REGIONS ASSET MANAGEMENT

Weekly Market Commentary

SEPTEMBER 21, 2026

MARKET UPDATES

September 18, 2026:
Recorded Leadership Discussion Featuring: Regions Chief Investment Officer, Chief Economist, and Chief Market Strategist.

September 25, 2026:
For access to this call please contact your Regions Wealth Advisor or Portfolio Manager.

WHAT WE'RE WATCHING

S&P Global releases its monthly Purchasing Managers Indices (PMI's) on Wednesday. Manufacturing PMI is expected to come in at 53.6 vs. 53.9 in August, while a Services PMI of 55.9 is expected by the consensus, which compares to 56.5 last month. A reading above 50 indicates expansion or growth, while a reading below 50 indicates contraction.

Durable goods orders for August are released on Friday, with a -0.3% reading expected, which would be a notable downshift from growth of 1.1% in July.

KEY OBSERVATIONS

There were few places to hide over the balance of the week as risk appetite remained subdued despite a modest weekly decline in crude oil prices as market participants processed what tighter monetary policy around the globe might mean for asset prices. Even with a rate hike out of the FOMC now in the rearview and potentially a clearing event, investors will likely continue to focus on 'noise' surrounding the ongoing conflict in the Middle East and the upcoming midterm elections in November, which could tamp down sentiment for a bit longer still.

The S&P 500 finished the week little changed and was a relative outperformer on the week, while the S&P Small Cap 600, MSCI EAFE developed markets index, and MSCI Emerging Markets index closed the week lower by between 0.5% and 2%. The 'Magnificent 7' was a relatively good place to be with an equally weighted basket of those seven stocks turning out a 1% gain as investors appeared eager to increase exposure to the biggest and most well capitalized companies following the FOMC's decision to hike the fed funds rate. The modest pullback in emerging markets is notable and continued tightening of monetary policy out of developed market central banks could lead to capital outflows from select developing markets over the near-term.

Treasury yields across the curve finished the week higher by a handful of basis points as the FOMC's updated economic growth outlook put upward pressure on yields and offset any decline in inflation expectations stemming from a higher expected fed funds rate. Investment grade corporate bonds had a good week as the Fed's positive outlook on the U.S. economy brought buyers into high grade credit and spreads closed out the week at the tightest levels seen in six weeks. High yield corporates didn't fare as well as investors appeared to focus solely on the negative impact higher short-term rates could have on borrowing costs for this cohort.

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	Price/Yield	Total Return (%)					
	9/18/2026	1 Week Ago	1 Month Ago	Year to Date	1 Year	3 Years	5 Years
S&P 500	7,650.50	-0.06	-0.63	12.71	16.71	21.44	13.14
NASDAQ 100	29,644.17	0.95	0.82	17.94	22.00	25.89	14.98
S&P Mid Cap 400	3,650.73	-1.67	-4.92	11.46	11.82	14.26	8.04
S&P Small Cap 600	1,690.89	-2.00	-5.77	16.49	16.70	14.82	6.69
MSCI World ex US	475.23	-1.16	-0.74	14.81	21.05	19.64	9.14
MSCI EM	1,710.85	-0.56	2.72	23.62	29.55	23.27	8.56
Bloomberg U.S. Aggregate	5.32	-0.03	-1.60	-1.46	-0.44	4.11	-0.50
Bloomberg Corporate	5.77	0.13	-1.30	-1.39	-0.70	5.09	-0.34
Bloomberg U.S.High Yield	7.73	-0.28	-0.81	1.73	2.98	8.30	3.85
Bloomberg EM USD Aggregate	6.48	-0.16	-1.13	0.37	2.88	8.18	1.48
Bloomberg Global Agg ex-USD	3.67	0.09	-0.93	-1.66	-1.29	2.32	-0.72
Bloomberg Municipal Bond	4.37	-0.31	-2.65	-1.86	-0.67	2.86	0.13

Source: Bloomberg (3- and 5-Year Returns Annualized)

