U.S. ECONOMY

Wrong Way: The Fed is hiking into an AI productivity boom. But AI spending is mostly immune to financing rates. AI-driven inflation is construction driven; long-term the tech is deflationary. Hikes will not slow the buildout. The Fed held rates in '96 when tech drove similar productivity growth. The '56 highway build created similar inflation; hikes then triggered a recession. Is the Fed using a 70s Volker playbook to fight a 90s problem? It worked then but triggered two recessions; oil, gov't spending, and excess drove that inflation. But today's excess is a top 20% asset-rich problem; the bottom 80% is wobbling. Is the Fed making a policy mistake?

Watch Oil: October hike odds jumped and a fourth hike is now priced in. PCE is the next hurdle; the Fed's preferred inflation gauge. Every hike increases US debt service cost and unintended risks. Tariff-driven inflation compounds the problem; falling oil prices would do more to calm inflation than more hikes. If hikes fail what yield level pulls money out of equities? The velocity of this yield move is faster than almost anything markets have experienced outside of a crisis. Something always shakes loose.

Take Note: Treasury yields rallied after the recent Fed hike then got smacked down and broke technical levels. Flash PMI showed a broad surge in US business activity and reignited inflation fears. Oil reversed higher; inflation problems are mounting. The yield curve is flattening fast; historically one of the strongest predictors of economic challenges ahead. Yields here are historically rare and short-lived. The backdrop feels alarming but that is exactly when opportunities are most compelling. Yields this attractive do not wait for you to be ready. The hardest part is starting; we make that easy with deep resources and seamless onboarding.

New Power: AI CEOs addressed the UN Security Council in NYC; unprecedented for private sector executives. A week before they warned about AI existential risk; surprised? Trump rejected international AI controls. The people building AI now have a seat at every table that matters. They were not invited. They were summoned. Has AI become too big to fail? Is a government backstop now implied policy? Own the infrastructure and the bonds that finance it. Reach out when you are ready.

This Week: Core PCE and Jobs Friday are the main events. PCE, GDP revisions, and month/quarter-end too. ADP jobs, ISM Manufacturing, Fed speakers, and Micron earnings fill the week.

CORPORATE BONDS

Low Fear: The VIX measures investor fear over the next 30 days. It is near its lowest level despite everything. Rock bottom volatility, fresh stock highs, and unresolved risks are converging during a historically turbulent period. The Fed just hiked. Iran remains unresolved. US debt cleared $40T. AI CEOs just warned about slowing the buildout. Bond volatility is spiking; equity fear is not. Credit spreads remain historically tight. The bull case is real; corporate earnings are strong and broad-based, AI optimism has merit, and record cash in money market funds puts a floor under a big selloff. But markets are pricing calm into a calendar that historically delivers more volatility. Is your portfolio built for a wider range of outcomes than markets are currently pricing?

Smart Skies: The FAA is rolling out an AI air traffic tool called SMART to cut flight delays by synthesizing data streams. Minutes after the announcement a ground stop hit every major NY airport. SMART is part of a $12B+ FAA modernization with more funding requests pending. Hmm. Investment grade transportation bonds benefit from the same infrastructure getting a government-funded AI upgrade. The tech is coming; the bonds that finance it are already here. If this is relevant to your situation let's connect.

MUNICIPAL BONDS

5% Window: Markets move fast and 5% AAA tax-free yields are now more broadly available than most realize. We said let valuations reset; now start adding selectively. That number has appeared very few times in decades. Every modern episode was short-lived and followed by lower yields a year later. Munis are cheap because the market absorbed heavy supply and surging Treasury yields; not because anything muni broke. The higher for longer backdrop has merit but investors who wait for confirmation typically find the window already closed. Dollar cost average. Own the income and let it compound. If you have not reviewed your fixed income exposure recently this is worth a conversation.

Tax Tailwind: Kalshi odds surged to 66% for Democrats controlling both chambers in November; muni investors take note. US debt service costs are at a political and fiscal inflection point. Higher corporate tax rates have more bipartisan support than individual rate hikes and poll better with voters. The 2017 TCJA forced out institutional muni demand by removing key bank and insurance company tax incentives; any reversal brings those buyers back at today's valuations. Higher capital gains rates and potential taxation of unrealized gains make tax-exempt income even more valuable. Every point higher in taxes increases the after-tax advantage of owning munis over equities. Munis avoid the capital gains trap. The tax tailwind is growing stronger fast. We are here when you are ready to talk strategy and scenarios.

