Tuesday, September 15, 2026 | Institutional Rates & Credit Strategy | Data as of 21:02 UTC (Markets Open)

1. EXECUTIVE SUMMARY

- **Broad-based bear-steepening backup in Treasuries** — 10Y yield jumped **+3.5bp to 4.996%** and 30Y rose **+3.5bp to 5.364%**, while the front end (3M bill) lagged at +2.5bp (3.96%). This is a term-premium/inflation-risk driven move, not a policy-driven one — the long end is repricing faster than the front end.

- **Fed Funds futures now price a HAWKISH reversal**: current effective rate sits at 3.63%, but the CME-equivalent curve implies a climb toward **4.50% by mid-2027** (~87bp of implied hikes) — a sharp change from the prior cutting-cycle narrative. Next FOMC meeting (Sept 16-17) is priced for a hold, with tightening bias building from October onward.

- **Oil shock is the dominant catalyst**: USO spiked **+3.3%** intraday alongside a flight to gold (GLD +0.3%) and equity weakness (SPY -0.5%, QQQ -0.7%) — classic stagflationary cross-asset signature that is reinforcing the bond market's inflation-risk repricing.

- **Credit is softening but orderly**: HYG (-0.19%) and JNK (-0.20%) underperformed IG proxy LQD (-0.02%) as HY OAS holds at 271bp. Quality bias is reasserting itself — a signal to trim beta in lower-quality HY ahead of a potentially more volatile rate backdrop.

2. YIELD CURVE & TREASURIES

Treasury Yield Levels — Live vs. Prior Close

Tenor	Current Yield	Prior Close	Chg (bp)	Source
3-Month Bill (^IRX)	3.960%	3.935%	**+2.5bp**	Yahoo (live)
2-Year Note*	~4.680%	4.650%	**+3.0bp (est.)**	FRED 9/14 + est. drift

10-Year Note (^TNX)	4.996%	4.961%	**+3.5bp**	Yahoo (live)
30-Year Bond (^TYX)	5.364%	5.329%	**+3.5bp**	Yahoo (live)

**Live 2Y feed unavailable via Yahoo; anchored to FRED DGS2 (4.65%, 9/14 close) with estimated intraday drift consistent with belly-of-curve moves. 5Y not directly quoted.*

Curve Spreads

Spread	Current	Prior Session (FRED 9/14)	Signal
2s10s	**~32bp**	~32bp	Positively sloped, little changed — no material re-steepening/flattening yet
3s10s	**~104bp**	~104bp	Steep — front end still anchored well below long end
5s30s (est.)	**~51bp**	n/a	Estimated via curve interpolation; consistent with steepening bias
10s30s	**~37bp**	~37bp	Long-bond term premium remains elevated

Today's move is a parallel-to-mildly-steepening backup: long end (+3.5bp) outpaced the front end (+2.5bp), consistent with rising term premium/inflation risk rather than near-term policy repricing. TLT -0.27% underperformed IEF -0.12% and SHY -0.04% on the day, confirming duration is where the pain is concentrated.

3. CREDIT MARKETS

Credit Proxies & Spreads

Instrument	Level	Prior Close	Chg	Note
LQD (IG ETF proxy)	104.28	104.30	**-0.02%**	IG holding firm — quality bid intact
HYG (HY ETF proxy)	78.38	78.53	**-0.19%**	Modest HY underperformance vs IG
JNK (HY ETF proxy)	94.30	94.49	**-0.20%**	Confirms HYG signal — broad HY softness
BofA HY OAS	**271bp**	—	Latest (9/14)	FRED BAMLH0A0HYM2 — spreads remain historically tight despite rate vol
IG OAS (est.)	**~88bp**	—	Approximate	No live CDX feed; derived from cash-bond OAS relationships
CDX.IG (est.)	**~60-64bp**	—	Approximate	Directional estimate only — live index feed unavailable
CDX.HY (est.)	**~325-335bp**	—	Approximate	Directional estimate only — live index feed unavailable

Sector rotation signal: energy-linked HY credits should see relative support from the oil price spike (USO +3.3%), while consumer-discretionary and rate-sensitive HY (autos, retail) face headwinds from both higher funding costs *and equity risk-off. IG remains the preferred beta given resilient LQD performance relative to HY proxies.*

4. MACRO DATA & FED WATCH

Fed Funds Path — 30-Day Fed Funds Futures (CME FedWatch-Equivalent)

Period	Implied Effective Rate	Chg vs. Current (3.63%)	Note
Current Effective (9/14)	**3.63%**	—	Baseline
Sep-26	3.737%	**+10.7bp**	**Next FOMC: Sept 16-17** — priced essentially for a hold
Oct-26 (front month)	3.875%	**+24.5bp**	First leg of hawkish repricing begins
Dec-26	4.100%	**+47.0bp**	December FOMC — market pricing incremental tightening
Jan-27	4.155%	**+52.5bp**	
Feb-27	4.230%	**+60.0bp**	
Mar-27	4.300%	**+67.0bp**	
Apr-27	4.375%	**+74.5bp**	
May-27	4.440%	**+81.0bp**	
Jun-27	**4.495%**	**+86.5bp**	Cumulative implied tightening through mid-2027

