SPIREPOINT
PRIVATE CLIENT

WEEKLY MARKET OUTLOOK

Week Ahead – September 28, 2026

WEALTH MANAGEMENT & ADVISORY
VERO BEACH & PALM BEACH GARDENS, FL

THIS WEEK'S THEME | A Narrow Climb Up a Steeper Wall of Worry: *Long-Term Yields Hit Two-Decade Highs as the Equity Advance Thinned Further*

EXECUTIVE BRIEF · PUBLISHED SEPTEMBER 28, 2026

The S&P 500 rose 1.21% to 7,743.41, within 0.7% of its August 13 record close, in a week when the bond market delivered the kind of upside breakout in yields that usually disrupts equity rallies, not bolsters them. The 10-year Treasury yield rose 16 basis points to 5.17%, its highest weekly close since July 2007; the 30-year rose 15 basis points to 5.49% and the 20-year reached 5.54%, both the highest since June 2004, in an intensifying Treasury market selloff that reverberated through Japanese, British and German government debt. Expected inflation barely moved: the 10-year breakeven finished at 2.34%. What moved was the real, inflation-adjusted yield, with the 10-year TIPS yield reaching 2.85% on Thursday, an extreme seen only once since 2007, a one-week occurrence during the 2008 financial crisis. Interest-rate futures reacted accordingly, with the peak policy rate now priced at 4.81% while the odds of a second consecutive rate hike at the October FOMC meeting firmed beyond the coin-flip threshold, to 62%.

On an index level, the equity market absorbed all of that by narrowing further into a more concentrated positioning in the largest mega-cap technology names, driving a misleading gain of more than 1% in the S&P 500 last week. Seven of eleven sectors posted weekly declines, leaving just four to advance, and only two of those four materially outperformed the underlying index into Friday's close. The equal-weighted S&P 500 fell 0.56% while the capitalization-weighted index rose 1.21% on the week, with just 27% of S&P 500 stocks trading above their respective 50-day moving averages, a weak breadth extreme not seen since the first-half lows. The bid that drove most indexes higher was concentrated in one corner of the market: semiconductors (+6.27%), the Mag-7 (+4.25%) and the technology sector (+3.52%), while growth stocks outperformed their value counterparts by roughly 2.7 points on the week, trimming value's year-to-date lead to less than 4 points from roughly 9 just a month ago. This week's chart measures the result two ways: the average stock is on course to close September at the lowest level relative to the S&P 500 in the equal-weight fund's 23-year history, and the two benchmarks most tied to the domestic economy, small-cap stocks and transportation companies, have been falling together since mid-August, down 7.5% and 10.2% from August 14 while the S&P 500 is off just 0.5%. Notably, the week-to-week correlation between those two most economically sensitive equity benchmarks, the Russell 2000 and the Dow Transports, surged from roughly zero in July to +0.83 as of last week, the highest it has been since May. Higher rates and higher fuel costs are being felt where goods move and where money is borrowed short, and the large-cap index has not yet reflected it. **Markets are said to climb a wall of worry. The question this week is whether a climb this narrow, up a wall this steep, is the beginning of a new, healthy variety or the final kind.** Beneath it, the weakest tier of corporate credit saw marked deterioration, a 59-basis-point rise in yields in a single week, while diesel prices reached a record $6.53 a gallon, two developments that argue the wall is only getting steeper into the end of the third quarter.

01 Index Performance Dashboard

1-WK · YTD

S&P 500	NASDAQ COMPOSITE	DOW INDUSTRIALS	RUSSELL 2000	DOW TRANSPORTS
+1.21%	+2.06%	+0.28%	–0.80%	–2.52%
YTD +13.12%	YTD +16.46%	YTD +7.83%	YTD +14.33%	YTD +12.76%
0.7% from its record close on the narrowest participation since the spring	semiconductors did the lifting; it led the majors	nearly flat as banks and cyclicals gave back ground	small-cap stocks fell a third straight week; 7.5% below the Aug 14 high	worst of the majors again; 13.9% below the July weekly-close high

Value	Growth
LARGE-CAP VALUE	LARGE-CAP GROWTH
–0.20%	+2.47%
YTD +15.61%	YTD +11.84%

Growth beat value by 2.7 points, +2.47% against –0.20%, and value's year-to-date lead over growth, the defining story within investment styles in 2026, is down to 3.8 points from roughly nine a month ago. The large-cap growth fund closed at a new all-time high on rising volume, its weekly momentum reading is the firmest since late May, and its standing relative to the S&P 500 is within reach of the late-spring highs. Value did the opposite: its fund closed just below its 13-week average, its momentum fell to the lowest since early April, and its relative strength against the S&P 500 is the weakest since June. Within growth, the engine of strength remains semiconductors, up 6.27% last week and 79% for 2026, and the Mag-7 constituents, which rose 4.25% on the week to a record, doubling their year-to-date gain to roughly 8%; the year-to-date performance gap continues to tell the same fundamental story: the companies being paid for artificial-intelligence investment today continue to handily outperform the companies making the investments.

