Week Ahead – September 14, 2026

SPIREPOINT PRIVATE CLIENT
WEALTH MANAGEMENT & ADVISORY
VERO BEACH & PALM BEACH GARDENS, FL

THIS WEEK'S THEME | The Doves Lost Their Bet — *Inflation Data Drove Hawkish Conviction and Punished Complacency: A Rate Hike Is on Deck*

EXECUTIVE BRIEF · PUBLISHED SEPTEMBER 14, 2026

The bet was settled on Friday. A week after this letter described a market positioned for a cool inflation report, the report arrived warm: core consumer prices rose **0.3%** against a 0.2% forecast, gasoline jumped 3.9%, and the odds of a rate increase at Wednesday's Federal Reserve meeting went from roughly **56% to 86%**. The 2-year Treasury yield rose **26 basis points** in five sessions, the 30-year climbed to **5.35%**, its highest since 2007, and the futures market now prices a peak policy rate near **4.56%**, almost a full percentage point above today's. Crude oil closed at **$99.99**, up 9.6% on the week and 20% in two.

The S&P 500 fell **0.80%**, which understates the damage. Small companies dropped 2.4%, health care 3.6%, and the share of index members above their 50-day average collapsed to **39%**, from 70% four weeks ago. Only three of eleven sectors rose. The seven largest growth companies gained 1.4%, which is the only reason the index did not fall further. Wednesday's FOMC decision now looks settled; what matters going forward is how Fed Chair Warsh frames the most likely path forward for policy rates, if he does at all. This week's chart puts the move in the yield curve into fifty years of context, and explains why it does not look like the setup that preceded any modern recession.

01 Index Performance Dashboard

1-WK · YTD

S&P 500	NASDAQ COMPOSITE	DOW INDUSTRIALS	RUSSELL 2000	DOW TRANSPORTS
−0.80%	−0.66%	−1.57%	−2.41%	−1.82%
YTD +11.85%	YTD +13.30%	YTD +9.38%	YTD +17.00%	YTD +18.85%
1.8% below the record, held up by a few names	mega-caps cushioned it	cyclicals sold	small caps bore the rate repricing	fuel at $100 crude

Value LARGE-CAP VALUE	−1.10% YTD +17.27%	Growth LARGE-CAP GROWTH	−0.49% YTD +8.25%

Growth held up better, −0.49% against −1.10% for value, but the real split was inside growth: the seven largest companies rose 1.42% while the broad growth basket fell. Value still leads by nine points for 2026. In a week when rates repriced sharply higher, the market sold what it could, small companies, cyclicals, health care, and kept what it trusts most. That is the narrowing described below, now at its most extreme of the year.

