points. Levels and returns in US dollars unless the row is marked with another currency; international indices are quoted in their own currency, so a US dollar result will differ with exchange-rate moves. Levels as at 11:00 AM New York, Friday, September 25, 2026; changes for markets still open then are not final, and closed markets are at their close. A dash means the figure could not be verified. Source: exchange and index-provider data; Cboe for Treasury yields.

Barr makes the case for more increases Federal Reserve Governor Michael Barr said on Wednesday that further rate increases are "likely to be needed." His argument was that risks to the inflation target have grown while those to the labor market have receded. He spoke a week after the Fed lifted the fed funds target range to 3.75% to 4.00%, its first increase since 2023, and traders added to bets on another move in October. For bondholders, the question is now how far the Fed tightens. The next test is Wednesday's August reading of personal consumption expenditures (PCE) inflation, the Fed's preferred gauge.

A survey shows an economy running hot The purchasing managers' index (PMI) is a monthly survey of business activity. S&P Global's flash reading for September put U.S. composite output at 58.4, its highest in 54 months. Analysts cited that strength, along with Barr's remarks and energy costs, among the reasons yields rose. Firm activity combined with expensive energy is what keeps the Fed leaning toward tightening. The labor market offers no counterweight yet: unemployment held steady in the August employment report, published earlier this month. The September report arrives on Friday.

Energy keeps headline inflation elevated The latest inflation figures came out before this week, but they shape its debate. According to the Bureau of Labor Statistics, consumer prices rose 3.4% in the year to August. Core prices, which exclude food and energy, rose 2.4%. That gap points to energy as the main source of pressure while the Strait of Hormuz stays closed. The concern Barr voiced is that the energy shock spreads into broader prices. Wednesday's PCE release is the next reading on whether that is happening.

Rates Check

10-year: 5.21%

The 10-year yield rose 22 basis points on the week to 5.21%, its highest level since 2007. Analysts pointed to Barr's remarks, the strong business survey and energy costs. The move extends a global selloff in government bonds that gathered pace in early September.

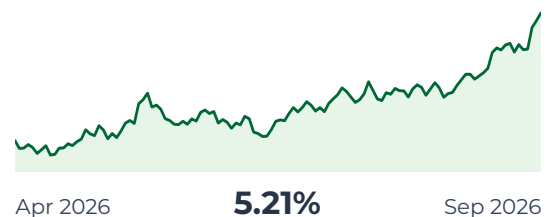
30-year: 5.52%

The 30-year yield stands at 5.52%. Long-dated Treasuries had an unusually poor week measured against their own history, because their prices react most to changes in yield.

CHART OF THE WEEK

The 10-year yield at its highest since 2007

U.S. 10-year Treasury yield, %



Up 22 bps on the week and 105 bps this year, as the Fed returned to tightening and energy costs kept inflation elevated.

Source: Cboe Global Markets, Cboe 10-Year Treasury Note Yield Index (TNX), via Yahoo Finance.

Technology carried the S&P 500 The S&P 500 rose 0.9%, lifted almost entirely by technology. The index's technology sector gained 3.5% as chipmakers rallied and software and data companies announced artificial-intelligence contracts and upbeat forecasts. That leaves the index's gains resting on one theme, and Micron's results on Wednesday are its next test.

Rate-sensitive shares gave ground Utilities, which compete with bonds for investors seeking income, fell 4.5% as yields climbed, an unusually steep week for the sector. The Russell 2000 of smaller companies fell 1.1%. Energy shares fell even as crude rose, with the refiner Valero among the S&P 500's heaviest decliners.

Corporate bonds felt the rate move Measured against their own history, investment-grade corporate bonds suffered an unusually large weekly decline as Treasury yields rose. For balanced portfolios, higher rates are costing most in the holdings meant to provide stability. The same rise in yields also lifts the income available on new bond purchases.

Company news behind the biggest moves

Moderna rose 26.8%, the S&P 500's largest gain, extending a rally that began with late-stage melanoma results in August for its Merck-partnered cancer vaccine.

Gen Digital, owner of Norton, fell 22.7%, the S&P 500's steepest decline, in the week the Financial Times reported it had approached GoDaddy about a takeover.

Two gainers rose on forward-looking news. Everpure set out a preliminary fiscal 2028 outlook, and Akamai Technologies announced a seven-year cloud-services agreement with Anthropic.

MOVERS OF THE WEEK

GAINED

MRNA	Moderna	+26.8%
P	Everpure	+19.7%
DDOG	Datadog	+18.6%
AKAM	Akamai Technologies	+15.4%
CDNS	Cadence Design Systems	+14.8%

DECLINED

GEN	Gen Digital	-22.7%
MGM	MGM Resorts	-13.0%
PAYX	Paychex	-12.5%
CHTR	Charter Communications	-10.1%
VLO	Valero Energy	-9.7%

Largest weekly moves across 501 index members, by price return.

THE BOTTOM LINE

Tighter policy is hitting bond holdings and rate-sensitive shares first, while technology shares are carrying equity returns. A reopened Strait of Hormuz or softer August inflation data would ease the pressure on rates; firmer readings would add to it.

International

Tokyo climbs, Hong Kong slips The Nikkei 225 rose 2.1% as the yen weakened against the dollar, adding to a strong year for Japanese shares. Hong Kong went the other way. The Hang Seng fell 1.0% and remains lower for the year, apart from the gains elsewhere in Asia's largest markets.

Europe steadier than its bonds The STOXX Europe 600 added 0.5%. S&P Global's flash surveys showed euro-area output growing at its fastest pace in nearly three and a half years. The euro and the pound both weakened against the dollar, and Britain's survey showed price pressures intensifying.

The peso takes the sharpest hit The dollar rose 3.3% against the Mexican peso, far outside the pair's usual weekly range. Banco de México left its benchmark rate unchanged on Thursday, as economists had expected. The slide came as U.S. yields climbed, which narrows the peso's interest-rate advantage over the dollar.

Commodities

Oil stays high with Hormuz shut Brent crude rose 2.1% to \$106.04 a barrel. The Strait of Hormuz, the route for about a fifth of the world's oil and liquefied natural gas, remains closed during the U.S.-Israeli war with Iran. Late in the week, The Wall Street Journal reported that American and Iranian negotiators were working toward reopening it.

Gold slips as yields rise Gold fell 2.5% to \$4,314.10 an ounce. Higher Treasury yields and a firmer dollar raised the cost of holding a metal that pays no income, and expectations of further Fed increases added to the pressure. Silver fell as well.

The Week Ahead

Tuesday, Sep 29	The Bureau of Labor Statistics publishes its August Job Openings and Labor Turnover Survey.
Wednesday, Sep 30	The Bureau of Economic Analysis releases August personal income and spending, including PCE inflation, along with its gross domestic product report. Micron Technology reports quarterly results after the close.
Thursday, Oct 1	The Labor Department publishes weekly jobless claims, and the Census Bureau releases August construction spending.
Friday, Oct 2	The Bureau of Labor Statistics releases the September employment report.

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