02 S&P 500 Sector Dashboard

ONE CALL CHANGED · ONE ON WATCH

SECTOR	1-WK	YTD	STRATEGY CALL
S&P 500 ETF SPY Rose 1.27% with four of eleven sectors higher and seven lower. The index closed 0.7% below its August 13 record settlement (7,798.99) and 0.5% below its record weekly close of August 14; Monday's 7,764.70 was the high close of the week. It sits above its 50-day (7,636) and 100-day (7,549) averages, but the internals beneath it weakened for a sixth consecutive week.	+1.27%	+13.11%	Cautious
Communication Services XLC Rose 1.94%, the week's second-best sector, but relative to the S&P 500 it remains inside the tight range that has held since the upgrade. The rating is intact and still unproven, and the sector remains one of three negative for 2026.	+1.94%	–4.04%	Neutral
Consumer Discretionary XLY Fell 0.42% and extended its decline relative to the S&P 500 to new lows. At –7.41% for 2026 against staples' +5.64%, the market's continued preference for staples over discretionary is the lingering signal that investors remain wary of a downturn in consumer spending, despite economic data suggesting otherwise.	–0.42%	–7.41%	Lagging
Consumer Staples XLP Fell 0.89%, a larger decline than discretionary's this week, and keeps underperforming the S&P 500 in its own right. The staples-over-discretionary read is relative, not absolute: the sector is preferred to its consumer cousin, not to the market.	–0.89%	+5.64%	Lagging
Energy XLE Fell 3.53% as crude gave back 3.2%, a second week of consolidation after the summer's advance. Its uptrend relative to the S&P 500 is intact for now, and it is the only sector leading the index on both a year-to-date and a quarter-to-date basis. The discipline is unchanged: no adding into the pullback until the trend is retested.	–3.53%	+38.76%	Leading
Financials XLF **Downgraded to lagging, a second downgrade in as many weeks.** Fell 1.83% to its lowest price since late June, below its 13-week average and below the $56 level that had served as support since the summer breakout (it closed at $54.84). Weekly momentum turned negative for the first time since late May and its relative strength against the S&P 500 broke the mid-summer lows. Up 0.13% for 2026, the sector has given back nearly all of its year.	–1.83%	+0.13%	▾ Lagging
Health Care XLV Rose 1.37%, the week's third-best sector. Its uptrend relative to the S&P 500 is shallow but definitive, which keeps the rating; the trend has still not made a new high since late August, which leaves the sector on downgrade watch.	+1.37%	+10.27%	Leading ▿ watch
Industrials XLI Rose 0.40% but printed fresh 52-week lows relative to the S&P 500. Since June 30 the sector is down 8.0% after a 14.5% second quarter; the leadership of the first half has been given back in full.	+0.40%	+9.87%	Lagging
Materials XLB Fell 0.38% to fresh 2026 lows relative to the S&P 500 even as copper and other key base metals rose. The materials stocks keep lagging their own underlying commodities.	–0.38%	+9.81%	Lagging
Real Estate XLRE Fell 2.28%. Relative strength printed another all-time low and the price is closing in on the first-half lows, the level that matters. Down 5.6% since June 30, one of the most rate-sensitive sectors is pricing a 22-year high in long-term yields exactly as one would expect.	–2.28%	+3.00%	Lagging
Technology XLK Rose 3.52%, the week's top-performing sector, bringing the ETF within 1.2% of its record close of $198.73 with a settlement of $196.27 Friday; relative to the S&P 500 it is within reach of its mid-June record. Two flags on conviction: Tuesday and Friday settled at identical prices and those were the week's two lightest-volume sessions, and weekly volume faded. The rating holds; the enthusiasm is more measured than the return suggests.	+3.52%	+36.33%	Leading
Utilities XLU The week's worst sector at –3.87%, and its relative strength printed a new all-time low, with the price about 1% above its 52-week low. It has given back 12.9% since June 30 and is the purest expression on the board of a market repricing the cost of money, as the sector ETF remains decidedly negative for the year.	–3.87%	–7.45%	Lagging

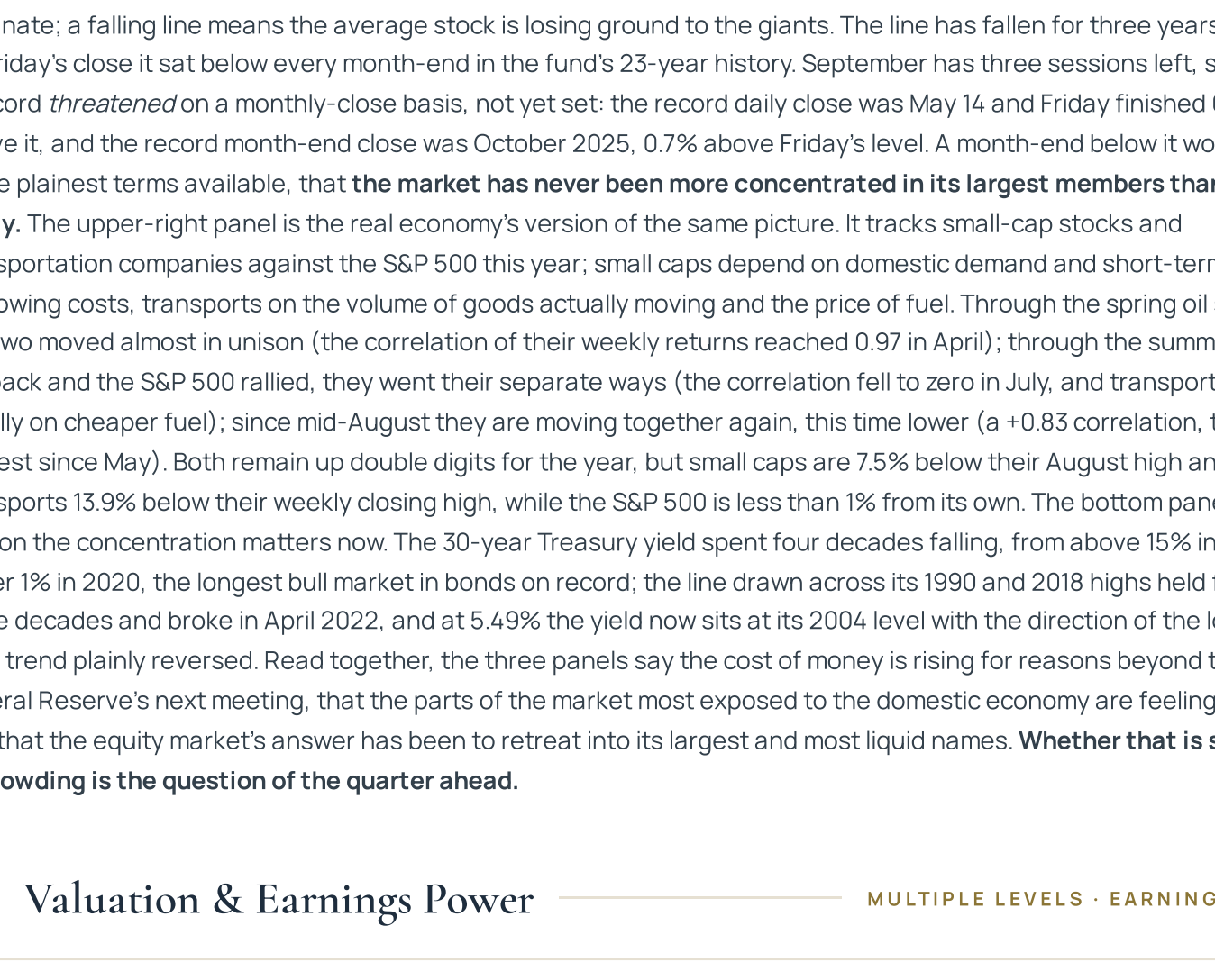
One call changed this week and one watch remains. Financials (XLF) is downgraded from neutral to lagging, a second downgrade in consecutive weeks, because the breakdown was that fast: the price fell through its summer support at $56 and below its 13-week average, weekly momentum turned negative for the first time since May, and relative strength against the S&P 500 broke the mid-summer lows in a single week. Health care (XLV) stays on downgrade watch with a shallow but intact relative uptrend. The quarter tells the larger story. Since June 30 the S&P 500 is up 3.3%, and the sectors that gave back the most are the rate-sensitive and cyclical groups: utilities –12.9%, industrials –8.0%, consumer discretionary –5.7%, real estate –5.6%. That is the signature of a long end of the yield curve rising faster than the front end, and it lines up with the financials, utilities and real estate breakdowns behind this week's calls. Energy is the only sector leading the S&P 500 on both a year-to-date and a quarter-to-date basis. Beyond the calls: four sectors up, seven down, in a week the S&P 500 rose 1.21%.

