SpirePoint
PRIVATE CLIENT

WEEKLY MARKET OUTLOOK

Week Ahead – September 21, 2026

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

THIS WEEK'S THEME | The Price of Fed Credibility: *The FOMC Hiked Rates, Inflation Expectations Fell, and Surging Real Yields Repriced the Equity Market*

EXECUTIVE BRIEF · PUBLISHED SEPTEMBER 21, 2026

The Federal Reserve raised its policy rate a quarter point on Wednesday, to a range of 3.75–4.00%, by a unanimous 12–0 vote; it was the central bank's first increase in three years. The projections released alongside the decision showed a median expectation of one more increase this year, to roughly 4.1%, and Chair Warsh said plainly why: he would be "hard-pressed to describe broad financial conditions as restrictive," so the committee removed what he called a dose of accommodation. The market's response is this week's subject. Five-year expected inflation *fell* 9 basis points to 2.31% in the same week the Fed hiked with oil near $95; investors believe the inflation fight will work. What rose instead was the real, inflation-adjusted interest rate, up roughly 17 basis points at five years, and the 10-year Treasury closed at 5.01%, its first finish above 5% since July 2007. **Credibility, it turns out, has a price, and it is paid in real yields.** The S&P 500's 0.08% weekly decline conceals the round trip: the index sold off 1.4% into Wednesday's decision, closing at 7,551.81 that afternoon, then recovered 1.3% in the two sessions after the Chair spoke. Two of eleven sectors rose. The seven largest growth companies gained 1.15% while the average stock kept falling; the share of index members above their 50-day average dropped to 28%, from 70% five weeks ago. Bearish respondents in the retail investor survey jumped to 53%, an outright majority. Rate-sensitive and consumer-facing sectors bore the brunt of the repricing: this week's chart shows both consumer-focused sectors, Consumer Discretionary (XLY) and Consumer Staples (XLP), fell to noteworthy new lows relative to the S&P 500, the former to a roughly fifteen-year low and the latter to a fresh all-time weekly closing low on Friday. That verdict is worth weighing against August retail sales, which rose 1.2%.

01 Index Performance Dashboard

1-WK · YTD

S&P 500	NASDAQ COMPOSITE	DOW INDUSTRIALS	RUSSELL 2000	DOW TRANSPORTS
−0.08%	+0.72%	−1.69%	−1.50%	−2.66%
YTD +11.76%	YTD +14.11%	YTD +7.53%	YTD +15.25%	YTD +15.68%
flat only on average: sold off through Wednesday, recovered after	mega-cap tech names carried the market	large-cap cyclicals sold off again	small-cap stocks lagged a second straight week	worst of the majors even as fuel cheapened

Value LARGE-CAP VALUE	−1.21% YTD +15.84%	Growth LARGE-CAP GROWTH	+0.83% YTD +9.15%

Growth beat value by two full points in a single week, +0.83% against −1.21%, and the defining story within investment styles in 2026, value's year-to-date lead over growth, compressed from roughly nine points to less than seven. The advance remains narrow: the seven largest growth companies rose 1.15% and the semiconductor index 0.83% while the equal-weighted version of the S&P 500 fell to its weakest standing against the cap-weighted index since early June. The value-over-growth regime is not broken, but for the first time this year the market is asking the question, and it is asking it in the midst of a rate-hiking cycle, precisely when the biggest balance sheets are worth the most.

