# What's on Our Minds

September 21, 2026

## MARKET HIGHLIGHTS

- **The Federal Open Market Committee raised rates 25 basis points** to a range of 3.75%–4.00%, its first hike since July 2023. Federal Reserve Chair Kevin Warsh's hawkish press conference cited stubborn inflation, with the dot plot signaling one more 2026 hike. He characterized the hike as "removing a dose of accommodation."
- **Global central banks diverged** as the Bank of Japan hiked its rate 25 basis points to 1.25% (the highest since 1995), while the Bank of England held at 3.75% in a 6-to-3 vote, flagging inflation risk above 4% next year from higher energy prices.
- **August retail sales rose 1.2% month over month,** well above the +0.8% estimate, with the control group (excluding autos, gas, and building products) up 1.4%—quadrupling expectations and confirming consumer resilience.
- **Housing remained weak** as the National Association of Home Builders' Housing Market Index fell to 32 (versus an estimated 34), its lowest since 2022, while August housing starts (-2.5%) and pending home sales (+0.3%) both missed forecasts.

## MARKET PERFORMANCE

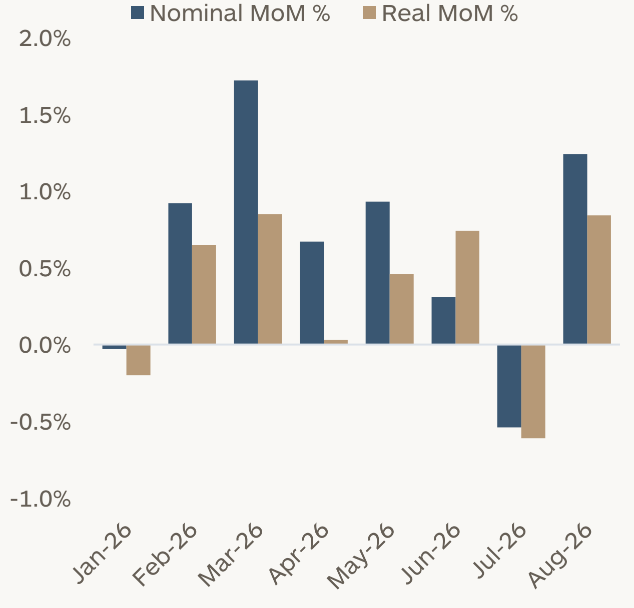
| ASSET CLASS | 1-WEEK | YTD |
|---|---|---|
| U.S. Aggregate Bond (Agg) | -0.03% | -1.46% |
| Municipal Bonds 1-10Y | -0.31% | -1.25% |
| U.S. High Yield | -0.30% | 1.64% |
| S&P 500 | -0.06% | 12.71% |
| Russell 2500 (SMID cap) | -1.39% | 17.27% |
| MSCI EAFE (International) | -1.58% | 10.73% |
| MSCI Emerging Markets | -0.56% | 23.62% |
| MSCI ACWI (Global) | -0.47% | 13.23% |
| Crude Oil (NYMEX WTI) | -2.13% | 75.06% |
| Gold LBMA PM | 1.90% | -0.45% |
| 60/40 ACWI/Agg Portfolio | -0.29% | 7.35% |

## WHAT CAUGHT OUR EYES THIS WEEK

### Checking In on the Consumer

With the news of last week's rate hike, we thought it was a good time to revisit the health of the consumer. Through August, the average household has spent roughly $500 more on gas than last year—about $20 more per week since the Iran conflict started. That's never a fun use of hard-earned money, but it's hardly a cause for crisis among most (though certainly not all) households. The underlying trend for spending in 2026 has been strong, with retail sales up on average 0.7% per month, or 0.3% after inflation. Household leverage is historically low, whether measured as a percentage of household assets or disposable incomes. If there's overheating demand from consumers, it's not coming from borrowing. With the unemployment rate also still at historical lows, nearly all Americans who want a job have one—an obvious swing factor for consumption. Last, an increasing slice of the consumption pie is coming from baby boomers. This generation is retiring en masse with low debt loads and high wealth. For them, it's more about asset prices than labor markets. In fact, on net, boomers are savers not borrowers; this means with all else equal, higher rates just put more cash in their pockets.

### Nominal vs. Real Retail Sales, Month-Over-Month Percentage Change




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

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## OUR KEY THEMES FOR 2026 (updated as of September)

1) Monetary policy moves to neutral or slightly restrictive, fiscal policy moves to neutral or slightly positive, and the AI infrastructure buildout remains a key structural tailwind.
2) OBBBA 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 the Fed target, but progress should resume when the current supply shock fades.
6) We see a handful of rate hikes at the most, not another full-scale hiking cycle.
7) We see stability or slight upward pressure for long-term rates, based on strong economic activity.
8) We believe 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