	Price/Yield						
	9/18/2026	1 Week Ago	1 Month Ago	12/31/2025	1 Year Ago	3 Years Ago	5 Years Ago
SOFR (yield)	3.85	3.62	3.65	4.49	4.14	5.31	0.05
30 Year Mortgage (average rate)	6.99	6.81	6.73	7.28	6.39	7.55	3.00
2 Year Treasury (yield)	4.74	4.63	4.17	4.24	3.56	5.05	0.22
10 Year Treasury (yield)	5.00	4.97	4.70	4.57	4.10	4.30	1.36
30 Year Treasury (yield)	5.33	5.35	5.28	4.78	4.72	4.38	1.90
WTI Crude (closing price)	100.30	100.05	84.94	71.72	63.57	91.48	71.97
Gold (NYM $/oz)	4,390.70	4,374.80	4,366.00	2,641.00	3,648.70	1,935.20	1,749.40

Source: Bloomberg (3- and 5-Year Returns Annualized)

Stocks

U.S. Equity Indices Initially Wobble, But Steady Into The Weekend Following The FOMC Meeting; Small Caps Get No Reprieve As Economically Sensitive Sectors Falter; AI Angst and Central Banks Raising Policy Rates Weighs On Developing Markets Abroad.

• **U.S. Large Caps Remain Resilient As Software And Health Care Stocks Buoy The S&P 500.** Domestic equities endured their fair share of 'noise' last week, with the East-West pipeline closure in Saudi Arabia creating an oil price shock that pushed Brent north of $108 per barrel Monday, and the FOMC hiking rates for the first time since July of 2023 on Wednesday. However, by the end of the week the S&P 500 was back to the flatline due to a late week rally on the heels of lower oil prices amid hopes that production could come back online in the Middle East sooner than previously expected following attacks by the Houthi rebels on the East-West pipeline in Saudi Arabia the week prior.

Interestingly, even as both West Texas Intermediate (WTI) and Brent crude oil traded sharply higher into mid-week, the S&P 500 energy sector didn't tag along for the ride as it fell 1.7% from Monday through Wednesday before finishing the week lower by 1.2%. This is a notable divergence and could just be profit taking, but it could also be a byproduct of investors wondering if gasoline and diesel prices at current elevated levels are unsustainable and if demand destruction might not be too far out on the horizon. Outside of energy, economically sensitive sectors were the hardest hit on the week, with consumer discretionary, financials, and industrials all falling 1.5% or more. Within the industrials sector, transportation stocks were noticeably weak, with the Dow Jones Transportation Average dropping another 2.6% on the week, taking its month-to-date decline to 5.7%.

One of the standouts in last week's volatile tape was the software industry group, as the iShares Expanded Tech-Software ETF (IGV) notched an impressive 2.7% gain on strong volume, which allowed the S&P 500 information technology sector to eke out a 1% gain. Another notable outperformer was the health care sector, which rose 1.7% on the week as pharmaceutical stocks rebounded after selling off the prior week. Biotechnology stocks, perhaps surprisingly, also rallied despite the continued lift in Treasury yields, with the S&P 500 biotechnology industry group gaining 2.3% on the week. In contrast, smaller biotechnology stocks didn't fare as well, with the S&P 600 biotechnology industry group falling 0.9% on the week. This is likely a function of higher rates raising borrowing costs for developmental stage biotechnology companies, along with the rise in yields tamping down expectations and sentiment surrounding M&A activity in the quarters to come as higher yields could lead to lower purchase prices and/or premiums paid.

On the topic of small cap stocks, the S&P Small Cap 600 index finished the week lower by 2% as exposure to economically sensitive sectors acted as a drag. That index has now fallen by 7.5% since making an all-time high in mid-August, with 10%-plus declines in consumer discretionary and industrials proving to be too much to overcome given those two sectors make up 28% of the index. It's also worth noting that the S&P 600 information technology sector has fallen by 5.6% since then, drastically underperforming the 0.4% gain out of the S&P 500 technology sector. Sentiment surrounding smaller capitalization stocks could remain weak until energy prices and Treasury yields peak as volatile input and borrowing costs make it difficult to find anything other than relative winners in this arena.