02 S&P 500 Sector Dashboard

TWO CALLS CHANGED · ONE ON WATCH

SECTOR	1-WK	YTD	STRATEGY CALL	WHAT IT MEANS
S&P 500 ETF SPY	−0.34%	+11.70%	Cautious	Fell 0.34% with two of eleven sectors higher and nine lower. The index ended the week 1.9% below its August 13 record and 0.4% above its 50-day average, after spending Tuesday and Wednesday below that line and reclaiming it within a day of the Fed decision. The internals beneath it weakened for a fifth consecutive week.
Communication Services XLC	−1.59%	−5.87%	Neutral	Fell 1.59% in its first test since the upgrade. Its relative strength gave back some recent gains but critically held well above the August lows. The upgrade thesis is intact, not yet proven; the sector remains one of only three still negative for 2026.
Consumer Discretionary XLY	−1.71%	−7.02%	Lagging	Fell 1.71% and closed at its weakest level relative to the S&P 500 since **early 2011**, a fifteen-year low detailed in this week's chart. Now the weakest sector of 2026, it shows the market pricing a consumer problem well before the spending data shows one.
Consumer Staples XLP	−0.70%	+6.59%	Lagging	Fell 0.70%, the mildest decline on the board, but still printed the lowest *weekly* close relative to the S&P 500 in the fund's recorded history; on a daily basis it sits just under one percent above June's record low. A defensive sector priced at a historic relative floor suggests the shelter the label promises may be at risk, though the defensive tilt has still paid this year: staples remain up 6.59% for 2026 against discretionary's 7.02% decline.
Energy XLE	−1.27%	+43.84%	Leading	Fell 1.27% with crude's first weekly decline in three. Earlier in the week its relative strength touched the highest level since early April before fading with the commodity. The call holds, and so does the discipline: no adding after the size of the recent move.
Financials XLF	−2.43%	+1.99%	▾ Neutral	**Downgraded to neutral.** Fell 2.43%, a third consecutive week trailing the S&P 500, with relative strength at its weakest since the end of June. The curve keeps flattening against the banks and the lowest-rated credit keeps repricing; the downgrade watch from last issue resolves into the downgrade.
Health Care XLV	+1.83%	+8.78%	Leading ▽ watch	The week's best sector at +1.83%, recovering much of the prior week's damage. The relative uptrend that earned the rating is intact but losing momentum, as its last multi-month relative high was set in late August, so the downgrade watch stays on, albeit with less urgency.
Industrials XLI	−1.52%	+9.43%	Lagging	Fell 1.52%, a fourth consecutive weekly decline, and its relative strength printed the lowest level in more than two years, since July 2024. Nothing argues against the call.
Materials XLB	−1.88%	+10.23%	Lagging	Fell 1.88% to its weakest relative standing since last December, even as copper rose 2.4% and silver 2.7%. The stocks are lagging their own metals, which says the inflation the market fears is an energy-cost problem, not a broad goods-price boom.
Real Estate XLRE	−2.05%	+5.40%	Lagging	Fell 2.05% to its lowest level relative to the S&P 500 in the fund's history, back to its 2015 launch. The most rate-sensitive sector is pricing exactly what the futures strip is pricing: rates higher for longer.
Technology XLK	+1.03%	+31.69%	▴ Leading	**Upgraded to leading.** Rose 1.03%, a fourth consecutive week of outperformance, and its relative strength broke out to the highest level since the end of June; that is the confirmation last issue's tentative upgrade was waiting for. The upgrade watch is resolved.
Utilities XLU	−3.04%	−3.72%	Lagging	The week's worst sector at −3.04%, and its relative strength printed the lowest level in the data we track, back to 1998. It is the purest expression on the board of a market repricing the cost of money, and it remains negative for 2026.

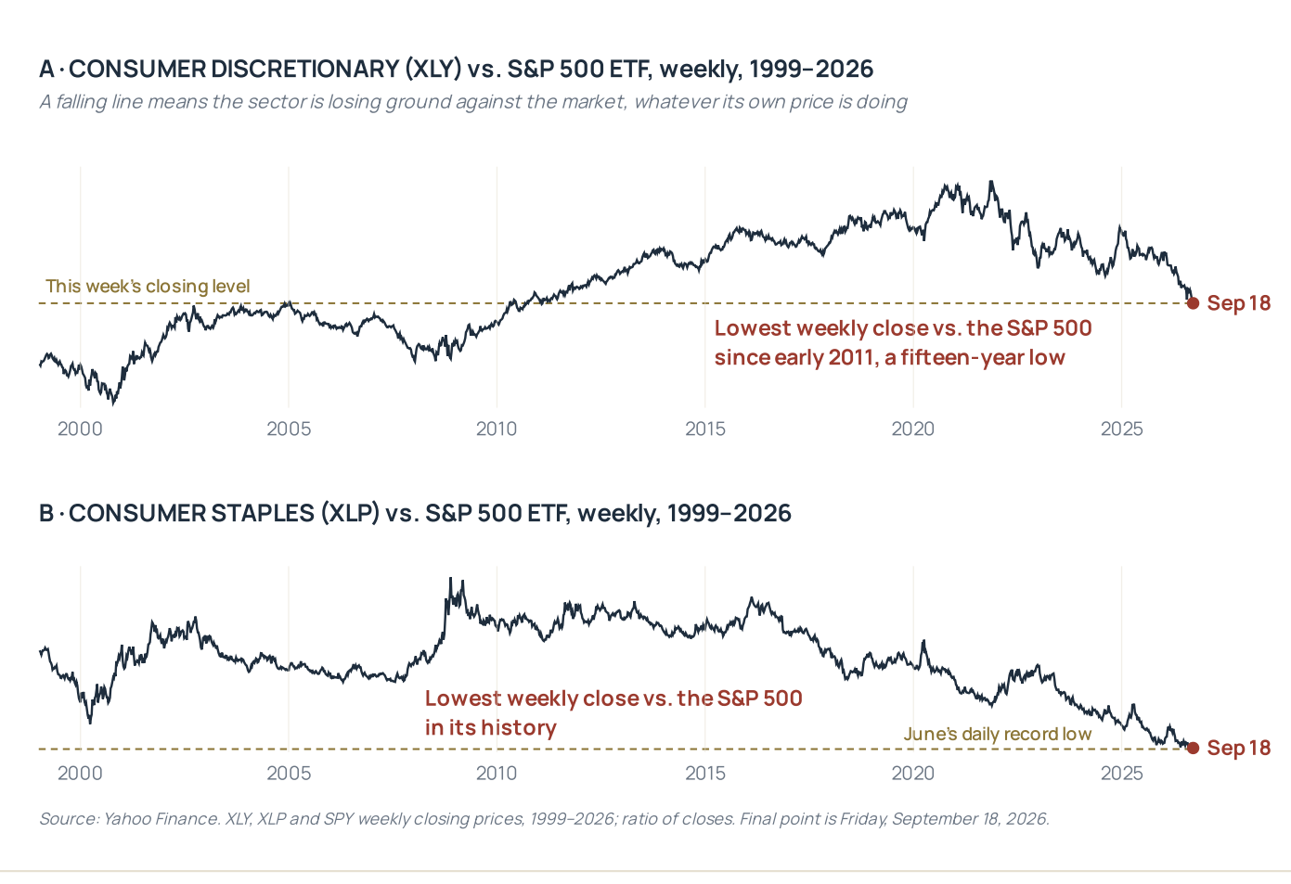
Two calls changed this week and one watch remains. Technology (XLK) is upgraded to leading: a fourth straight week of outperformance carried its relative strength to a high not seen since the end of June, completing the confirmation the tentative upgrade required. Financials (XLF) is downgraded to neutral after a third week trailing the S&P 500 took its relative strength to a low since late June; the flattening yield curve and the repricing in the weakest credit tier are working against the banks faster than higher rates are working for them. Health care (XLV) stays on downgrade watch despite leading the week; its relative trend has not made a new high since late August. The pattern across the board is the message: the sectors most exposed to the cost of money (real estate, utilities, and now the banks) made multi-year or record relative lows the same week the futures market raised its estimate of the peak policy rate, while consumer discretionary printed a fifteen-year relative low and consumer staples the lowest weekly relative close in its history. Sector money flows are voting with the bond market, and both are voting for higher for longer. Beyond the calls: two sectors up, nine down, in a week the S&P 500 was flat.

