What's on Our Minds

September 14, 2026

MARKET HIGHLIGHTS

- **Houthi attacks opened a new front in the Iran conflict,** disrupting pipeline activity in Saudi Arabia and shipping activity in the Red Sea. Oil prices surged north of $100 per barrel, raising inflation risks ahead of this week's Federal Open Market Committee (FOMC) meeting.
- **The Consumer Price Index (CPI) rose 0.4% month over month (3.4% year over year),** while core CPI came in hot at 0.3% (versus 0.2% estimated). Shelter (+0.3%) and wireless services (+5.9%) drove the upside surprise, pushing FOMC rate-hike odds to nearly 90%.
- **The Treasury Department clarified earlier announcements about increasing long-end Treasury buybacks "by at least double,"** announcing that buybacks will be tripled from $2 billion to $6 billion in 10- to 20-year purchases through November 4. The announcement underwhelmed investors, putting further upward pressure on interest rates.
- **The European Central Bank (ECB) raised its key rate 25 basis points to 2.50% in a unanimous decision,** with inflation seen staying above target through 2028. ECB President Christine Lagarde flagged upside inflation risk (energy) against downside growth risk.

MARKET PERFORMANCE

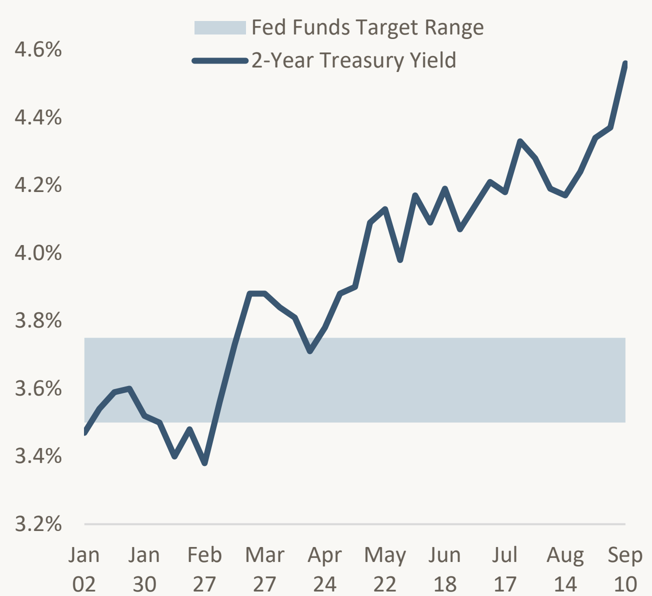
ASSET CLASS	1-WEEK	YTD
U.S. Aggregate Bond (Agg)	-1.04%	-1.43%
Municipal Bonds 1-10Y	-0.92%	-0.94%
U.S. High Yield	-0.53%	1.94%
S&P 500	-0.78%	12.77%
Russell 2500 (SMID cap)	-2.15%	18.92%
MSCI EAFE (International)	-1.38%	12.51%
MSCI Emerging Markets	-0.23%	24.32%
MSCI ACWI (Global)	-0.89%	13.76%
Crude Oil (NYMEX WTI)	7.97%	74.78%
Gold LBMA PM	-0.66%	0.42%
60/40 ACWI/Agg Portfolio	-0.95%	7.68%

WHAT CAUGHT OUR EYES THIS WEEK

What Comes After a Rate Hike?

Futures markets are placing 90% odds that we get a 25-basis-point rate hike at this week's FOMC meeting. Assuming markets are correct, two important questions follow: (1) What comes after that? and (2) Can markets handle it? Typically, central banks rarely deliver just one rate hike. Bond markets are currently positioned for a mild tightening campaign with a handful of hikes over the next year. However, it's clear that Federal Reserve (Fed) Chair Kevin Warsh would like us to throw out our old playbooks. If markets send a signal that further tightening is no longer necessary, we might end up with the rare "one and done." As for the first hike, equity markets have historically held up surprisingly well, with positive returns on average three and six months after the first hike in eight occurrences going back to 1983. The problem—and genesis of the adage "Bull markets don't die of old age"—is when the Fed tightens to the point of recession, which is far from a foregone conclusion in today's case. We don't think inflation trends are so off target that they can't be nudged in the right direction without a recession. Also, many of the underlying sources of economic strength (e.g., AI-related capital expenditures) are relatively insulated from changes in interest rates and should keep tighter monetary policy from slowing the economy too much and too fast.

Two-Year Treasury Yield vs. Federal Funds Target Range



Please see important disclosures and other key information on page 4.