03 Chart of the Week

THE NARROW CLIMB, MEASURED

The Average Stock Is Testing a Record Low Against the Index as the Forty-Year Downtrend in Yields Turns Up

Equal-weight S&P 500 relative to the capitalization-weighted fund, monthly closes since 2003 (upper) · the Russell 2000, Dow Transports and S&P 500 in 2026, indexed to Dec 31 (B) · the 30-year Treasury yield since 1990 with its long-term downtrend (C)



Friday's equal-weight ratio sits below every month-end close in the fund's history, with three sessions left in the month; the record daily close was May 14 (0.2722). Since Aug 14 small-cap stocks are down 7.5% and transports 10.2% while the S&P 500 is off 0.5%; the two real-economy benchmarks are falling together again. The long bond has broken its thirty-year downtrend.

Sources: Yahoo Finance (RSP, SPY month-end closes; Russell 2000, Dow Transports and S&P 500 weekly closes, indexed to the Dec 31, 2025 close); Federal Reserve H.15 via FRED (DGS30, weekly); NBER recessions shaded. Panel A's September point is the Sep 25 close. Panel C's line joins the 1990 and 2018 weekly-close highs, drawn to the April 2022 break. Final points are September 25, 2026 closes from the tracker.

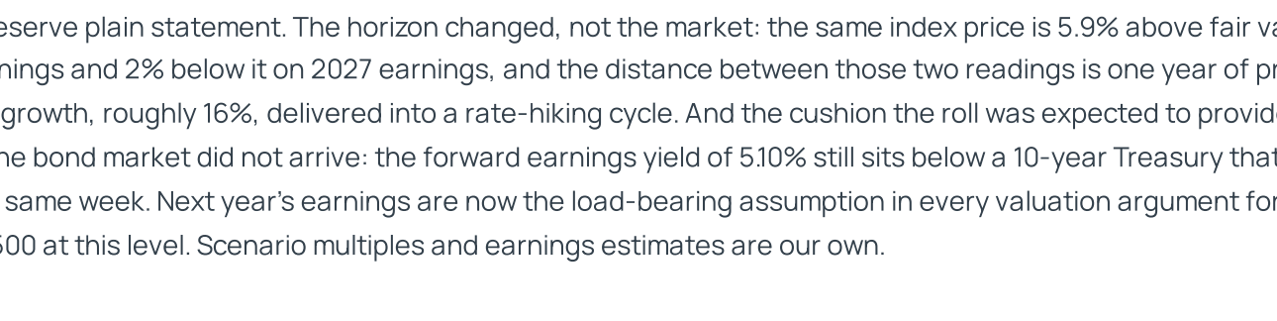
Three pictures of the same week. The upper-left panel divides the price of the equal-weighted S&P 500 fund, in which every company counts the same, by the price of the capitalization-weighted fund, in which the largest companies dominate; a falling line means the average stock is losing ground to the giants. The line has fallen for three years, and on Friday's close it sat below every month-end in the fund's 23-year history. September has three sessions left, so this is a record *threatened* on a monthly-close basis, not yet set: the record daily close was May 14 and Friday finished 0.5% above it, and the record month-end close was October 2025, 0.7% above Friday's level. A month-end below it would say, in the plainest terms available, that **the market has never been more concentrated in its largest members than it is today.** The upper-right panel is the real economy's version of the same picture. It tracks small-cap stocks and transportation companies against the S&P 500 this year; small caps depend on domestic demand and short-term borrowing costs, transports on the volume of goods actually moving and the price of fuel. Through the spring oil shock the two moved almost in unison (the correlation of their weekly returns reached 0.97 in April); through the summer, as oil fell back and the S&P 500 rallied, they went their separate ways (the correlation fell to zero in July, and transports failed to rally on cheaper fuel); since mid-August they are moving together again, this time lower (a +0.83 correlation, the highest since May). Both remain up double digits for the year, but small caps are 7.5% below their August high and transports 13.9% below their weekly closing high, while the S&P 500 is less than 1% from its own. The bottom panel is the reason the concentration matters now. The 30-year Treasury yield spent four decades falling, from above 15% in 1981 to under 1% in 2020, the longest bull market in bonds on record; the line drawn across its 1990 and 2018 highs held for three decades and broke in April 2022, and at 5.49% the yield now sits at its 2004 level with the direction of the long-term trend plainly reversed. Read together, the three panels say the cost of money is rising for reasons beyond the Federal Reserve's next meeting, that the parts of the market most exposed to the domestic economy are feeling it first, and that the equity market's answer has been to retreat into its largest and most liquid names. **Whether that is shelter or crowding is the question of the quarter ahead.**