Power Shift: Every AI data center is a refinery; it converts power into intelligence. US electricity demand could triple by 2030. A slower ramp-up is possible but demand is not going away. Public power revenue bonds are the most direct beneficiary. Loudoun County VA collects a billion-plus from data centers; roughly 40% of its budget. A utility stuck with higher costs and no matching revenue is a credit problem. Own utilities where hyperscalers pay upfront for substations; Chelan and Grant PUDs in WA are the model. Favor high-grade water & sewer; underweight small systems on federal grants. TIF bonds around data center campuses are emerging. Nuclear is the sleeper; own carbon-free power. Your advisor can help you navigate what comes next.

Month End: It is not just a calendar event; it is a market force. Portfolio managers rebalance to benchmarks, duration extends as indices lengthen, and settlement desks rush to close trades before the books close. Final prices often diverge from mid-month levels as technical flows overwhelm fundamentals. September carries extra weight; summer ends, the quarter ends, volumes pick up, managers reassess with three months left and a lot of ground to cover. De minimis tax adds another muni-specific layer here. The calendar is creating opportunity; let us help you find it.

PERFORMANCE

September 25, 2026				MTD		YTD		Total Rate of Return		
Index Summary	YTW	OAS	OAD	TRR	Exc	TRR	Exc	2025	2024	2023
EQUITIES										
Dow Jones	1.45			-2.55		7.83		12.97	12.88	13.70
S&P 500	1.10			0.75		13.12		16.39	23.31	24.23
NASDAQ	0.57			2.65		16.46		20.36	28.64	43.42
TAXABLE FIXED INCOME										
US Aggregate	5.46	30	5.79	-1.98	-0.14	-2.28	0.08	7.30	1.25	5.53
Intermediate	5.35	27	4.28	-1.69	-0.18	-1.53	0.04	7.45	2.47	5.18
AAA	5.23	26	3.98	-1.37	0.01	-1.13	0.33	6.87	3.07	4.36
AA	5.31	14	5.70	-1.98	-0.18	-2.33	-0.11	7.09	0.84	5.82
A	5.81	68	6.41	-2.07	-0.04	-2.54	0.38	7.88	1.68	7.67
BBB	6.11	98	6.32	-2.03	-0.01	-2.01	0.88	8.20	2.70	9.40
1-3Y	4.96	12	1.86	-0.57	-0.01	0.65	0.10	5.39	4.39	4.65
3-5Y	5.22	24	3.65	-1.50	-0.07	-1.35	0.14	7.31	3.11	5.26
5-7Y	5.47	33	5.00	-2.08	-0.23	-2.40	-0.01	8.34	1.84	5.49
7-10Y	5.73	40	6.46	-2.66	-0.39	-3.37	-0.09	8.88	0.29	5.37
10+Y	5.95	45	12.75	-3.28	0.06	-5.61	0.25	6.65	-4.10	6.36
US Treasury	5.05	0	5.59	-1.76	0.00	-2.28	0.00	6.32	0.58	4.05
Intermediate	4.93	0	3.50	-1.32	0.00	-1.25	0.00	6.51	2.42	4.28
Long	5.52	0	13.66	-3.46	0.00	-6.13	0.00	5.59	-6.41	3.06
Government-Related	5.42	38	5.10	-1.78	-0.09	-1.69	0.43	7.91	1.70	5.83
Corporate	5.93	80	6.46	-2.05	-0.01	-2.44	0.50	7.77	2.13	8.52
Intermediate	5.70	71	4.07	-1.59	-0.07	-1.21	0.53	7.95	4.22	7.29
Long	6.46	99	11.94	-3.08	0.14	-5.12	0.45	7.44	-1.95	10.93