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OUR KEY THEMES FOR 2026 (updated as of July)

1) Monetary policy moves to neutral or slightly restrictive and fiscal policy moves to neutral or slightly positive while the AI infrastructure build-out remains a key structural tailwind.
2) One Big Beautiful Bill Act corporate tax changes are spurring a reacceleration in non-AI business investment.
3) Global growth on net remains positive as trend-or-better US growth offsets supply shocks overseas.
4) Broader economic activity lifts employment, while labor force growth remains sluggish.
5) Inflation remains above target, but progress should resume when the current supply shock fades.
6) The jury is still out on Fed Chair Kevin Warsh's views in terms of what degree of policy restriction is needed to nudge inflation toward target.
7) We see stability or slight upward pressure for long-term rates, based on strong economic activity.
8) It's hard to fight strong fundamentals for equity markets, with double-digit profit growth balancing high earnings multiples.
9) Better earnings breadth was delayed, not canceled.
10) International stocks still offer diversification benefits and an impressive fundamental outlook considering geopolitical headwinds.

IN CASE YOU MISSED IT

INSIGHTS

Video: September 2026 Economic and Market Outlook

The Difference Between Financial Advisors at Registered Investment Advisers and Broker-Dealers

How Executives Can Mitigate Single-Stock Risk With Tax Efficiency

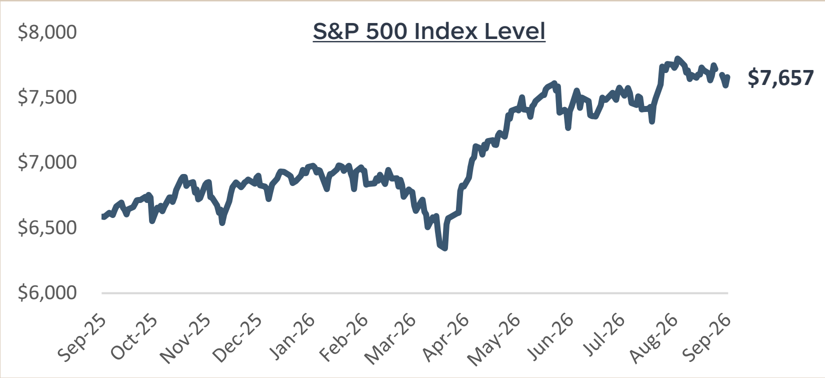
ARCHIVE

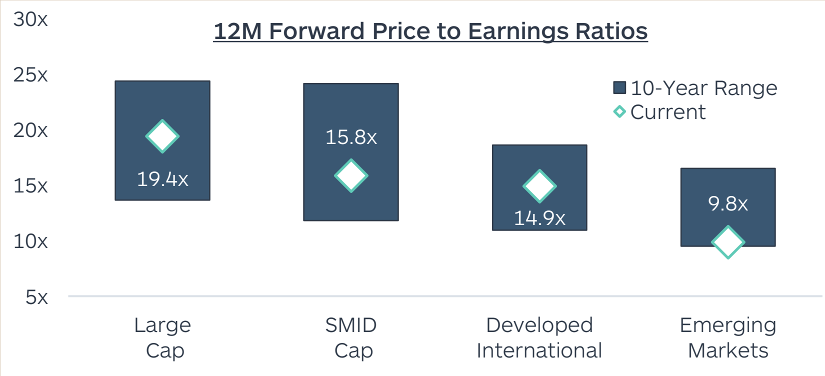
Historical Economic and Market Outlooks Insights

WEBINARS

Recording: Q3 2026 Market & Economic Outlook

EQUITIES





S&P 500 SECTOR	1-WEEK	YTD
Energy	2.1%	47.4%
Comm. Services	1.1%	2.4%
Information Technology	-0.2%	23.7%
Consumer Staples	-0.6%	8.4%
Real Estate	-1.0%	10.5%
Consumer Discretionary	-1.2%	-2.5%
Financials	-1.5%	5.5%
Utilities	-1.6%	0.7%
Industrials	-1.6%	11.8%
Materials	-2.7%	12.9%
Health Care	-3.5%	7.8%

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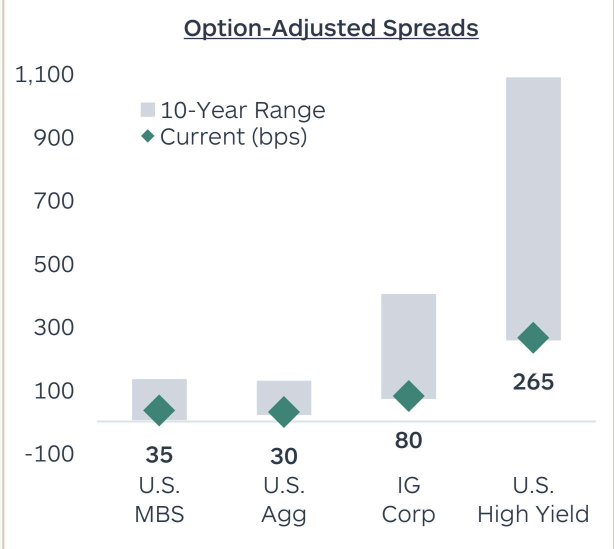
FIXED INCOME