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 framework now rests on 2027 earnings; the S&P 500 is trading just below its base-case fair value



50-Day Moving Average: 7,636 · 100-Day Moving Average: 7,549 · 200-Day Moving Average: 7,205

BEAR CASE	BASE CASE	BULL CASE
6,475	7,900	8,505
18.5× · $350 EPS	20× · $395 EPS	21× · $405 EPS
16.4% downside	2.0% upside	9.8% upside

EARNINGS YIELD VS. THE RISK-FREE RATE

S&P 500 earnings yield	5.10%
10-Year Treasury	5.17%

The roll to next year's earnings lifted the earnings yield, and the bond market took the difference. On 2027 estimates the S&P 500's earnings yield is 5.10%, which sits *below* the 5.17% available on a risk-free 10-Year Treasury: investors are accepting roughly **7 basis points less** to own stocks than to own government bonds. On last week's 2026 frame the gap was 57 basis points; the roll closed most of it, and a 16-basis-point rise in the 10-Year kept it from closing.

The framework moves to 2027 earnings expectations with this issue, because the 2026 frame had stopped describing the market. On the new frame the S&P 500 trades at roughly 19.6 times $395 per share of expected 2027 earnings, putting base-case fair value at **7,900**; at **7,743.41** the index sits about **2.0% below** that center, with a bear case of 6,475 (18.5× on $350) some 16% below the index and a bull case of 8,505 (21× on $405) roughly 10% above it. Two things about the roll deserve plain statement. The horizon changed, not the market: the same index price is 5.9% above fair value on 2026 earnings and 2% below it on 2027 earnings, and the distance between those two readings is one year of projected earnings growth, roughly 16%, delivered into a rate-hiking cycle. And the cushion the roll was expected to provide against the bond market did not arrive: the forward earnings yield of 5.10% still sits below a 10-year Treasury that rose to 5.17% the same week. Next year's earnings are now the load-bearing assumption in every valuation argument for owning the S&P 500 at this level. Scenario multiples and earnings estimates are our own.

05 Cross-Asset Tape

TREND · 1-WK · YTD

ASSET	PRIMARY TREND	1-WK	YTD
S&P 500 U.S. equities **7,743.41** Rose 1.21% to within 0.7% of the August 13 record close, above its 50-day (7,636) and 100-day (7,549) averages, with Monday's 7,764.70 the high close of the week. The equal-weighted version of the index fell 0.56% and 27% of S&P 500 members hold above their 50-day average, the lowest share since the first-half lows: an advance carried by its largest members.	Bullish · 0.7% from record	+1.21%	+13.12%
WTI Crude front-month **$92.44** Fell 3.17% to $92.44, a second weekly decline after trading above $100 two weeks ago. The calendar spreads that measure near-term tightness, June-to-December and December-to-December, remain in uptrends, though both saw daily momentum turn negative at Friday's close and weekly momentum, still positive, is fading from its highs. A difficult read; the balance of evidence still favors the energy bulls.	Pullback · Uptrend intact	–3.17%	+61.02%
WTI Dec'26–Dec'27 calendar spread **$14.89** Narrowed $3.16 from $18.05 but still prices a nearly $15 premium for prompt barrels over next December's. The premium has been shrinking for two weeks; the physical market's verdict of near-term shortage has eased, not reversed.	Narrowing · Uptrend intact	–$3.16	+$16.19
Diesel retail, EIA **$6.53/gal** Retail diesel rose to $6.53 a gallon in the Energy Information Administration's weekly survey, a record, against $4.48 for regular gasoline. A barrel of crude yields roughly two barrels of gasoline for every one of diesel, so a distillate shortage cannot be refined away. This is the inflation channel that matters most from here: trucking, freight, farming and air travel all run on distillate, and their costs flow into the price of goods rather than only into household fuel budgets.	Record high · Inflationary	+3.90%	+86.50%
Gold futures **$4,320.50** Fell 2.16%, with silver down 3.11%, as the real 5-year yield rose 9 basis points to 2.64%. A week ago gold rose against rising real yields and we read it as insurance being bid; this week the textbook relationship reasserted itself. The metal is now slightly negative for 2026.	Correcting · Within 2026 range	–2.16%	–0.27%
U.S. Dollar DXY **101.03** Rose 0.82% to 101.03, a second consecutive weekly close above 100. A currency rising with real yields and a hawkish rate path is the conventional pattern, and it tightens conditions for the largest exporters in the S&P 500, which are the companies leading it.	Second week above 100	+0.82%	+2.80%

06 Sentiment & Risk Internals

FEAR EASED; POSITIONING NEVER FLINCHED

VIX	CBOE SKEW	PUT / CALL RATIO	CNN FEAR & GREED	AAII BULL-BEAR
14.87	144.91	0.52	37	–15.4%
▲ from 14.81	▼ from 148.10	▼ from 0.59	▲ +8 · Fear	▲ +9.1 pts
flat through a 16 bp bond selloff; no fear in the price	tail-hedging demand fell a second week	lower still; positioning has not flinched	off the lows, still in fear	bears eased to 48.1% from a 53.3% majority