03 Chart of the Week

THE MARKET'S CONSUMER VERDICT

Investors Are Punishing Consumer-Sensitive Stocks as Real Rates Rise

Consumer discretionary (XLY, upper) and consumer staples (XLP, lower) share prices relative to the S&P 500 ETF, weekly, 1999 to date · this week's levels marked against their history



Source: Yahoo Finance. XLY, XLP and SPY weekly closing prices, 1999–2026; ratio of closes. Final point is Friday, September 18, 2026.

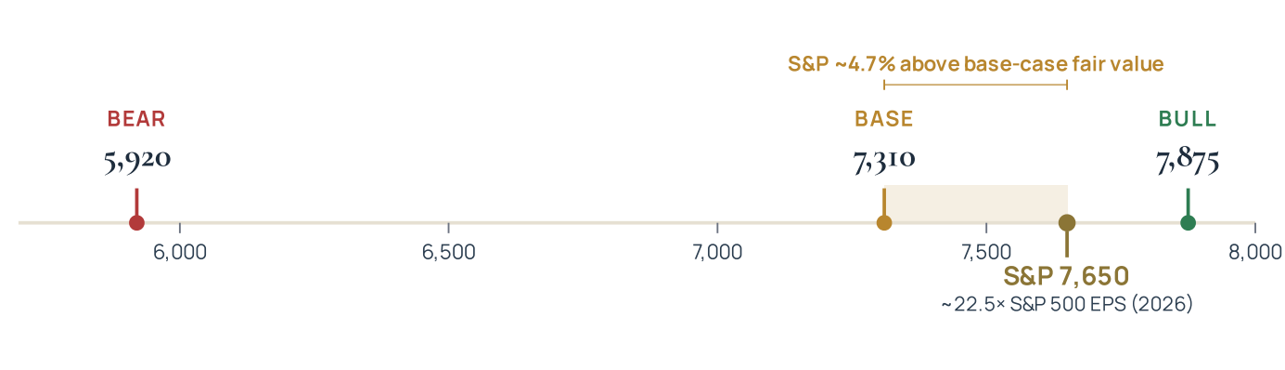
A word on what these lines measure, because the chart repays it. Each line is a sector's share price divided by the price of the S&P 500 fund; a falling line means the sector is losing ground against the market even when its own price is rising. It is the cleanest available picture of where investors' money is actually going. The upper panel shows consumer discretionary, the retailers, restaurants, travel and big-ticket names that depend on households' willingness to spend, at **its weakest standing against the market since early 2011, a fifteen-year low**. The lower panel shows consumer staples, the food, beverage and household-products companies that are supposed to be the defensive shelter, at **the lowest weekly close relative to the market in the fund's history**, extending the record set in June, when the daily low was printed. Read together, the two panels say something unusual: **the market is simultaneously pricing stress in the discretionary consumer *and* declining to pay for the classic defense against it**, preferring technology and the largest growth companies as its shelter instead. Set against August's retail sales report, which showed spending rising a firm 1.2% even excluding gasoline, the chart is a disagreement between forward-looking money flows and backward-looking data. Markets are often early about the consumer; they are sometimes simply wrong. For a portfolio, the practical reading is the one in this week's implications: **respect the message enough to stay underweight, and watch spending data, not sector prices, for the signal** that the verdict was premature.