02 S&P 500 Sector Dashboard

THREE CALLS CHANGED · TWO ON WATCH

SECTOR	1-WK	YTD	STRATEGY CALL	WHAT IT MEANS
S&P 500 ETF SPY	−0.77%	+12.08%	Cautious	Fell 0.77% with three of eleven sectors higher and eight lower. The index remains above its 50-day average by less than 1%, and its 200-day by 7%, while the internals beneath it have weakened for four consecutive weeks.
Communication Services XLC	+0.51%	−4.35%	▲ Neutral	**Upgraded to neutral.** Rose 0.51%, one of three sectors higher. More to the point, its relative strength reading versus the S&P 500 has established a base since the early-August lows and the measure quietly firmed to a two-month high last week, warranting an upgrade from its long-held lagging rating. Still the weakest sector of 2026 at −4.4%, which is why the upgrade stops at neutral.
Consumer Discretionary XLY	−1.70%	−5.40%	Lagging	Fell 1.70% and remains negative for the year at −5.4%. Crude at $100 is a direct charge on discretionary budgets, and the sector continues to price it that way.
Consumer Staples XLP	−1.42%	+7.34%	▼ Lagging	**Downgraded to lagging.** Fell 1.42%, its third heavy week in a row, a slide that has cost the sector the year-to-date lead over the broader market it held for most of 2026. A defensive sector that cannot hold up in a defensive tape has lost the reason to hold it at neutral.
Energy XLE	+1.69%	+45.69%	Leading	The week's leader at +1.69% on the back of a second straight 9%-plus weekly gain in crude oil futures, extending the best sector return of 2026 to **+45.7%**. The call holds; we continue to caution against adding after two weeks of this size.
Financials XLF	−1.46%	+4.53%	Leading ▽ watch	Fell 1.46% and is placed on **downgrade watch**. Banks should benefit from higher rates, but the curve flattened and the weakest credit tier widened again, and the sector has now trailed the index for three weeks.
Health Care XLV	−3.55%	+6.82%	Leading ▽ watch	The week's worst sector at −3.55%, and placed on **downgrade watch**. It led the summer advance; giving back three and a half points in a week is the sharpest reversal in the sector since June. One week does not end the trend, but a second like it would.
Industrials XLI	−1.65%	+11.12%	Lagging	Fell 1.65%, a second consecutive decline since the downgrade. Nothing this week argues against the call.
Materials XLB	−2.84%	+12.35%	Lagging	Fell 2.84% with copper and the metals, the second-worst sector. The upgrade watch has been removed; this week ended the case for it.
Real Estate XLRE	−1.16%	+7.61%	Lagging	Fell 1.16% as the 10-year rose 18 basis points. The most rate-sensitive sector doing what it does when rates rise.
Technology XLK	+0.21%	+30.35%	▲ Neutral △ watch	**Upgraded to neutral, tentatively.** A third straight week of outperformance since the August downgrade earned the review. But weekly volume was the lowest of 2026, with the five lightest weeks of the year being the last five, so conviction is thin. It stays on upgrade watch.
Utilities XLU	−1.60%	−0.70%	Lagging	Fell 1.60% and is negative for 2026 again. Higher long yields remain the whole story here.

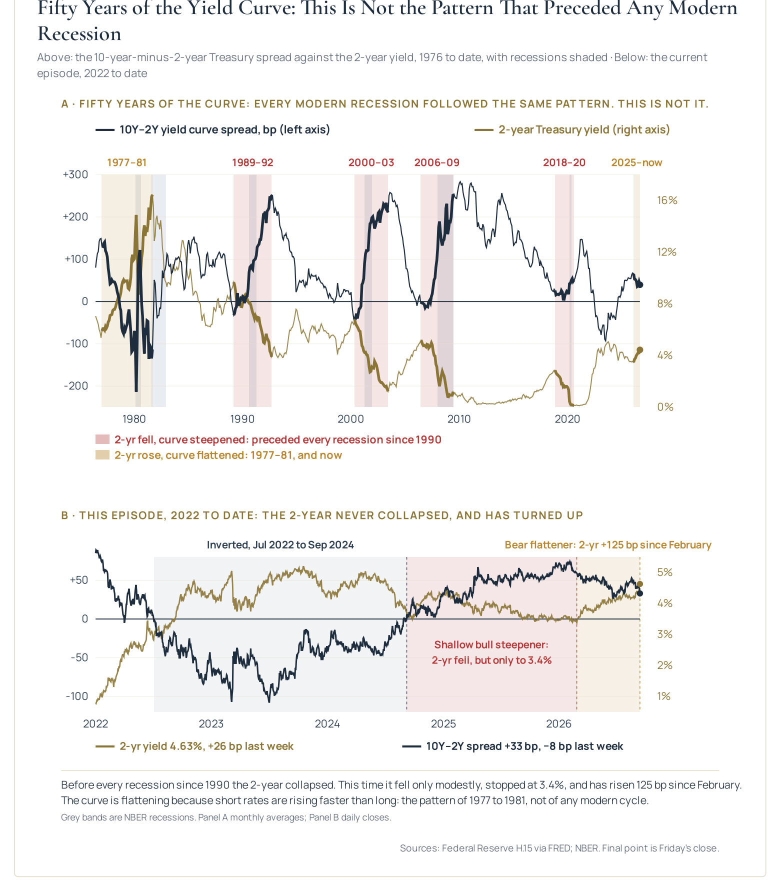
Three calls changed this week and two more went on watch. Communication services (XLC) is upgraded to neutral after its relative strength versus the S&P 500 built a base off the August low and reached a two-month high, an early leadership signal rather than a price one. Technology (XLK) is upgraded to neutral, tentatively: three consecutive weeks of outperformance since the downgrade earned the review, but weekly volume was the lowest of 2026 and has fallen for five straight weeks while price rose, so it stays on upgrade watch rather than moving further. Consumer staples (XLP) is downgraded to lagging after a third heavy week, and the consumer-pressure theme we have described now shows in both consumer sectors falling together. Financials (XLF) and health care (XLV) are placed on downgrade watch. Energy led amid oil strength. Beyond the calls: three sectors up, eight down, in a week the index fell less than 1%.