Direction is the key takeaway: futures have flipped from pricing further easing to pricing a resumption of hikes — a ~87bp cumulative increase in the effective rate over the next nine months. This is a material hawkish repricing likely *tied to energy-driven inflation risk (see Cross-Asset section) rather than labor market strength.*

Latest Economic Releases

Indicator	Latest	Reference Period	Note
Nonfarm Payrolls (level)	**159.075mm**	Aug 2026	BLS latest print (CES0000000001)
Unemployment Rate (U-3)	**4.3%**	Aug 2026	BLS latest (LNU04000000); FRED SA series shows 4.1% for same month — vintage/seasonal-adjustment differences to reconcile
CPI Index (NSA)	**334.13**	Aug 2026	Level only; oil spike raises risk of upside surprise in Sept/Oct prints
Fed Balance Sheet (WALCL)	**$6.741T**	Week of 9/9/2026	QT normalization continues; modest weekly runoff

5. MBS / AGENCIES

ETF/Proxy	Price	Prior Close	Chg	Note
TLT (20Y+ Treasury)	80.71	80.93	**-0.27%**	Long-duration underperformance leads the complex
IEF (7-10Y Treasury)	90.82	90.93	**-0.12%**	Belly holding up relatively better

SHY (1-3Y Treasury)	81.31	81.34	-0.04%	Front end least impacted — confirms steepening bias

Relative value: *With 10Y yields backing up toward 5.0%, primary mortgage rates are tracking higher (est. ~6.6-6.8% conventional 30Y), keeping refinancing activity muted and prepayment speeds slow — supportive for extension-sensitive discount coupons but a headwind for premium/current-coupon pools facing negative convexity if the backup continues. Current-coupon MBS OAS vs. Treasuries is estimated in the ~125-145bp range; expect modest spread widening pressure as rate volatility (implied by the Fed repricing) picks up. Favor up-in-coupon / seasoned specified pools over TBA in this environment to manage convexity risk.*

6. CROSS-ASSET CONTEXT

Asset	Level	Prior Close	Chg	Fixed Income Implication
SPY (S&P 500 ETF)	757.39	760.88	-0.46%	Risk-off tone; modest flight-to-quality support for front-end duration
QQQ (Nasdaq ETF)	704.54	709.18	-0.65%	Growth/rate-sensitive equities underperforming — consistent with hawkish repricing
GLD (Gold ETF)	394.15	392.84	+0.33%	Inflation-hedge bid — corroborates rising breakeven/inflation-risk premium

USO (Oil ETF)	**161.86**	156.66	**+3.32%**	**Primary catalyst** — energy shock is driving the inflation-risk repricing across rates and Fed expectations

The combination of a sharp oil spike, firmer gold, and softer equities is a textbook stagflationary cross-asset signature. This is the direct driver of today's back-up in long-end Treasury yields and the hawkish shift in the Fed funds futures curve. USD is likely to see mixed-to-firmer trading on the hawkish repricing, though a live FX feed was not available for this briefing — monitor DXY for confirmation.

7. ISSUANCE PIPELINE

Market	Near-Term Forecast	Commentary
IG Primary	**$25-30bn (this week)**	Seasonally heavy mid-September calendar; issuers likely to prioritize pricing ahead of the Sept 16-17 FOMC to avoid post-meeting volatility. Expect financials and industrials to lead with benchmark 5Y/10Y tranches.
HY Primary	**$3-5bn (this week)**	Opportunistic window remains open given HY OAS still near cycle-tight levels (271bp), but issuers should move quickly — HYG/JNK softness suggests the window may narrow if rate volatility persists.

Agency/MBS Supply	Steady	Net supply modest given slow origination activity; Fed continues balance-sheet runoff (WALCL -$~ from prior week), keeping net free-float supply a technical tailwind for spread product.

Issuers with FOMC-week event risk should expect wider new-issue concessions if the Fed's tone hardens further; buyside demand for IG remains firm per LQD price action, providing a favorable backdrop for well-structured deals.

8. STRATEGIC TAKEAWAYS

- **Trim long-end duration, favor the belly (5-7Y):** The long end is absorbing the brunt of today's inflation-risk repricing (30Y +3.5bp, TLT -0.27%). With Fed funds futures now pricing ~87bp of cumulative tightening risk into mid-2027, term premium is likely to stay elevated — reduce convexity exposure to the back end until the oil-driven inflation narrative stabilizes.

- **Upgrade credit quality within HY:** HYG/JNK underperformance vs. LQD signals early-stage risk-off in credit. Rotate toward higher-quality BB/energy-linked HY names (direct beneficiaries of the oil spike) and reduce exposure to rate-sensitive, lower-quality cyclicals.

- **Reassess MBS convexity positioning:** Rising rate volatility alongside the Treasury backup raises extension risk for premium/current-coupon pools. Favor seasoned, up-in-coupon specified pools over TBA to better manage negative convexity as mortgage rates track the 10Y higher.

- **Build front-end liquidity / T-bill ladders:** With 3M bills yielding 3.96% and the Fed funds curve pricing a hold at this week's FOMC before a gradual hawkish drift, front-end paper offers an attractive risk/reward parking spot while the market digests the inflation shock — preserve dry powder for re-entry into duration once the oil-driven volatility clears.