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: 7,617 · 100-Day Moving Average: 7,521 · 200-Day Moving Average: 7,183

BEAR CASE	BASE CASE	BULL CASE
5,920	7,310	7,875
18.5× · $320 EPS	21.5× · $340 EPS	22.5× · $350 EPS
22.6% downside	4.4% downside	2.9% upside

EARNINGS YIELD VS. THE RISK-FREE RATE

S&P 500 earnings yield	4.44%
10-Year Treasury	5.01%

Equity risk premium at its most negative of the year for a second week. The S&P 500's earnings yield of 4.44% sits *below* the 5.01% available on a risk-free 10-Year Treasury: investors are accepting roughly **57 basis points less** to own stocks than to own government bonds, against 52 a week ago. The gap widened because the 10-Year rose 5 basis points while the index was flat.

Our scenario assumptions are unchanged this week, and this is their final appearance in the 2026 frame: **beginning with our first October issue, the framework moves to 2027 earnings estimates**, as flagged since the summer. On the current frame, the S&P 500 trades at a multiple of roughly 21.5 times about $340 per share of final 2026 earnings expectations, putting fair value near **7,310**; at **7,650.50** the index sits about **4.7% above** that center with an earnings yield 57 basis points below the 10-year Treasury, the year's widest negative gap. The October frame is published now so the shift is visible before it happens: on 2027 estimates of **$350 / $395 / $405** at multiples of **18.5× / 20× / 21×**, the scenario band moves to **6,475 / 7,900 / 8,505**. On that frame the same index price sits about 3.3% *below* the base case, with a forward earnings yield above the 10-year. The distance between the two frames is one year of projected earnings growth, roughly 16%, delivered into a rate-hiking cycle. Both readings are true; the tension between them is the valuation story of the next twelve months. Scenario multiples and EPS are our own estimates.

05 Cross-Asset Tape

TREND · 1-WK · YTD

ASSET	PRIMARY TREND	1-WK	YTD	WHAT IT MEANS
S&P 500 U.S. equities **7,650.50**	Pullback · Above 50-day	−0.08%	+11.76%	Nearly unchanged on the week, which hides a 1.4% decline into Wednesday's 7,551.81 close and a 1.3% recovery after the press conference. Back above the 50-day average (7,617) by Friday, but breadth collapsed beneath the recovery: just 28% of S&P 500 members hold above their own 50-day average, the most important internal in this week's report.
WTI Crude front-month **$95.47**	Pullback · Below $100	−4.52%	+66.30%	The first weekly decline in three: crude traded above $100 a barrel early in the week and finished down 4.52% at $95.47. Two weeks of 9% gains consolidated, not reversed; the barrel is still up 66% for 2026 and remains the single largest input into the inflation data ahead.
WTI Dec'26–Dec'27 calendar spread **$18.05**	Extreme · Near record	−1.34%	+18.05%	Narrowed $1.34 from the prior week's record but still prices an $18 premium for prompt barrels over next December's. The physical market's verdict of an acute near-term shortage stands; it eased, it did not end.
Gold futures **$4,415.90**	Holding	+0.59%	+1.93%	Rose 0.59% in a week when real yields jumped, the opposite of the textbook relationship. A hedge that gets bid while its main headwind strengthens is being bought as insurance against the inflation fight failing, not for momentum.
Copper futures **$6.72**	Recovering	+2.42%	+17.94%	Rose 2.42%, with silver up 2.71%; the industrial and precious metals recovered part of the prior week's liquidation as crude cooled. Part of last week's commodity-cost alarm unwound.
U.S. Dollar DXY **100.22**	Reclaimed 100	+1.13%	+1.97%	Rose 1.13% and closed back above 100 in the week the Fed hiked. That is the confirmation that was missing a week ago, when the currency ignored its own rate shock; a dollar that responds to policy is the conventional pattern reasserting itself, at least for a week.