S&P > 50-day avg	27% ▼ -1
S&P > 100-day avg	37% ▼ -4
S&P > 200-day avg	46% ▼ -3

NYSE Advance-Decline Line 1,116 ▲ +104

recovered 104 of the prior week's 336-point decline; 131 above its 13-week average

Fear eased a little; derivatives market positioning never showed any. The Fear and Greed Index rose eight points to **37**, off the prior week's low and still in fear, and bearish respondents in the AAII survey fell to **48.1%** from a 53.3% majority, still nearly twenty points above the survey's historical average. The instruments that cost money to be afraid in stayed calm through a 16-basis-point rise in the 10-year and a 22-year high in the 30-year: the VIX finished at **14.87**, essentially unchanged, the cost of crash protection fell for a second week, and the put/call ratio dropped to 0.52, the lowest reading in recent weeks. A second consecutive extreme-bearish survey print with an index within 1% of its record and an options market this relaxed is an unusual combination. Historically the survey has been the better contrarian signal at extremes, but durable lows are built when the sentiment readings and surveys agree with the market performance, and they have simply not been aligned yet.

07 Rates, Credit & the Fed

THE LONG END BROKE OUT; THE MARKET PRICED A HIGHER PEAK

TREASURY YIELDS

2-Year Yield *policy-sensitive*	4.81%	+5 bp YTD +134 bp
10-Year Yield *benchmark*	5.17%	+16 bp YTD +99 bp
30-Year Yield *fiscal/inflation-sensitive*	5.49%	+15 bp YTD +65 bp

The long end was hit the hardest last week, a shift from the prior week. The 10-year rose **16 basis points to 5.17%**, its highest weekly close since **July 2007**, after touching 5.22% on Thursday; the 30-year rose 15 to **5.49%** and the 20-year 16 to 5.54%, both the highest since **June 2004**, while the 2-year rose only 5, to 4.81%. Expected inflation did not move: the 10-year breakeven finished at 2.34% and the 5-year at 2.34%, up 3. The real, inflation-adjusted 10-year yield reached **2.85%** on Thursday, a level seen only in one week of November 2008 since 2007, and the real 5-year rose 9 basis points to 2.64%. The move was global: Japanese, British and German long-term yields set multi-year highs the same week, a 5-year Treasury auction drew unexpectedly soft demand, and a Federal Reserve governor said further increases would likely be needed. When the longest maturities lead and inflation expectations stand still, the market is raising the compensation it demands for holding government debt at all, not only repricing the Fed's next move.

YIELD CURVE AND BREAKEVENS

10Y–2Y Spread *bear-steepened*	+36 bp	+11 bp YTD –35 bp
10Y–3M Spread *bear-steepened*	+93 bp	+6 bp YTD +42 bp
5-Yr Breakeven *market-implied inflation*	2.34%	+3 bp YTD +8 bp

After four flattenings in five weeks, the curve steepened: the 10-year-to-2-year gap widened 11 basis points to **+36 bp** and the 10-year-to-3-month gap 6, to +93 bp, with the widening coming entirely from rising long-term yields. The 20-year now yields more than the 30-year. A curve that flattens as short rates rise is pricing a central bank at work; a curve that steepens as long rates rise is pricing something the central bank does not control, the supply of debt and the compensation investors want for absorbing it. The 1977–81 configuration this letter has followed for a month did not include a long end breaking a forty-year trend. This week's chart shows that break.

FED POLICY PATH · FED FUNDS FUTURES

▲ FED FUNDS TARGET RANGE	▲ YEAR-END RATE: MARKET VS. FED	▲ PEAK RATE PRICED
3.75–4.00%	4.17%	4.81%
next meeting Oct 28 · 62% odds of a hike	FOMC dot plot 2026: 4.1%	Dec '27 · FOMC dot plot 2027: 4.1%

The futures strip moved further from the committee. Off the 3.88% effective rate, the market now prices **62% odds of a second quarter-point increase on October 28**, up from 56% a week ago, and a year-end rate of **4.17%**, roughly in line with the Fed's own 4.1% median. The distance opens after that: the peak priced rose to **4.81% in December 2027** from 4.70% a week ago, and the December 2027 contract alone repriced 15 basis points on the week. The gap to the committee's 2027 median of 4.1% is now roughly 70 basis points, and for the first time the strip prices a lower rate in January 2028 than in December 2027: the market has begun to sketch the end of the cycle as well as its peak. Either the committee's projections migrate toward the market at its next update, or a market that has repriced the peak higher in each of the past four weeks is wrong. Wednesday's inflation report and Friday's jobs report are the first evidence.

Policy-rate figures are our own computation from fed funds futures prices, measured from the effective federal funds rate; committee projections from the Federal Reserve's Summary of Economic Projections, September 16, 2026.

CORPORATE BONDS & CREDIT SPREADS

High-Yield Spread *over Treasuries*	280 bp	+10 bp YTD –1 bp
High-Yield Effective Yield *BB through CCC*	7.80%	+34 bp YTD +127 bp
CCC-Rated Yield *lowest-quality tier*	16.04%	+59 bp YTD +355 bp

Corporate yields are beginning to accelerate, and the weakest tier is moving fastest. The broad high-yield spread widened **10 basis points to 280 bp**, but it remains 66 basis points below its March high of 346 and essentially flat for the year; the credit market is not pricing a default cycle. The yields are another matter. The market-wide high-yield yield rose **34 basis points to 7.80%**, the highest since April 2025; BBB-rated yields rose 24 to 6.08%, the highest since November 2023; and CCC-rated yields jumped **59 basis points to 16.04%**, 146 in four weeks and the highest in the three years of data we track. Most of that is Treasury arithmetic: a 22-year high in the long bond raises every borrower's cost of capital at once. But spreads that are flat while yields rise this fast describe a market that has not yet asked whether the most levered borrowers can carry a 16% coupon, and that question tends to get asked suddenly. The ~300 bp line on the broad spread remains where our reading would change.