03 Chart of the Week

FIFTY YEARS OF THE YIELD CURVE

Fifty Years of the Yield Curve: This Is Not the Pattern That Preceded Any Modern Recession

Above: the 10-year-minus-2-year Treasury spread against the 2-year yield, 1976 to date, with recessions shaded · Below: the current episode, 2022 to date



Before every recession since 1990 the 2-year collapsed. This time it fell only modestly, stopped at 3.4%, and has risen 125 bp since February. The curve is flattening because short rates are rising faster than long: the pattern of 1977 to 1981, not of any modern cycle.
Grey bands are NBER recessions. Panel A monthly averages; Panel B daily closes.

Sources: Federal Reserve H15 via FRED; NBER. Final point is Friday's close.

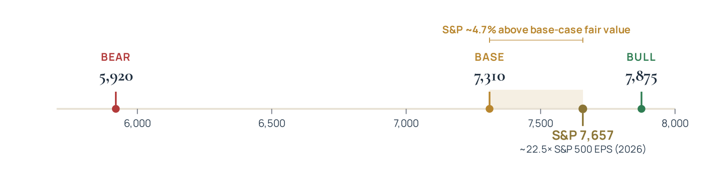
A word on what the yield curve is, because this chart repays it. The dark line is the gap between what the government pays to borrow for ten years and for two. In a normal cyclical expansion the 10-year yields more than the 2-year, producing an upward-sloping curve and a positive spread. When the 2-year yields more than the 10-year the curve is *inverted*, a historical recession warning. The gold line is the 2-year yield itself, which tracks what the market expects the Federal Reserve to do. The red shading on the chart marks how every inversion since 1990 was resolved: the 2-year fell, the curve steepened, and a recession followed, because the Fed was cutting into weakness. That was the bond market's reliable warning through the entire forty-year bull market in bonds. The orange shading marks the other way an inversion can end: the 2-year rises and the curve flattens because the Fed is tightening. That happened in 1977 to 1981, when an energy shock forced a central bank that had paused to start again. A very similar dynamic has emerged in 2026. The lower panel shows this episode in detail. The curve was inverted from mid-2022 to September 2024 and un-inverted, as usual, because the 2-year fell when the Fed began cutting. What was unusual is how little it fell: from 4.96% to a low of 3.38% this February, about 160 basis points over 22 months, against declines of 430 to 570 basis points in every prior modern cycle. It never collapsed. Since February it has risen 125 basis points, and the curve has flattened from the front. Why this matters for a portfolio: the modern playbook says a re-steepening curve is the moment to prepare for recession and buy long bonds. This curve is not giving that signal, and the last time it behaved this way, long bonds were the worst place to be for several years. The 1970s comparison is not a forecast, and that episode did eventually end in a Fed-induced downturn. But it argues for the front of the yield curve over the back, for inflation protection over duration, and against treating this steepening as the recession warning it would have been in any of the last four cycles.

04 Valuation & Earnings Power

MULTIPLE LEVELS · EARNINGS YIELD

S&P 500 — Fundamental Valuation Targets

Scenario fair values from earnings × multiple, plotted against the index level · the index is trading above its base-case fair value



50-Day Moving Average: 7,607 · 100-Day Moving Average: 7,497 · 200-Day Moving Average: 7,163

BEAR CASE	BASE CASE	BULL CASE
5,920	7,310	7,875
18.5× · $320 EPS	21.5× · $340 EPS	22.5× · $350 EPS
22.7% downside	4.5% downside	2.8% upside

EARNINGS YIELD VS. THE RISK-FREE RATE

S&P 500 earnings yield	4.44%
10-Year Treasury	4.96%

Equity risk premium at its most negative of the year. The S&P 500's earnings yield of 4.44% sits *below* the 4.96% available on a risk-free 10-Year Treasury: investors are accepting roughly **52 basis points less** to own stocks than to own government bonds, against 37 basis points a week ago. The gap widened because the 10-Year rose 18 basis points while the index fell less than 1%.