06 Sentiment & Risk Internals

BEARS CROWD THE SURVEYS, NOT THE POSITIONS

VIX	CBOE SKEW	PUT / CALL RATIO	CNN FEAR & GREED	AAII BULL-BEAR
14.81	148.10	0.59	29	−24.5%
▼ from 15.84	▼ from 154.49	▲ from 0.56	▼ −4 · Fear	▼ −23.2 pts
fell through a Fed hike; event premium out	five-week tail-hedging streak ended	still low; positioning has not capitulated	second straight decline, deeper into fear	bears at 53.3%, an outright majority

S&P > 50-day avg	28%	▼ −11
S&P > 100-day avg	41%	▼ −8
S&P > 200-day avg	49%	▼ −7
NYSE advance-decline line	1,012	▼ −336

gave back the prior week's advance; still 75 above its 13-week average, the threshold we set in advance

The surveys and the positions are telling two different stories, and the difference matters. Sentiment deteriorated further, across market-based indicators and surveys alike: the Fear and Greed Index fell four points to **29**, a second consecutive weekly decline deeper into fear, and bearish respondents in the AAII survey jumped 14 points to **53.3%**, an outright majority and the kind of reading that has historically marked better entry points than exits. But the instruments that cost money to be afraid in were calm: the VIX *fell* 1.03 points through a Fed hike to **14.81**, the five-week rise in the cost of crash protection ended, and the put/call ratio at 0.59 remains low. Investors are telling surveys they are bearish, but their portfolios suggest they are not taking action, at least not yet. Durable *market* lows are usually built when both agree; until they do, we read the fear as cautious sentiment, not capitulation.

07 Rates, Credit & the Fed

THE HIKE LANDED; THE MARKET PRICED MORE

TREASURY YIELDS

2-Year Yield *policy-sensitive*	4.76%	+13 bp	YTD +129 bp
10-Year Yield *benchmark*	5.01%	+5 bp	YTD +83 bp
30-Year Yield *fiscal/inflation-sensitive*	5.34%	−1 bp	YTD +50 bp

The front and the belly rose while the long end stood still; that is the fingerprint of a market repricing the policy path rather than inflation. The 2-year rose **13 basis points to 4.76%** and the 3-year 14, while the 30-year slipped a basis point. The milestone sits in the middle: the 10-year closed Friday at **5.01%**, its first weekly finish above 5% since **July 2007**. Five-year expected inflation *fell* 9 basis points to **2.31%**, while the 5-year nominal rose 8, which means the real, inflation-adjusted 5-year yield jumped roughly 17 basis points in one week. The market raised the price of money in real terms and lowered its inflation expectations at the same time. That is what believing the central bank looks like on a screen.

YIELD CURVE AND BREAKEVENS

10Y–2Y Spread *bear-flattened*	+25 bp	−8 bp	YTD −46 bp
10Y–3M Spread *bear-flattened*	+87 bp	−2 bp	YTD +36 bp
5-Yr Breakeven *market-implied inflation*	2.31%	−9 bp	YTD +5 bp

The 10-year-to-2-year gap narrowed another 8 basis points to **+25 bp**, the fourth flattening in five weeks and the flattest since February, and this week the 10-year-to-3-month spread joined it. Short rates keep rising faster than long ones because the market keeps concluding the Federal Reserve is not finished; it is the same configuration, and the same 1977–81 rhyme, that last week's chart placed in fifty years of context. Nothing in last week's decision interrupted it.

FED POLICY PATH · FED FUNDS FUTURES

▲ FED FUNDS TARGET RANGE	▲ YEAR-END RATE: MARKET VS. FED	▲ PEAK RATE PRICED
3.75–4.00%	4.16%	4.70%
raised Sep 16 · 12–0	dots median 4.1%	Nov '27 · dots 2027: 4.1%

The question this letter posed last week, one move or the start of a series, got half an answer. The committee raised the target range a quarter point to **3.75–4.00%**, unanimously, and its new projections show a median of **one more increase this year**, to roughly 4.1%, with the median then holding at that level through 2027. Chair Warsh, who declined as usual to publish his own forecast, framed the move as removing "a dose of accommodation" from an economy he described in notably strong terms, and attributed the rise in long-term yields to growth and heavy corporate borrowing for technology investment rather than inflation fear. Here is the gap that now defines the outlook: the futures market prices **4.16%** by year-end, in line with the committee, but a peak near **4.70%** by late 2027, roughly **60 basis points above the Fed's own 2027 median**. The market believes the inflation fight will work; it does not yet believe it will be as cheap as the committee projects. One of those two paths has to give, and the distance between them is now one of the most important spreads in the market.