• **AI-Related Angst, Higher Developed Market Bond Yields Provide A Headwind For Emerging Market Stocks.** With central banks across the globe raising rates in recent weeks, emerging market currencies have begun to weaken. The MSCI EM currency index declined by 0.7% last week, its steepest weekly decline since a painful unwind back in June. Weaker currency conditions are common as higher rates in developed countries can cause capital to be repatriated back into its country of origin, and after the rally we've seen in select emerging market currencies in recent months it's not all that surprising to see profit taking. From a thematic perspective, chatter around a potential downshift in the development of frontier AI models weighed on the suppliers of 'picks and shovels,' while software companies would be some of the obvious beneficiaries should an industry-wide downshift in the pace of AI model development come to fruition. The prospect of a coordinated slowing of the pace of AI development put memory makers Samsung and SK Hynix in the spotlight and forced the MSCI South Korea Index lower by 3.1% on the week.

Bonds

FOMC Delivers A 'Hawkish Hike,' But Raises Its Economic Growth Outlook, Keeping Upward Pressure On Yields; Central Banks Abroad Catching 'Rate Hike Fever, With The Bank Of England The Exception – For Now.

• Interest Rates Remain Near Year-To-Date Highs Even As Crude Oil Prices Ease Into The Weekend. Fixed income investors were able to breathe a sigh of relief as oil prices moved lower from their midweek peak as the flow of oil was expected to at least partially resume in Saudi Arabia's East-West pipeline over the near-term. But rates across the yield curve still finished higher as the FOMC chose to hike rates as was widely anticipated and the Committee raised its expectations for economic growth. The Bloomberg Aggregate Bond index finished the week unchanged as credit spreads compressed with investors looking for relative safety in higher quality issues. We will be closely watching the 10-year Treasury yield over the balance of the next two weeks as the 5% level remains a key threshold, and the release of the August Personal Consumption Expenditure (PCE) on September 30 could be the straw that breaks the proverbial camel's back and spur a breakout in yields to the upside.

• High Grade Corporate Bonds Get A Boost From The FOMC's Updated Growth Outlook. The FOMC's improved outlook for economic growth was a tailwind for corporate bonds as spreads tightened on Wednesday following the Committee's meeting. The Bloomberg U.S. Corporate Bond index, which is entirely investment grade, finished the week with credit spreads approaching the tightest levels relative to similar duration Treasuries seen since the August lows, allowing the index to post a 0.1% gain on the week. Riskier, higher yielding corporate bonds posted a -0.2% return on the week as the Bloomberg U.S. Corporate High Yield index's credit spread over the Treasury curve rose 4-basis points on the week. With investment grade corporates rallying and high yield credit selling off, this is perhaps some evidence that investors are at least a little concerned that rate hikes will slow economic growth and put lower quality borrowers under greater stress in the month to come.

• More Central Banks Coming Off The Sidelines To Tighten Policy, While Others Try To Hold The Line For A Bit Longer. Following the European Central Bank's rate hike the week prior and the FOMC's decision to raise rates on Wednesday, the Bank of Japan followed suit by delivering a widely expected quarter point rate hike on Friday, which brought the BoJ's overnight rate to 1.25%. The yen weakened as two voters dissented and were opposed to the rate hike, and the language in the formal statement wasn't interpreted as being hawkish enough, even as central bankers restated their intent to continue raising rates should their growth and inflation forecasts come to fruition. From our seat, the BoJ will likely face persistent pressure from market participants to continue hiking rates until inflation subsides, but how much the nation's economy can handle without rolling over is what should be on the mind of the Bank of Japan.

On the other side of the coin, the Bank of England (BoE) bucked the tightening trend and held interest rates steady while reigning in their qualitative tightening program by ceasing long-end bond sales. Market participants viewed the BoE's decision to stand pat as the central bank kicking the can down the road, and the futures market is pricing in an 87% likelihood of a rate hike when the BoE meetings again in early November. Judging solely by what's priced into the futures market, market participants currently favor another rate hike out of the Bank of Japan in December at a 72% probability but are less certain as to when the ECB might hike again, with a 62% chance priced in for late October and a 91% likelihood for mid-December. Suffice it to say that the 4th quarter could be an active time for central banks, and while interest rate volatility is likely to persist, much likely hinges upon the path of travel taken by energy prices in the months to come.

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