KEY INTEREST RATES	9/11/2026	Δ YTD
Municipal Bonds 1-10Y	3.71%	0.74%
Effective Federal Funds Rate	3.63%	-0.01%
3M T-Bill	4.01%	0.38%
10Y Treasury Yield	4.97%	0.81%
U.S. Aggregate	5.27%	0.95%
Prime Rate	6.75%	0.00%
30Y Mortgage Rate	6.82%	0.57%
U.S. High Yield	7.81%	0.73%



COMMODITIES, CURRENCIES, CRYPTO

Asset Class	9/11/2026
Crude Oil	$100.08
Gold	$4,386.25
U.S. Dollar Index	$99.12
Bitcoin	$77,430.00

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THE WEEK AHEAD

Sep. 14 (Mon.)	Sep. 15 (Tue.)	Sep. 16 (Wed.)	Sep. 17 (Thu.)	Sep. 18 (Fri.)	Coming Up
		FOMC Meeting Aug. Retail Sales	Weekly Initial Claims Aug. Housing Starts Aug. Pending Home Sales	Aug. Industrial Production	Aug. PCE (9/30) Oct. Employment Report (10/2)

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ABBREVIATIONS: Agg: Aggregate. EM: Emerging Markets. SOFR: Secured Overnight Financing Rate. MBS: Mortgage-backed securities. IG: Investment Grade.

CHART OF THE WEEK: Cerity Partners, Ycharts, CME FedWatch as of 9/14/2026

MARKET PERFORMANCE: All returns represent total return for the stated period. 1-Week and Year-to-Date (YTD) returns are as of 9/11/26. Underlying indices are in descending order: Bloomberg US Aggregate provided by Bloomberg Capital; Bloomberg Municipal Bond 10 Yr provided by Bloomberg Capital; ICE BofA US High Yield Index provided by Bloomberg Capital; S&P 500; provided by: Standard & Poor’s. Index; Russell 2500; provided by: Russell Investments; MSCI Europe, Australasia, and the Far East (EAFE) provided by MSCI net official pricing; MSCI EM provided by MSCI net official pricing; MSCI All Country World Index (ACWI) provided by MSCI net official pricing; Crude Oil (WTI) provided by CME; LBMA Gold Price PM provided by FactSet. The 60/40 ACWI/Agg Portfolio (60% ACWI / 40% AGG) is not a recommendation and is provided for reference purposes only.

EQUITIES: Top Left-hand Chart. S&P 500 Index Level as of 9/11/26 and provided by Standard & Poor’s. Bottom Left-hand Chart. Forward Price to Earnings Ratios refers to the price-to-earnings ratio for the forward 12 months, which is a valuation measure applied to respective broad equity indices as of 9/11/26. Large Cap data is proxied with the S&P 500 and provided by FactSet. SMID data is proxied by the Russell 2500 and provided by FactSet. Developed International data is proxied with the MSCI EAFE and provided by FactSet. Emerging Markets data is proxied by the MSCI EM and provided by FactSet. S&P 500 Sector performance table. Sectors are based on the GICS methodology. Return data are calculated by FactSet using constituents and weights as provided by Standard & Poor’s. Returns are cumulative total return for stated period, including reinvestment of dividends. 1-Week and Year-to-Date (YTD) returns are as of 9/11/26.

FIXED INCOME: Top Table. Effective Federal Funds Rate provided by FactSet. Composite Municipal Bond Yield provided by FactSet. Bloomberg US Aggregate provided by FactSet. 3-Month Treasury Bill rate provided by FactSet. 10-Year Treasury Yield provided by FactSet. 30-Year Mortgage Rate provided by FactSet. ICE BofA US High Yield Index provided by FactSet. Prime Rate provided by FactSet. Bottom Table. Option Adjusted Spreads as of 9/11/26. Bloomberg US Aggregate Securitized – MBS, Bloomberg US Aggregate, ICE BofA US Corporate, ICE BofA US High Yield data provided by Bloomberg Capital.

COMMODITIES, CURRENCIES, CRYPTO: WTI NYMEX Crude Oil provided by FactSet. Gold is proxied with the LBMA Gold PM and provided by FactSet. Bitcoin is proxied by the Bitcoin (CME) Continuous index and provided by FactSet. U.S Dollar prices are proxied with the U.S. Dollar Index and provided by FactSet.