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

CORPORATE BONDS & CREDIT SPREADS

High-Yield Spread *over Treasuries*	270 bp	unch	YTD −11 bp
High-Yield Effective Yield *BB through CCC*	7.46%	+4 bp	YTD +93 bp
CCC-Rated Yield *lowest-quality tier*	15.45%	+12 bp	YTD +296 bp

A third week of the same split, and a milestone in it. The broad high-yield spread was **unchanged at 270 bp**, flat through a rate hike, which is the credit market voting confidence in the economy, and the market-wide effective yield told the same story from the other direction, rising just 4 basis points to **7.46%**, in step with Treasuries. The weakest credit tier saw yields jump to multi-year highs: CCC-rated yields rose another **12 basis points to 15.45%**, 87 in three weeks, and now stand at their highest since **the autumn of 2023**. The stress remains the manageable kind, a risk-free-rate problem rather than a default-expectations problem, but three weeks is a trend, and every week it persists compounds the cost of capital for the companies least able to bear it. 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 14 – 18

FOMC Rate Decision

+25 bp — TO 3.75–4.00%
12–0 — UNANIMOUS VOTE

The first increase in three years, delivered as priced. The statement called economic activity solid, spending resilient and inflation elevated, and closed with an unusually direct sentence: the Committee "will deliver price stability." Chair Warsh framed the move as removing a dose of accommodation from conditions he was hard-pressed to call restrictive.

FEDERAL RESERVE · SEP 16

Summary of Economic Projections

4.1% — MEDIAN YEAR-END RATE
3.4% — CORE PCE '26, WAS 3.3%

The committee's median projects one more quarter-point increase in 2026 and then a hold at that level through 2027. Growth was marked up to 2.3% for 2026, unemployment down to 4.1%, and the core inflation forecast nudged a tenth higher. A stronger economy, a slightly hotter forecast, and only one more move: the committee is projecting a short campaign.

FEDERAL RESERVE · SEP 16

August Retail Sales

+1.2% — MONTHLY
+1.2% — EX GAS & AUTOS

The consumer the market has been selling showed up and spent. Total receipts rose 1.2% and the measure excluding gasoline and autos rose the same, reversing July's decline. Higher pump prices flatter the headline, but the ex-gas figure says August spending was genuinely firm. It is a direct challenge to the message in this week's chart and, delivered hours before the Fed hiked, one more reason it could.

U.S. CENSUS BUREAU · SEP 16

Weekly Jobless Claims

196K — INITIAL CLAIMS
−10K — WEEK OVER WEEK

Claims fell below 200,000, deeper into six-decade-low territory. 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 17

August Housing Starts

1.275M — ANNUAL RATE
−2.6% — THIRD STRAIGHT DECLINE

Starts fell a third consecutive month and are down 11% from June's pace. Mortgage rates near 7% are doing visible work here; housing remains the most rate-sensitive corner of the real economy, and the first place higher-for-longer shows up in activity rather than prices.

U.S. CENSUS BUREAU · SEP 17

August Industrial Production

0.0% — MONTHLY
103.1 — INDEX LEVEL

Output was flat in the month crude crossed $90. The manufacturing expansion is intact but no longer advancing, consistent with an economy absorbing an energy shock rather than accelerating through it. The strain shows at the margin, not yet in the level.

FEDERAL RESERVE · SEP 18

The week's data drew the same split the markets did. Measured activity was firm to strong: retail sales rose 1.2% with the ex-gas-and-autos measure matching it, claims fell below 200,000, and the Fed marked its growth forecast up while nudging unemployment down. The softness is confined to the rate-sensitive edges, housing starts down a third straight month and industrial output flat, which is what tightening is supposed to produce, in the order it is supposed to produce it. The tension is that the equity market's internals are pricing consumer damage the spending data has not printed: August receipts were strong in the same week both consumer sectors traded at or near historic relative lows. One of those two readings is early and one is wrong, and the releases ahead, Friday's PCE inflation report first among them, begin to adjudicate.

Policy figures from the Federal Reserve Board; retail sales and housing starts from the U.S. Census Bureau; claims from the U.S. Department of Labor; industrial production from the Federal Reserve.

09 Risk Checklist

WHAT WE'RE WATCHING

I **The market now prices more tightening than the Fed projects**
The strip prices a peak near **4.70%** by late 2027; the committee's own 2027 median is **4.1%**. That 60-basis-point gap is the week's new risk in both directions: if the market converges to the Fed, the front end rallies and rate-sensitive equities get relief; if the dots migrate to the market, the repricing that made this month has further to run.

II **Real yields are doing the tightening now**
Five-year expected inflation *fell* 9 basis points while the real 5-year yield rose roughly 17, and the 10-year closed above **5%** for the first time since 2007. Rising real rates are the discount-rate shock that repriced utilities and real estate to record relative lows, and they compress every long-duration valuation at once, including the equity market's.

III **Participation has fallen to 28% and the advance is one engine wide**
Fewer than three in ten S&P 500 members closed above their 50-day average, from 70% five weeks ago; two of eleven sectors rose; the equal-weight index sits at its weakest standing versus the cap-weighted since early June. The index level is a statement about a handful of companies, and the advance-decline line is now 75 points from ending the one internal still constructive.