Our scenario assumptions are unchanged this week; they are reviewed monthly, and we expect to move the framework to 2027 earnings estimates in the coming weeks. On a central estimate of roughly 21.5 times about $340 of expected earnings, fair value sits near **7,310**. At **7,656.98** the index trades about **4.7% above** that center, down from 5.6% a week ago as the index slipped. The comparison on the other side widened sharply against equities: the earnings the index produces relative to its price is about **4.44%**, while a risk-free 10-year Treasury now pays **4.96%**. Investors are accepting roughly **52 basis points less** to own stocks than government bonds, against 37 a week ago, because yields rose 18 basis points while the index fell less than 1%. That is the widest negative gap of the year.

05 Cross-Asset Tape

TREND · 1-WK · YTD

ASSET	PRIMARY TREND	1-WK	YTD	WHAT IT MEANS
S&P 500 U.S. equities · 7,656.98	Pullback · Above 50-day	−0.80%	+11.85%	Fell 0.80% and now sits 1.8% below the August 13 record, still above a 50-day average of 7,607 by a thin margin. Four straight weeks of weakening participation beneath a nearly flat index is the most important thing on this board.
WTI Crude front-month · $99.99	Breakout · At $100	+9.61%	+74.17%	Up **9.61%** to a hair under $100, a second consecutive week of roughly that size, and now up **74%** for 2026. Two weeks ago crude was $83. This is the single largest input into the inflation data the Federal Reserve will be looking at on Wednesday.
WTI Dec'26–Dec'27 calendar spread · $19.39	Extreme · Record	+$5.31	+$19.39	Widened another **$5.31 to $19.39**, a second consecutive record for the two contracts. Buyers now pay a $19 premium for December barrels over next December's. The physical market is saying the shortage is acute and immediate; it is not a financial-market phenomenon.
Gold futures · $4,390.00	Pullback	−1.95%	+1.34%	Fell 1.95%, and silver 2.69%, for a second week as crude surged. Precious metals are being sold to fund the energy trade and are being hurt by rising real yields. Their 2026 gain has shrunk to 1.3%.
Copper futures · $6.56	Pullback	−1.66%	+15.16%	Fell 1.66%, its first meaningful decline in a month. Industrial metals weakening while energy surges is the combination that says costs are rising faster than demand.
U.S. Dollar DXY · 99.09	Flat · Below 100	−0.06%	+0.83%	Unchanged on the week despite a 26 basis point rise in the 2-year. A currency that does not rise when its short rates jump is telling you the move is about inflation, not about relative growth.

06 Sentiment & Risk Internals

FEAR DEEPENS, BREADTH WASHES OUT

VIX	CBOE SKEW	PUT / CALL RATIO	CNN FEAR & GREED	AAII BULL-BEAR
15.84	154.49	0.56	33	−1.3%
▲ from 14.53	▲ from 151.58	▼ from 0.58	▼ −9 · Fear	▼ −3.4 pts
highest in six weeks, still low	a fifth straight week of tail hedging	unchanged in substance	deepest fear reading since spring	back to net bearish

S&P > 50-day avg	39% ▼ −8	
S&P > 100-day avg	49% ▼ −9	
S&P > 200-day avg	56% ▼ −8	
NYSE advance-decline line	1,348 ▲ +213	*rose on the week, a lone bright spot in the internals*

The divergence we flagged last week resolved the way we noted it typically does: in favor of the market-based gauge. The Fear and Greed Index deepened to **33**, well into fear territory and its lowest reading since the spring, and the retail survey that had swung bullish a week earlier swung back to net bearish. The VIX rose to **15.84**, still low by any historical standard but its highest in six weeks. To boot, the cost of deep crash protection, as measured by the SKEW index, rose for a fifth straight week to **154.49**. Cheap volatility with expensive tail protection has been the pattern for over a month; this week the front of that trade finally began to reprice.

