

WEEKLY INSIGHT

September 30, 2026

Treasury Yields Hit 24-ear High

The S&P 500 was down 0.7% for the week but fared better than expected given the moves in the bond market. The NASDAQ was down 0.3% with certain industries in technology helping offset generally weak market conditions. Small caps underperformed with a weekly drop of 1.4%. Emerging markets slid 2.5%. Core bonds were down 0.9% amid rising Treasury yields.

Rising Treasury yields have taken center stage with the 10-year Treasury rising to its highest level since 2002. The 10-year Treasury yield rose 82 basis points in the third quarter and finished at 5.28%. Yields rose into the Federal Open Market Committee (FOMC) meeting in mid-September where the hope was that an increase to the Federal Funds rate would alleviate persistent inflation concerns. Yields paused briefly before strong economic data fueled the recent move higher.

Economy Strengthens

The market has woken up to potential acceleration in economic data. S&P Global reported that Manufacturing PMI was 57.0 in September versus 53.9 the prior month. Services PMI was even better at 58.7 versus 56.5 in August. The 10-year yield rose 23 basis points on the day. Jobless claims printed under 200,000 for a second consecutive week.

The heavy economic calendar included the much-anticipated PCE inflation reading and a final look at second quarter GDP. Core PCE showed a 0.247 percent increase versus the prior month. Numbers are reported in tenths, so the 0.2 reading came in better than 0.3% consensus forecast. Equities popped 1% initially but faded. Core PCE now sits at +3.0% versus the prior year. This is the preferred inflation tool for policy makers.

GDP for the second quarter was revised up to 2.2% from 1.5% with personal consumption expenditures finishing at a strong 3.8%. Real final sales to private domestic purchasers rose 4.6%. This is used as a core demand figure as it includes consumer spending plus gross private fixed investment. It backs out inventory adjustments, net exports, and government spending. The previous two quarters were 1.8%, so the 4.6% reading is a big acceleration. In fact, this is the highest reading since the second quarter of 2021.

The FOMC focuses on Core PCE, which is at 3%, but the GDP deflator is another measure of inflation. While often ignored, it came in at 5.6%. This pushed Nominal GDP up to 8.5% using the same methodology that real GDP is reported. This is the highest reading in four years.



Interest Rates (%)		Current	12M Ago	3YR Ago
Fed Funds Rate (Upper)		4.00	4.25	5.50
3-Month T-Bill		4.11	3.93	5.45
10-Year Treasury		5.28	4.10	4.57
30-Year Treasury		5.63	4.71	4.70
10-Year Corporate AA		6.08	4.81	5.69
10-Year High Yield Corp		7.46	6.14	7.72
Commodity Prices (\$)		Current	12M Ago	3YR Ago
Gold (\$/oz.)		4,157	3,866	1,849
Oil (WTI, \$/barrel)		90.42	61.78	90.79
Currencies		Current	12M Ago	3YR Ago
USD (Dollar Index Spot)		101.45	97.71	106.17
USD/EUR		0.88	0.85	0.95
USD/JPY		157.41	147.07	149.37

Sources: BTC Capital Management, Bloomberg

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