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

08 Economic Snapshot

WEEK OF SEPTEMBER 21 – 25

September Flash PMIs

58.4 COMPOSITE OUTPUT · 62-MONTH HIGH
57.0 MANUFACTURING PMI, WAS 53.9

Business activity accelerated for a fourth month to the fastest pace in more than five years, with manufacturing output growing at the fastest rate since April 2022 and employment rising at the fastest pace in four years. The catch is in the price components: input costs rose at the steepest rate in four years on fuel and transport, and backlogs of unfilled orders rose at the sharpest rate since May 2022. An economy this strong, with pricing power returning, gives the Federal Reserve no reason to pause.

S&P GLOBAL SEP 23

Consumer Sentiment, Final September

48.1 INDEX · FOUR-MONTH LOW
4.6% YEAR-AHEAD INFLATION EXPECTATIONS

Sentiment fell 7% from August's 51.7 to a four-month low, 15% below January, with the expectations index down 10% in a single month; the final reading edged above the 47.8 preliminary estimate published two weeks earlier. Year-ahead inflation expectations jumped to 4.6% from 4.0%, the highest since June, and long-run expectations ticked up to 3.4%. Households and businesses are describing the same economy from opposite ends: firms report booming demand, consumers report it in their prices.

UNIVERSITY OF MICHIGAN SEP 25

August Existing Home Sales

3.98M ANNUAL RATE
–2.0% THIRD STRAIGHT DECLINE

Sales of existing homes fell a third consecutive month to the slowest pace of the year, and the median price slipped to $429,100. With the 30-year mortgage rate crossing 7% this week for the first time since January 2025, turnover is freezing alongside construction; housing remains the first place higher-for-longer shows up in activity.

NATIONAL ASSOCIATION OF REALTORS SEP 22

August New Home Sales

684K ANNUAL RATE
+6.4% MONTHLY

The builders' side of the market rebounded from July's decline, helped by a median price of $393,700 that sits well below the existing-home median. Incentives are clearing inventory at current mortgage rates; that is a statement about builder pricing, not about demand at 7%.

U.S. CENSUS BUREAU SEP 23

Weekly Jobless Claims

197K INITIAL CLAIMS
–1K WEEK OVER WEEK

A second consecutive week below 200,000, with continuing claims steady near 1.72 million. Whatever the equity market's internals are pricing, the labor market has not begun to confirm it, and it gives the Federal Reserve no reason to stop.

U.S. DEPARTMENT OF LABOR SEP 24

August Durable Goods Orders

0.0% MONTHLY
+1.6% CORE CAPITAL GOODS

Headline orders were flat against expectations of a decline, and orders excluding transportation rose 0.3%. The core capital-goods measure, the cleanest read on business investment, rose 1.6%, consistent with the strength in the business surveys. Investment is not yet responding to a 5% ten-year.

U.S. CENSUS BUREAU SEP 25

The week's data described an economy accelerating into a rate-hiking cycle, which is not the usual order of events. The business surveys reported the fastest growth in more than five years with input costs and backlogs rising sharply, claims held below 200,000, and core capital-goods orders rose 1.6%. The softness remains confined to housing, where a 7% mortgage rate is freezing turnover, and to the household mood, where sentiment fell to a four-month low and year-ahead inflation expectations jumped to 4.6%. The split is the same one the markets are drawing: businesses report demand, households report prices, and the bond market is pricing the second. Wednesday brings the release that arbitrates, the August inflation report the Federal Reserve prefers, together with the annual revision to the national accounts.

Flash PMIs from S&P Global; consumer sentiment from the University of Michigan Surveys of Consumers; existing home sales from the National Association of Realtors; new home sales and durable goods from the U.S. Census Bureau; claims from the U.S. Department of Labor.

09 Risk Checklist

WHAT WE'RE WATCHING

I **Long-term yields are rising for reasons the Federal Reserve does not control**
The 30-year closed at **5.49%**, the 20-year at 5.54%, both the highest since 2004, and the curve steepened as the long end led while expected inflation stood still. That is term premium, the compensation investors demand to hold long-dated government debt, rising in a global selloff. A central bank can slow a repricing driven by its own path; it cannot end one driven by supply.

II **The advance is one lane wide**
Seven of eleven sectors fell in a week the S&P 500 rose 1.21%; the equal-weighted index fell 0.56%; **27%** of members hold above their 50-day average; and the equal-weight ratio is on course for a record monthly close. A market carried by its largest members can keep rising, but every other participant is already in a correction, and the S&P 500's exposure to any stumble in the leaders is total.

III **The weakest credit is repricing default risk fastest**
CCC-rated yields rose **59 basis points to 16.04%**, 146 in four weeks; the market-wide high-yield yield reached 7.80%, the highest since April 2025. Spreads remain flat, so this is a risk-free-rate problem rather than a default-expectations problem for now; the risk is that at these coupons the distinction stops mattering for the most levered borrowers.

IV **Diesel is the inflation channel the headline numbers understate**
Retail diesel reached a record **$6.53** a gallon, $2.05 above regular gasoline. A barrel of crude yields roughly two barrels of gasoline for every one of distillate, so the shortage cannot be refined away, and distillate prices freight, farming and travel. Those costs enter the price of goods rather than only the household fuel budget, which is how energy inflation becomes sticky inflation.

V **On next year's earnings, the ten-year still out-yields the stock market**
The valuation framework moves to 2027 estimates this week. On that frame the S&P 500 trades about 2% **below** its base-case fair value, but its 5.10% earnings yield sits **7 basis points below** the 5.17% ten-year. A week ago the roll would have flipped the comparison positive; the bond market took that cushion away before it arrived.