Driving High Performance Corporate Venture Investment Committees

Invested in a Qualified Opportunity Zone? A Tax Bill Is Due December 31, 2026

Video: September 2026 Economic and Market Outlook

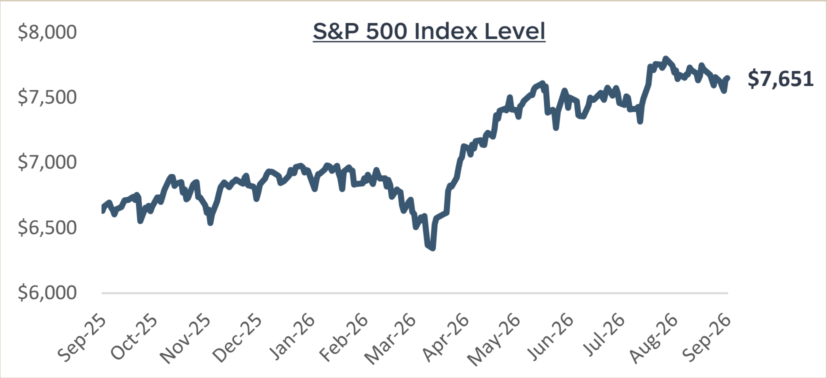
### ARCHIVE

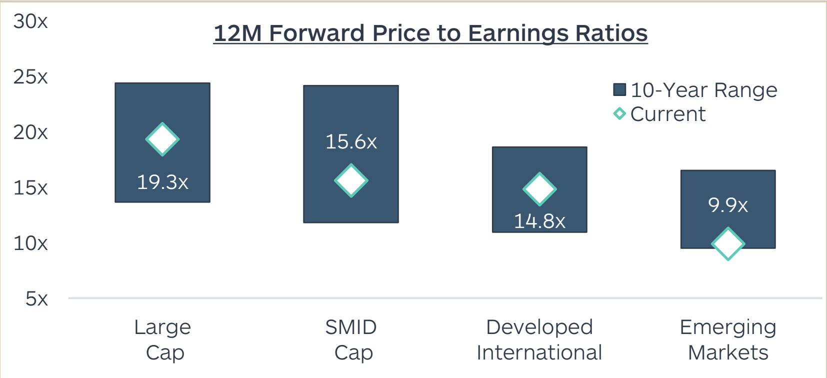
Historical Economic and Market Outlooks Insights

### WEBINARS

Recording: Q3 2026 Market & Economic Outlook

## EQUITIES




| S&P 500 SECTOR | 1-WEEK | YTD |
|---|---|---|
| Health Care | 1.9% | 9.8% |
| Comm. Services | 1.2% | 3.6% |
| Information Technology | 1.1% | 25.0% |
| Consumer Staples | -0.6% | 7.7% |
| Energy | -1.2% | 45.6% |
| Consumer Discretionary | -1.5% | -4.0% |
| Industrials | -1.5% | 10.1% |
| Materials | -1.8% | 10.8% |
| Real Estate | -2.0% | 8.4% |
| Financials | -2.3% | 3.0% |
| Utilities | -3.0% | -2.4% |

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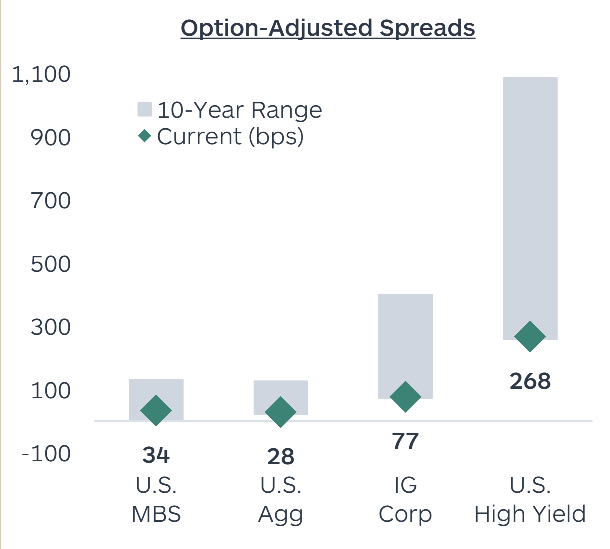
## FIXED INCOME

| KEY INTEREST RATES | 9/18/2026 | Δ YTD |
|---|---|---|
| Municipal Bonds 1-10Y | 3.83% | 0.86% |
| Effective Federal Funds Rate | 3.88% | 0.24% |
| 3M T-Bill | 4.07% | 0.44% |
| 10Y Treasury Yield | 5.01% | 0.84% |
| U.S. Aggregate | 5.32% | 1.00% |
| Prime Rate | 6.75% | 0.00% |
| 30Y Mortgage Rate | 6.99% | 0.74% |
| U.S. High Yield | 7.91% | 0.83% |




## COMMODITIES, CURRENCIES, CRYPTO

| Asset Class | 9/18/2026 |
|---|---|
| Crude Oil | $100.24 |
| Gold | $4,348.15 |
| U.S. Dollar Index | $100.22 |
| Bitcoin | $81,330.00 |

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## THE WEEK AHEAD

**Sep. 21 (Mon.)**

**Sep. 22 (Tue.)**

**Sep. 23 (Wed.)**
Sep. S&P Global Manufacturing and Services PMIs

**Sep. 24 (Thu.)**
Weekly Initial Claims

Aug. New Home Sales

**Sep. 25 (Fri.)**
Aug. Durable Goods Orders

**Coming Up**
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, FRED

**MARKET PERFORMANCE:** All returns represent total return for the stated period. 1-Week and Year-to-Date (YTD) returns are as of 9/18/26. 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 9/18/26 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 9/18/26. 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 9/18/26.

**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 9/18/26. 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.