07 Rates, Credit & the Fed

FRONT END REPRICED FOR A HIKE

TREASURY YIELDS

2-Year Yield *policy-sensitive*	4.63%	+26 bp YTD +116 bp
10-Year Yield *benchmark*	4.96%	+18 bp YTD +78 bp
30-Year Yield *fiscal/inflation-sensitive*	5.35%	+11 bp YTD +51 bp

The largest weekly rise in yields this year, and it came from the front. The 2-year rose **26 basis points to 4.63%**, the 10-year 18 to **4.96%**, the 30-year 11 to **5.35%**, its highest since 2007. Two-year yields are now up 116 basis points for 2026. Five-year expected inflation rose only 3 basis points, so unlike two weeks ago this was not an inflation-expectations move; it was the market repricing what the Federal Reserve will actually do. That is the bear flattener this week's chart is about.

YIELD CURVE AND BREAKEVENS

10Y–2Y Spread *bear-flattened*	+33 bp	−8 bp YTD −38 bp
10Y–3M Spread *bear-steepened*	+89 bp	+2 bp YTD +38 bp
5-Yr Breakeven *market-implied inflation*	2.40%	+3 bp YTD +14 bp

The 10-year-to-2-year gap narrowed 8 basis points to **+33 bp**, the third flattening in four weeks and the flattest since February. In plain terms: short-term rates are rising faster than long-term rates because the market has decided the Federal Reserve will raise rates, and possibly more than once. That is the opposite of what the curve did before every modern recession, when short rates collapsed first *(as visualized in the Chart of the Week)*.

FED POLICY PATH · FED FUNDS FUTURES

▲ HIKE AT THE SEP 16 MEETING	▲ RATE PRICED FOR DECEMBER	▲ PEAK RATE PRICED
86%	4.08%	4.56%
was 56%	was 3.93%	was 4.24%

The bet described in this letter last week lost. Positioned for a cool inflation print, the market got a warm one on Friday, one day after wholesale prices confirmed the pipeline. The odds of a quarter-point increase on Wednesday rose from roughly **56% to 86%**, the rate priced for December jumped to **4.08%**, and the peak priced anywhere on the strip moved to **4.56%** in late 2027, now **93 basis points** above today's 3.63% effective rate. The strip rose 23 basis points on average in a single week, the largest hawkish repricing of the year. Wednesday's decision is close to settled. What is not is what comes after it: whether the Chair frames this as one move or the start of a series, and whether Friday's inflation data or Friday's equity selloff weighs more on his language.

Policy-rate probabilities are our own computation from fed funds futures prices, not a vendor estimate.

CORPORATE BONDS & CREDIT SPREADS

High-Yield Spread *over Treasuries*	270 bp	+5 bp YTD −11 bp
CCC-Rated Yield *lowest-quality tier*	15.33%	+41 bp YTD +284 bp

A second week of the pattern we said would change our reading if it persisted. The broad high-yield spread widened **5 basis points to 270 bp**, still near its best level of the year and so still calm in absolute terms. But CCC-rated yields rose another **41 basis points to 15.33%**, 75 in two weeks, and are now up **284 basis points** for 2026. Most of that is underlying rates; the 27 basis point rise in high-yield yields overall says as much. The distinction matters: credit is repricing because the risk-free rate moved, not because default expectations jumped. That is a different kind of stress, and a more manageable one, but it is still a rising cost of capital for the companies least able to bear it.

Sources: U.S. Department of the Treasury; ICE BofA Indices; CME Group.

08 Economic Snapshot

WEEK OF SEPTEMBER 7 – 11

August BLS Consumer Price Index

+0.3% CORE, MONTHLY · 0.2% CONSENSUS

The report that decided the week. Headline prices rose 0.4% and 3.4% over the year, both as expected; gasoline rose 3.9% and accounted for a third of the monthly increase. But core prices, which exclude food and energy, rose 0.3% against a 0.2% forecast, keeping the annual core rate at 2.4%. Goods prices rose 1.1% after falling in July. The market read the core miss, not the headline.