IV **The weakest credit tier made a multi-year high in yield**
CCC-rated yields rose a third straight week to **15.45%**, their highest since the autumn of 2023, 87 basis points in three weeks, against a broad high-yield spread that is dead flat. It is rate math, not default fear, but a compounding cost of capital for the most levered issuers is the kind of pressure that becomes visible suddenly rather than gradually.

V **Valuation offers no cushion at a 5% ten-year**
The index trades about **4.7% above** our base-case fair value with an earnings yield of 4.44% against a 5.01% Treasury, **57 basis points below** the risk-free rate and the widest negative gap of the year for a second consecutive week. On next year's earnings the picture inverts, as the valuation section previews; that makes 2027 delivery the load-bearing assumption.

VI **The market and the data disagree about the consumer**
Consumer discretionary sits at a fifteen-year relative low and consumer staples at a record-low weekly relative close while August retail sales rose 1.2%. Markets lead data often enough that the chart deserves respect, but if the spending holds, the most crowded underweights in the market are mispriced. Either way, the gap closes; the direction it closes from is the trade.

10 Key Levels — Tying It All Together

WHAT TO WATCH

CROSS-ASSET KEY LEVELS

S&P 500	Closed at **7,650.50**, 1.9% below the August 13 record, after a 1.4% decline into Wednesday's **7,551.81** close and a 1.3% recovery after the press conference. The 50-day average is **7,617**, lost Tuesday and reclaimed Thursday; Wednesday's low settled 30 points above the 100-day at 7,521. Those two averages bracket the argument this week; the 200-day is 7,183.
TREASURY YIELDS	Belly-led rise: 2-year **4.76%** (+13 bp), 3-year +14 bp, 10-year **5.01%** (+5 bp), the first close above 5% since July 2007, while the 30-year slipped 1 bp to 5.34%. The 10Y–2Y spread flattened to **+25 bp**, the flattest since February.
REAL YIELDS & INFLATION	Five-year expected inflation fell 9 bp to **2.31%** while the 5-year nominal rose 8 bp: the real 5-year yield jumped roughly **17 bp** in a week. The move was real rates, which is the market pricing the Fed's resolve, not its failure.
INTEREST-RATE OUTLOOK	Target range **3.75–4.00%** after Wednesday's unanimous hike. Futures price **4.16%** by year-end, matching the committee's 4.1% median, and a peak near **4.70%** in late 2027, roughly 60 bp above the Fed's own 2027 median. The gap between those paths is the quarter's defining spread.
CREDIT & VOLATILITY	High-yield spreads flat at **270 bp**; CCC-rated yields +12 bp to **15.45%**, the highest since autumn 2023, +87 bp in three weeks. The VIX *fell* to 14.81 through a Fed hike and the SKEW's five-week rise ended; fear is showing up in surveys faster than in positioning.
VALUATION	Scenarios span 5,920 to 7,875 on 2026 earnings, centered near **7,310**; the index sits about 4.7% above center with an earnings yield **57 bp below** the 10-year Treasury. The framework moves to 2027 estimates with our first October issue; the preview is in the valuation section.

The Federal Reserve raised interest rates on Wednesday for the first time in three years, and the most informative market response was the one that fell. Five-year inflation expectations declined 9 basis points in the week of a rate hike, with crude oil near $95 and August consumer prices running warm; that is the bond market's way of saying it believes this Federal Reserve will finish the job. What rose was the real cost of money: inflation-adjusted five-year yields jumped roughly 17 basis points, and the 10-year Treasury closed above 5% for the first time since July 2007. That is the price of credibility. When a central bank convinces markets it will deliver price stability, the statement's exact promise, investors stop demanding compensation for inflation and start paying, through higher real rates, for the tightening itself. Every long-duration asset gets marked to that new price at once, which is why the two most rate-sensitive equity sectors closed the week at the lowest levels relative to the S&P 500 in their recorded histories while the index itself barely moved.

The equity market spent the week splitting in two. The S&P 500 fell 0.08%, a number that conceals a 1.4% slide into Wednesday's decision and a 1.3% recovery after Chair Warsh spoke. Beneath it, two of eleven sectors rose, the share of index members above their 50-day average fell to 28% from 70% five weeks ago, and growth beat value by two points in a week, compressing the year's defining style gap from nine points to under seven. This week's chart is the starkest expression of the narrowing: consumer discretionary's standing relative to the index fell to a fifteen-year low while consumer staples closed at the lowest weekly level relative to the index in its history. The market is pricing a consumer problem that August's data flatly contradicted; retail sales rose 1.2% with the ex-gas measure just as strong. That disagreement, between forward-looking money flows and backward-looking receipts, is the most honest description of where this market stands.