VI **Small-cap stocks and transports are falling together, and the test is set**
Since August 14 the Russell 2000 is down 7.5% and the Dow Transports 10.2% against 0.5% for the S&P 500, and the two are moving together again (8-week correlation **0.83**, highest since May). These groups tend to feel higher rates and fuel costs first. The test: if transports hold their September 24 low near **19,478** and recover on falling oil while small caps do not, the problem is fuel and the S&P 500's highs are defensible; if both break lower with the correlation above 0.8, it is a growth problem, and in our reading the large-cap index tends to catch down rather than the laggards catching up. Wednesday's inflation report and Friday's jobs report are the first evidence.

10 Key Levels — Tying It All Together

WHAT TO WATCH

CROSS-ASSET KEY LEVELS

S&P 500	Closed at **7,743.41**, 0.7% below the August 13 record close of 7,798.99 and 0.5% below the record weekly close of August 14; Monday's 7,764.70 was the week's high close. The 50-day average is **7,636** and the 100-day 7,549, both below; the 200-day is 7,205. The equal-weighted index fell 0.56% and 27% of members sit above their 50-day average.
TREASURY YIELDS	Long-end-led rise: 2-year **4.81%** (+5 bp), 10-year **5.17%** (+16 bp), the highest weekly close since July 2007, 30-year **5.49%** (+15 bp) and 20-year 5.54% (+16 bp), both the highest since June 2004. The 10Y–2Y spread steepened 11 bp to **+36 bp**.
SMALL CAPS & TRANSPORTS	Russell 2000 **2,837.55**, 7.5% below its August 14 weekly-close high (3,068); Dow Transports **19,572.22**, 13.9% below the July 17 weekly-close high (22,724) and 18% below the April 21 daily record, with the September 24 close near 19,478 the level to hold. Both are still up double digits for 2026 (+14.3%, +12.8%); the 8-week correlation between them is **0.83**.
REAL YIELDS & INFLATION	The 10-year breakeven held at **2.34%** and the 5-year rose 3 bp to 2.34%; the real 10-year yield touched **2.85%** Thursday, a level seen once since 2007, and the real 5-year rose 9 bp to 2.64%. Gold fell 2.16% against it. The move was real rates and term premium, not inflation expectations.
INTEREST-RATE OUTLOOK	Target range **3.75–4.00%**; effective rate 3.88%. Futures price a **62%** chance of a hike October 28, **4.17%** by year-end against the committee's 4.1% median, and a peak of **4.81%** in December 2027, up from 4.70% a week ago and roughly 70 bp above the Fed's 2027 median.
CREDIT & VOLATILITY	High-yield spread +10 bp to **280 bp**, still 66 bp below the March high; CCC-rated yields +59 bp to **16.04%**, +146 bp in four weeks. The VIX at 14.87 was unchanged through the bond selloff, the SKEW fell a second week and the put/call ratio fell to 0.52; positioning shows no fear at all.
VALUATION	Rolled to 2027 earnings this week: scenarios span 6,475 to 8,505, centered at **7,900**; the S&P 500 sits about 2% below center at 19.6× base-case earnings, with an earnings yield of 5.10%, **7 bp below** the 10-year Treasury. Diesel **$6.53** and crude $92.44 remain the inputs to watch for the inflation data ahead.

Markets are said to climb a wall of worry, and this week built the wall higher and the climb narrower at the same time. The 10-year Treasury yield closed at 5.17%, its highest weekly finish since July 2007; the 20-year and 30-year closed at their highest since June 2004; and because expected inflation did not move, all of it was real yield and the compensation investors now demand to hold long-dated government debt. The futures market lifted its estimate of the peak policy rate to 4.81% and priced better-than-even odds of a second hike next month. Corporate borrowing costs followed, fastest at the bottom of the quality ladder, where CCC-rated yields rose 59 basis points in a week. Diesel reached a record $6.53 a gallon, and because a barrel of crude yields roughly two barrels of gasoline for every one of distillate, that shortage will not be refined away; it will be paid in the price of everything that moves by truck, grows on a farm or flies. The S&P 500 rose 1.21% through all of it and finished within 0.7% of its record.

It rose by narrowing. Seven of eleven sectors fell, the equal-weighted index fell 0.56%, just 27% of the index's members finished above their 50-day average, and this week's chart shows the average stock on course to close September at its lowest standing against the S&P 500 in the equal-weight fund's 23-year history. The lift came from semiconductors, up 6.27%, the seven largest growth companies, up 4.25% to a record, and technology, up 3.52%, while growth cut value's year-to-date lead to under four points from roughly nine a month ago. We read the bid for the largest names as a quality-and-liquidity bid inside a deteriorating tape rather than a renewed verdict on their growth: the companies being paid for artificial-intelligence investment today still outran the companies making it, and money leaving financials, utilities, real estate and the consumer sectors has to land somewhere liquid. The chart's right-hand panel adds the real-economy half of the same picture: small-cap stocks, which depend on domestic demand and short-term borrowing costs, and transports, which depend on the volume of goods moving and the price of fuel, have fallen together since August 14, 7.5% and 10.2%, while the S&P 500 is off 0.5%. They moved in near lockstep through the spring oil shock, went their separate ways through the summer as crude fell and the S&P 500 rallied, and are moving together again, this time lower; the week-to-week correlation between them, which reached zero in July, is back to +0.83. That is a statement about fragility as much as strength. Every participant in this market except its largest members is already in a correction; the S&P 500 simply has not shown it, yet.