BUREAU OF LABOR STATISTICS · SEP 11

August BLS Producer Price Index

+0.4% MONTHLY · 5.4% ANNUAL

Wholesale prices rose 0.4% as expected and 5.4% over the year, a tenth above forecast. Goods prices rose 1.1%; processed goods 1.8%. The core measure was a tenth softer than expected, which is the one piece of mild news this week. Pipeline pressure from energy is real and has not yet fully reached the consumer.

BUREAU OF LABOR STATISTICS · SEP 10

Weekly Jobless Claims

206K INITIAL CLAIMS · 205K CONSENSUS

Unchanged in substance and still near six-decade lows. The labor market is not the reason the Federal Reserve is about to raise rates, and it is not yet a reason for it to hesitate.

U.S. DEPARTMENT OF LABOR · SEP 10

August NFIB Small Business Optimism

98.7 OPTIMISM INDEX · 99.3 CONSENSUS

Fell 1.1 points from July's eleven-month high and missed the forecast. Six of the ten components declined, led by a five-point drop in the share of owners expecting better business conditions. Main Street was optimistic a month ago; the oil move and the rate repricing have taken some of that back.

NATIONAL FEDERATION OF INDEPENDENT BUSINESS · SEP 8

NFIB Sales and Uncertainty

−9% NET REPORTING HIGHER SALES · 89 UNCERTAINTY INDEX

A net 9% of owners reported *lower* sales over the past three months, the weakest reading since November 2025. The uncertainty gauge eased two points to 89 but remains far above its long-run average of 68. Small firms are the first to feel a consumer under pressure, and this is what that looks like.

NATIONAL FEDERATION OF INDEPENDENT BUSINESS · SEP 8

September Consumer Sentiment, Preliminary

47.8 SENTIMENT INDEX · 4.6% 1-YEAR INFLATION EXPECTED

The second-lowest reading in the survey's 74-year history, behind only May's record low, and well below the 51.0 forecast. Year-ahead inflation expectations jumped from 4.0% to 4.6%, the highest since June, with households citing fuel prices. Sentiment is 16% below where it stood before the Iran conflict began. A consumer this discouraged, expecting this much inflation, is the other side of the $100 barrel.

UNIVERSITY OF MICHIGAN · SEP 11

Every inflation reading this week pointed the same direction. Wholesale price data confirmed the warm-to-hot pipeline on Thursday, consumer price data reiterated the disappointingly elevated core figure on Friday, and the market did the rest. What the data did not show is any weakness that would give the Federal Reserve a reason to wait: claims near record lows, hiring revised higher, and an economy that is absorbing $100 oil without visible strain. That is the definition of an economy a central bank tightens into. Where strain does show is in the surveys: consumer sentiment at its second-lowest reading on record and small-business optimism giving back its summer gains.

Price and employment figures from the U.S. Bureau of Labor Statistics and Department of Labor; sentiment from the University of Michigan; small-business data from the National Federation of Independent Business.

09 Risk Checklist

WHAT WE'RE WATCHING

I — A rate increase Wednesday is now the base case, and the path after it is not priced
Odds went from 56% to **86%** in a week and the strip prices a peak near **4.56%**. The decision itself is close to settled. The risk is the language: if the Chair signals a series rather than a single move, the front end has further to reprice, and equities have not yet absorbed that.

II — Oil at $100 with a record calendar spread
Crude has risen **20% in two weeks** and the near-term premium in the futures curve is at a record **$19**. Fuel prices are in the September inflation data now being collected. The Federal Reserve is tightening into an energy shock, which is the 1970s pattern, not the modern one.

III — Participation has washed out
Only **39%** of S&P 500 index constituents closed Friday above their 50-day moving average, down from 70% in mid-August. Three of eleven sectors rose this week. An index down 1.8% from its record is concealing an average holding that is down materially more.

IV — The lowest-quality credit repriced rising risks for a second week
CCC-rated yields rose **41 basis points**, 75 in two weeks. Most of it is the risk-free rate moving rather than default risk, which is the manageable version. But a rising cost of capital for the most indebted companies is now a trend, not a print.

V — Valuation offers no cushion, and the gap to bonds just widened
At **7,656.98** the index trades roughly **4.7% above** the 7,310 center of our valuation range. Its earnings yield of 4.44% sits *below* the 4.96% 10-year Treasury, **52 basis points** less for accepting equity risk, the widest negative gap of the year, because yields rose 18 basis points in a week the index barely moved.