What decides it from here is the gap the week created: the futures market now prices a peak policy rate near 4.70% by late 2027, roughly 60 basis points above the Federal Reserve's own projected path. Either the market converges toward the committee, which would relieve the front end, the rate-sensitive sectors and the average stock all at once, or the committee's projections migrate toward the market and the repricing that defined September continues. Friday's PCE inflation report is the first evidence in that trial. With the index 1.9% from its record on the narrowest participation of the year, an earnings yield 57 basis points below the risk-free rate, and surveyed bearishness at levels that have historically rewarded patience, this remains a market that punishes both complacency and heroics. Recent developments argue for neither. Instead, market dynamics suggest it is prudent to know exactly what is owned, why, and which of this week's two verdicts *(the market's or the data's)* portfolios are actually exposed to.

PORTFOLIO IMPLICATIONS

IMPLICATION I

In bonds, stay where the repricing already happened. Short maturities near 4.4–4.8% now carry yields that match or exceed the market's own estimate of the peak policy rate; they are paid for either path of the 60-basis-point gap between the strip and the dots. The long end at a 2007-era 5% is only cheap if the Fed's shorter, gentler path wins; duration remains a bet on the committee against the market, and this week the market moved further away.

IMPLICATION II

Hold the inflation hedges through the consolidation; the discipline is unchanged. Crude's first weekly decline in three, with the calendar spread still near a record $18, is a pause in a shortage, not the end of one. Gold rising against a 17-basis-point jump in real yields says the positions are being bid as insurance against the credibility scenario failing. Hold that insurance; adding after a 66% year-to-date move in crude remains speculation.

IMPLICATION III

Rebalance toward what has lagged, but distinguish laggards from broken relative trends. With 28% participation, the average holding has had a materially worse month than the index 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: real estate, utilities and the consumer sectors are cheap against the index for a stated, unresolved reason. Favor lagging quality inside leading and neutral sectors over bottom-fishing the record lows.

IMPLICATION IV

Treat the valuation frame shift as information, not comfort. On 2026 earnings the index is 4.7% rich with an earnings yield 57 basis points below Treasuries; on the 2027 estimates previewed this week it is modestly cheap with the comparison flipped positive. The distance between those two frames is exactly one year of projected earnings growth, delivered into a hiking cycle. Position for the frame you believe, and size the position by how much of that delivery you are willing to underwrite.

11 This Week's Catalysts

WEEK OF SEPTEMBER 21

After the decision, the evidence. **Friday's PCE inflation report at 8:30 a.m. is the first reading the Federal Reserve's new projections will be graded against**; the committee just nudged its 2026 core forecast to 3.4%, and August's figure shows how much of the summer's energy shock is reaching the Fed's preferred gauge. Around it, a housing-heavy calendar shows what near-7% mortgages are doing to the most rate-sensitive corner of the economy, Wednesday's flash PMIs give the first September activity read taken after the hike, and the first Federal Reserve speakers since the meeting begin to color Wednesday's decision. No single event rivals last week's; the week's job is confirmation.

DAY	TIME	RELEASE	WHY IT MATTERS
Tue SEP 22	10:00 am	**Existing Home Sales** AUGUST	The largest slice of the housing market, reported the week after starts fell a third straight month. Sales volume shows whether near-7% mortgage rates are freezing turnover as well as construction.
Wed SEP 23	9:45 am	**S&P Global Flash PMIs** SEPTEMBER	The first broad activity read taken after the rate increase. Manufacturing and services surveys show whether the hike met an economy still expanding, and the prices components give an early look at September inflation pressure ahead of Friday's PCE.
Wed SEP 23	10:00 am	**New Home Sales** AUGUST	The builders' side of the housing story. Watch price incentives as much as volume; they are the private sector's real-time read on what current mortgage rates clear.
Thu SEP 24	8:30 am	**Jobless Claims; Q2 GDP (Third Estimate)** WEEKLY; Q2	Claims just fell below 200,000; they would have to crack meaningfully to slow this Federal Reserve. The GDP revision is backward-looking but sets the base the Fed's upgraded 2.3% growth forecast builds on.
Fri SEP 25	8:30 am	**PCE Price Index; Personal Income & Spending** AUGUST	The week's decisive release. The Fed's preferred inflation gauge for the month gasoline jumped, alongside the income and spending data that test this week's chart directly: strong spending validates August's retail report; soft spending validates the market's verdict.
Fri SEP 25	10:00 am	**Consumer Sentiment (Final, September)** UNIV. OF MICHIGAN	The preliminary reading was the second-lowest on record with inflation expectations at 4.6%. The final print shows whether the Fed's action steadied household psychology or confirmed its fears.

Times are Eastern. Sources: U.S. Census Bureau, National Association of Realtors, U.S. Department of Labor, U.S. Bureau of Economic Analysis, S&P Global, University of Michigan. Consensus estimates are not shown; we prefer to publish outcomes rather than forecasts.

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