AAA	5.73	41	10.01	-2.70	0.10	-5.03	-0.23	6.38	-2.35	6.95
AA	5.80	61	7.41	-2.13	0.10	-3.84	-0.47	6.66	0.24	7.02
A	5.81	68	6.36	-2.07	-0.03	-2.57	0.35	7.84	1.63	7.74
BBB	6.10	97	6.15	-2.00	-0.01	-1.97	0.86	7.93	2.97	9.51
Industrial	5.95	78	7.02	-2.14	0.03	-2.75	0.49	7.50	1.17	8.86
Utility	6.04	83	7.66	-2.25	0.07	-2.68	0.86	7.76	1.74	7.96
Financial	5.87	81	5.09	-1.83	-0.10	-1.80	0.40	8.24	3.91	8.06
Securitized	5.76	38	5.66	-2.34	-0.52	-2.22	-0.26	8.49	1.45	5.08
CMBS	5.60	63	3.61	-1.28	0.08	-0.69	0.80	7.75	4.68	5.42
ABS	5.28	39	2.90	-0.77	0.12	0.46	0.64	5.93	5.02	5.54
MBS	5.77	37	5.84	-2.43	-0.57	-2.36	-0.34	8.58	1.20	5.05
High Yield	8.10	294	3.14	-1.84	-0.83	0.80	1.29	8.62	8.19	13.45
MUNCIPAL BONDS										
Municipal Bond	4.69		6.97	-3.82		-3.63		4.25	1.05	6.40
1Y	3.78		1.31	-1.06		0.64		3.47	2.71	3.39
3Y	3.93		2.48	-2.02		-0.64		4.11	2.04	3.46
5Y	4.14		3.91	-2.97		-2.31		5.03	1.17	4.31
7Y	4.30		5.12	-3.53		-3.58		5.70	0.51	4.99
10Y	4.55		6.50	-3.99		-4.61		5.92	-0.33	5.78
15Y	4.96		8.19	-4.42		-5.57		5.31	0.79	7.38
20Y	5.22		9.37	-4.72		-4.15		3.12	1.36	7.78
Long Bond (22+)	5.33		10.89	-4.69		-4.05		1.95	1.40	9.35
GO Bond	4.52		6.70	-3.73		-3.92		4.31	0.55	5.62
State GO	4.31		5.72	-3.25		-3.21		4.62	0.61	5.18
Local GO	4.65		7.34	-4.04		-4.37		4.05	0.51	5.96
Revenue Bond	4.77		7.02	-3.87		-3.55		4.21	1.22	6.89
Electric	4.64		6.86	-3.63		-3.40		3.78	0.94	5.98
Hospital	4.99		7.34	-4.39		-3.98		3.53	1.93	7.53
Housing	5.04		8.60	-4.64		-4.27		5.74	1.55	6.86
IDR/PCR	4.79		5.10	-2.89		-1.90		5.19	3.17	6.78
Transportation	4.84		7.13	-3.78		-3.19		4.37	1.31	7.19
Education	4.61		7.14	-4.13		-4.17		4.10	0.72	6.28
Water & Sewer	4.62		7.24	-3.86		-3.85		4.06	0.61	5.81
Resource Recovery	4.56		6.84	-3.34		-3.60		3.78	0.20	8.38
Leasing	4.62		6.95	-4.03		-3.96		4.41	0.67	7.82
Special Tax	4.69		7.25	-3.81		-3.80		3.70	0.64	7.03
Tobacco	3.60		2.57	-1.90		-0.96		4.02	2.08	2.99
AAA	4.56		7.15	-3.85		-4.21		4.25	0.33	5.80
AA	4.60		6.81	-3.77		-3.68		4.21	0.79	5.92
A	4.88		6.83	-3.88		-3.31		4.35	1.78	7.34
BBB	5.31		7.51	-4.04		-2.71		4.13	2.87	8.93
High Yield Muni	6.13		7.61	-3.56		-0.92		2.46	6.32	9.21
Taxable Muni	5.73		7.37	-2.31		-2.41		7.89	1.57	8.84

Source: Bloomberg LP Fixed Income Indices.

Reference: Yield to Worst (YTW %); Option Adjusted Spread (OAS #); Option Adjusted Duration (OAD #); Total Rate of Return (TRR %); Excess Return (Exc %).

Notes: YTW for Municipal Bonds does not reflect tax-equivalent yields and would be higher on a tax-adjusted basis for high tax bracket investors. Taxable fixed income and equity market index returns are pre-tax. Muni bonds have no OAS; unlike taxable bonds cash flows are discounted off the muni AAA curve not Treasuries.

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