VI — Investor sentiment is rolling over again, matching the trend in consumer sentiment
The Fear and Greed Index fell 9 points to **33**, well into fear territory, in the same week the University of Michigan's consumer sentiment index printed **47.8**, the second-lowest reading in its 74-year history. Investors and households are reading the same tape. The VIX at 15.84 says this is caution rather than panic; markets that decline on caution tend to decline for longer.

10 Key Levels — Tying It All Together

WHAT TO WATCH

CROSS-ASSET KEY LEVELS

S&P 500	Closed at **7,656.98**, down 0.80% and **1.8% below** the August 13 record. The 50-day average is **7,607**, less than 1% below Friday's close; the 100-day is 7,497 and the 200-day 7,163. Note that Thursday's daily settlement of **7,592** was *below* the 50-day before Friday's recovery; that is the level to watch this week.
TREASURY YIELDS	The largest weekly rise of the year, led by the front: 2-year **4.63%** (+26 bp), 10-year **4.96%** (+18 bp), 30-year **5.35%** (+11 bp, highest since 2007). The 10Y–2Y gap flattened to +33 bp; the 10Y–3M steepened slightly to +89 bp.
REAL YIELDS & INFLATION	Five-year expected inflation rose just **3 basis points to 2.40%** while the 5-year nominal rose 24. Nearly the entire move was real yields, which is the market pricing the Fed's response rather than the inflation itself.
INTEREST-RATE OUTLOOK	September 16 hike odds **86%**, from 56%. Futures price **4.08%** by December and a peak of **4.56%** in late 2027, **93 basis points** above the current 3.63% effective rate. The strip rose 23 basis points in a week, the largest hawkish repricing of 2026.
CREDIT & VOLATILITY	High-yield spreads +5 bp to **270 bp**; CCC-rated yields **+41 bp to 15.33%**, 75 in two weeks. VIX **15.84**, a six-week high; SKEW 154.49, a fifth straight weekly rise.
VALUATION	Our scenarios span **5,920** (bearish) to **7,875** (bullish), centered near **7,310**. At 7,656.98 the index sits about 4.7% above that center, with an earnings yield roughly 52 bp *below* the 10-year Treasury, the widest negative gap of the year.

Last week this letter described a market that had bet on a cool inflation report. On Friday the report came in warm, with core consumer prices rising 0.3% against a 0.2% forecast; the bet was lost and markets reacted accordingly. The odds of a rate increase at Wednesday's Federal Reserve meeting rose from roughly 56% to 86%. The 2-year Treasury yield climbed 26 basis points on the week, the 30-year topped 5.35%, its highest since 2007, and the futures market now prices a peak policy rate near 4.56%, almost a full point above where it sits today. Crude oil closed at $99.99, up 20% in two weeks, with the premium for near-term barrels at a record $19. The inflation data drove hawkish conviction and punished complacency, exactly in that order.

Equities fell less than 1%, and that is the least informative number of the week. Small-cap stocks fell 2.4%, health care names 3.6%, and eight of eleven sectors declined. The share of S&P 500 members above their 50-day average fell to 39%, from 70% four weeks ago, the sharpest deterioration in participation of the year. The index was held within a point of its 50-day average by the seven largest growth companies with the heaviest weightings in the index, which rose 1.4%, and by almost nothing else. Fear deepened, the weakest corporate borrowers repriced for a second week, and the cost of deep crash protection rose for a fifth. Three of our sector calls changed, two more went on watch, and technology's upgrade is explicitly tentative because the volume behind it is thin.