Whether this is the healthy kind of climb or the final kind will be decided by two things we have been tracking closely over the last month, and by one we added to the list of market concerns and uncertainties this week. The first is whether the long end of the bond market stops rising for reasons the Federal Reserve does not control; a 22-year high in the 30-year yield, set in a global selloff, is not a level equity valuations have been tested against in this cycle. The second is the participation: a market that broadens from here on a soft inflation print or a cooler jobs report would resolve the question the right way, while a market that keeps rising on seven stocks while the equal-weight ratio breaks its May low would be answering it the other way. The third is credit, where spreads still off their highs are the one reassurance the tape offers. Recent developments warrant heightened awareness rather than complacency, and the combination of the narrowest participation since the first-half lows, multi-decade highs in long-term yields and a surveyed bearishness that has historically rewarded patience argues against both chasing the leaders and abandoning the plan. They are not yet enough to warrant material changes to exposure. Wednesday's inflation report and Friday's jobs report are the catalysts that could change that, in either direction.

PORTFOLIO IMPLICATIONS

IMPLICATION I

In bonds, the long end is now a bet on the term premium, not on the Fed. Short maturities near 4.8% still match or exceed the market's own estimate of the peak policy rate and remain the place to be paid for either path of the gap between the strip and the dots. The 30-year at 5.49% is the cheapest it has been in 22 years and would be a gift if the Fed's path wins; but this week's move was driven by the supply of debt and a global repricing, not by the committee, and that is not a risk a central bank pivot resolves. Extend duration only in the increments a portfolio can hold through another leg higher in yields.

IMPLICATION II

Hold the energy and inflation hedges through the pullback; the discipline is unchanged. Crude's second weekly decline, with both calendar spreads still in uptrends and diesel at a record, is a consolidation inside a shortage, not the end of one. Daily momentum in the spreads turned negative on Friday and weekly momentum is fading, so the position is held, not added to. Gold's 2.16% decline against rising real yields is the textbook relationship, and a reason to size the metal as insurance rather than as a trend.

IMPLICATION III

Do not chase the seven; rebalance toward quality that has lagged, and distinguish laggards from broken trends. With 27% participation the average holding has had a materially worse month than the S&P 500 shows, and the discipline of adding to quality laggards into weakness remains right over quarters. It does not extend to averaging into record-low relative trends: financials, utilities, real estate and the consumer sectors are cheap against the S&P 500 for stated, unresolved reasons. Nor does it extend to adding to the largest names after a week that made them a larger share of every portfolio without anyone deciding it. Favor lagging quality inside leading and neutral sectors; let the rebalancing rule, not the tape, set the weight in the leaders.

IMPLICATION IV

Treat the valuation roll as information, and note what it did not deliver. On 2027 earnings the S&P 500 sits about 2% below our base-case fair value, and the bear case at 6,475 is 16% below the index. That is a better starting point than the 2026 frame offered, but the cushion the roll was expected to provide against the bond market did not arrive: the 5.10% earnings yield still sits below a 5.17% ten-year. Position for the frame you believe, and size it by how much of next year's earnings growth you are willing to underwrite into a rate-hiking cycle and a 22-year high in the long bond.

IMPLICATION V

Treat the small-cap and transport weakness as the economy's message, not a bargain bin. Small-cap stocks have moved opposite the 10-year yield all year and are unlikely to lead until long-term rates stop rising; transports need volumes to recover, and their failure to rally on cheaper oil through the summer says that has not happened. Keep both at benchmark weight or below until the test in the Risk Checklist resolves, and treat the S&P 500's narrow cushion above its record as, in our reading, the least reliable number on the board.

11 This Week's Catalysts

WEEK OF SEPTEMBER 28

A correction to last week's calendar: we listed August PCE inflation and the second-quarter GDP revision for September 24 and 25. The Bureau of Economic Analysis publishes both on Wednesday, September 30, together with its annual revision of the national accounts. The error was ours, and it makes Wednesday the decisive day of a decisive week. After it, Thursday brings the first September manufacturing survey and Friday the September jobs report, the two releases that will settle the October 28 decision the futures market now prices at better than even odds. Quarter-end falls on Wednesday as well, which tends to amplify whatever the tape is already doing.

DAY	TIME	RELEASE	WHY IT MATTERS
Tue SEP 29	10:00 am	**Job Openings; Consumer Confidence** AUGUST; SEPTEMBER	Labor demand and the household mood in one hour. The Conference Board survey follows a Michigan reading at a four-month low with inflation expectations at 4.6%; a second survey confirming it would say the consumer is paying for the boom the business surveys describe.
Wed SEP 30	8:30 am	**PCE Price Index; Personal Income & Spending; Q2 GDP (Third Estimate); Annual Revision** AUGUST; Q2	The week's decisive release, and last week's misdated one. The Fed's preferred inflation gauge for the month gasoline and diesel jumped, alongside the spending data that test the consumer sectors' relative lows, and an annual revision that can move the growth and inflation history the Fed's projections rest on.
Thu OCT 1	8:30 am	**Jobless Claims** WEEKLY	Two weeks below 200,000. Claims would have to crack meaningfully to slow this Federal Reserve, and nothing in the business surveys suggests they will.
Thu OCT 1	10:00 am	**Manufacturing Survey** SEPTEMBER	The first full September factory read after a flash reading at a four-year high. The prices component is the number: the flash survey reported the steepest rise in input costs in four years, and the official survey decides whether that reaches the Fed's inflation forecast.
Fri OCT 2	8:30 am	**Employment Report** SEPTEMBER	Payrolls, unemployment and wages for September, the last jobs report before the October meeting. The business surveys reported the fastest hiring in four years; a payroll print that confirms it locks in the second hike, and a soft one is the first relief the long end and the average stock would have seen in a month.

Times are Eastern. Sources: U.S. Bureau of Labor Statistics, The Conference Board, U.S. Bureau of Economic Analysis, U.S. Department of Labor, Institute for Supply Management. Consensus estimates are not shown; we prefer to publish outcomes rather than forecasts.

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