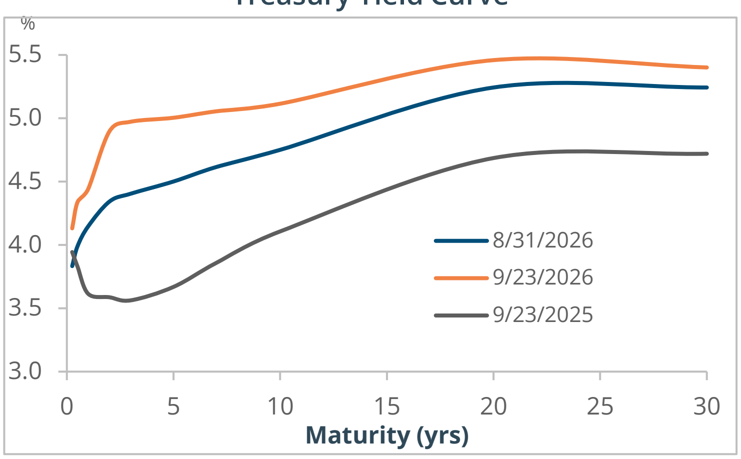
IR+M Weekly Fixed Income Market Update:
September 18 – September 24, 2026

Word on the IR+M Desk

Treasury yields moved sharply higher this week as investors grew increasingly concerned that inflation may remain above the Federal Reserve's target for longer than anticipated, prompting markets to price in a more restrictive policy path. Stronger-than-expected economic data and soft Treasury demand contributed to Wednesday's sell-off, reinforcing the view that interest rates may need to stay higher for longer. Markets also continued to grapple with more structural headwinds surrounding persistent fiscal deficits, mounting Treasury issuance needs, and resilient nominal growth, contributing to upward pressure on long-term interest rates and helping drive 30-year Treasury yields to the highest level in about 22 years.

- September's preliminary S&P Global US PMI composite index surprised to the upside, rising to 58.4 – the fourth consecutive month of expansion and fastest pace since July 2021; the move suggests that economic activity remains resilient despite tighter financial conditions
- Treasury market weakness intensified after a poorly received $70 billion 5-year Treasury auction; the result was notable given that yields had already risen significantly ahead of the sale, fueling concerns that investors may require even higher yields to absorb growing Treasury issuance
    - The Treasury curve flattened sharply as the spread between the 2- and 10-year rates narrowed from roughly 50bps one month ago to below 20bps during the week, reflecting expectations for additional policy tightening
    - Long-dated Treasury yields reached multi-decade highs, with the 30-year Treasury rate rising above 5.4%; the MOVE Index approached a six-month high as rate volatility increased
- Elevated energy prices remained a key market theme as geopolitical tensions and potential diesel export restrictions added to near-term inflation fears
- Investment-grade (IG) and high-yield (HY) corporate spreads remained relatively resilient – thanks to attractive all-in yields and healthy fundamentals – despite significant interest rate volatility; investors continued to favor high-quality credit amid attractive all-in yields and healthy corporate fundamentals; IG spreads tightened 1bp week-over-week to 77bps, while HY spreads widened 4bps to 274bps
- Higher yields did little to deter borrowers from issuing new debt, particularly in HY, as IG and HY supply totaled roughly $35 billion and $17 billion, respectively
- Agency mortgage-backed securities (MBS) underperformed Treasuries amid heightened interest rate volatility
    - Despite elevated rate volatility, MBS performance remained relatively orderly relative to prior periods of market stress, supported by limited mortgage origination and improved investor positioning
- Municipals underperformed Treasuries in the short end, pushing the 2-year muni/Treasury ratio from 60.1% to 66.1%, while keeping pace in the 10- and 30-year portions of the curve

Treasury Yield Curve



Maturity	2-year	5-year	10-year	20-year	30-year
9/23/26	4.90	5.00	5.12	5.46	5.40
MTD Change	0.56	0.50	0.36	0.22	0.16

Month-to-Date Excess Returns