This week's chart puts the move in the yield curve into fifty years of context, and the point is worth stating plainly for readers who do not follow the curve. Short-term rates rose faster than long-term rates this week, so the curve flattened. In every recession of the modern era, 1990, 2001, 2008 and 2020, the curve did the opposite as the downturn approached: short rates collapsed because the Federal Reserve was cutting into weakness. That signal is absent. The nearer historical rhyme is 1977 to 1981, when an energy shock forced a central bank that had paused to tighten again, and the curve flattened from the front. That episode did eventually end in recession, but it was one the Fed caused rather than one the bond market foresaw, and it took years rather than months. On valuation, the S&P 500 index still trades about 4.7% above our base-case fair value, and the gap between what stocks yield on earnings and what Treasury securities pay in interest is now the widest of the year in bonds' favor. Recent developments have made this clearly not a time for complacency. These developments are also not yet enough to warrant material changes to portfolio exposure. Wednesday's FOMC decision, and likely more importantly, what Fed Chair Warsh says at 2:30 p.m. ET that afternoon, could change that.

PORTFOLIO IMPLICATIONS

IMPLICATION I
Do not chase high, long-duration yields into Wednesday. The front end has repriced 26 basis points in a week and the strip prices four increases over fifteen months. If the Chair signals a series, there is more to come; if he signals a single move, short maturities lose nothing. Either way, duration is not being paid for its risk this week.

IMPLICATION II
Hold the inflation protection; do not add after a 20% move in oil. Energy has done its job, up 45.7% for the year, and crude just gained 20% in two weeks. Calendar spreads at a record $19 have historically not stayed there. The positions exist for this scenario. Adding into it is speculation.

IMPLICATION III
View the narrowing as the primary equity market risk; the index level is misleading at the moment. With 39% of members above their 50-day average, a diversified portfolio has already had a materially worse month than the index shows. Rebalancing toward what has lagged is uncomfortable in weeks like this and is usually right over the following quarter.

IMPLICATION IV
Chair Warsh's comments will likely matter more than the Fed decision itself. A quarter-point increase is 86% priced. What is not priced is whether it is one move or the first of several. That single distinction will set the direction of the 2-year, the dollar and rate-sensitive equities for the rest of the quarter.

11 This Week's Catalysts

WEEK OF SEPTEMBER 14

All eyes are on one event this week: **the Federal Reserve's policy rate decision Wednesday at 2:00 p.m., including updated economic forecasts, with investors keenly focused on Fed Chair Warsh's press conference that will immediately follow.** A quarter-point increase is 86% priced, so the decision itself should not surprise; the statement, the projections and the Chair's framing of what follows are what markets will trade. Retail sales arrive the same morning, and Friday brings the quarterly expiration of stock-index options and futures, which tends to amplify whatever direction the week has taken.

DAY	TIME	RELEASE	WHY IT MATTERS
Wed SEP 16	8:30 am	Retail Sales AUGUST	The first read on whether $85-to-$100 fuel changed consumer behavior in August. Higher gasoline prices inflate the headline; the figure excluding autos and gas is the one that matters.
Wed SEP 16	2:00 pm	Federal Reserve Decision SEPTEMBER MEETING	**The week's decisive event.** A quarter-point increase to a 3.75–4.00% range is 86% priced and would be the first since the Fed went on hold in January. The statement and the new rate projections will show whether officials see this as one move or the start of a series.
Wed SEP 16	2:30 pm	Chair's Press Conference	This is where the path after Wednesday gets set. Watch for language on the oil shock, on whether policy is now "restrictive," and on the conditions for a second move. The 2-year yield will move on his answers more than on the decision.
Thu SEP 17	8:30 am	Jobless Claims; Housing Starts; Philadelphia Fed Survey WEEKLY; AUGUST	Three releases at once. Claims remain near record lows. Housing starts will show what 30-year mortgage rates near 7% are doing to construction. The Philadelphia survey follows a strong August reading and includes a prices-paid gauge worth checking after the ISM readings.
Fri SEP 18	9:15 am	Industrial Production AUGUST	Output data for the month crude crossed $90. Manufacturing has expanded for eight months; this shows whether input costs have begun to weigh.
Fri SEP 18	4:00 pm	Quarterly Options and Futures Expiration	The September expiration tends to produce heavy volume and can exaggerate moves in either direction, particularly two days after a Fed decision. Not a fundamental event, but a reason to discount Friday's price action.

Times are Eastern. Sources: Federal Reserve, U.S. Census Bureau, U.S. Department of Labor, Federal Reserve Bank of Philadelphia, Federal Reserve Board. Consensus estimates are not shown; we prefer to publish outcomes rather than forecasts.

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