Wealth Management

Edition 782 | September 21, 2026

The Markets

Interest rates rose, and markets reacted.

With inflation running well above the target rate, the Federal Reserve (Fed) chose to raise the federal funds rate last week. Interest rates are one of the primary tools the Fed relies on to influence the economy. Generally, rate hikes are blunt tools that can help slow demand and ease price increases.

The rate hike echoed across financial markets.

In the bond market, Treasury rates rose as investors anticipated additional Fed hikes, reported Elizabeth Stanton of Bloomberg. By the end of the week, the rate on two-year U.S. Treasury notes was 4.76 percent, and the rate for 10-year Treasuries was at 5.01 percent.

Coupon rates are also higher in the tax-exempt market where high-quality, long-term municipal bonds yield more than 5 percent, according to Andrew Bary of Barron's. He reported, "Tax-equivalent yields on long-term munis with 30-year maturities are 8 percent to 10 percent, depending on the tax rates in states where investors reside."

Rising interest rates can affect stock markets, too. Higher borrowing costs may cause companies to delay projects, spend less on research and development, cancel acquisitions, or take other steps that may affect earnings and future growth.

The relationship between inflation, interest rates, bonds, and stocks is not always straightforward. Markets are constantly adjusting to new information, and the direction of one market can influence another, sometimes in ways investors do not anticipate. For now, inflation is a key influence. If price pressures continue, the Fed may keep rates higher for longer.

Last week, the Dow Jones Industrial Average and Standard & Poor's 500 Index finished lower, while the Nasdaq Composite Index gained. The yield on the 30-year U.S. Treasury bond ended the week at 5.34 percent.

Data as of 9/18/26	**1-Week**	**YTD**	**1-Year**	**3-Year**	**5-Year**	**10-Year**
Standard & Poor's 500 Index	-0.1%	11.8%	15.4%	19.8%	11.9%	13.6%
Dow Jones Global ex-U.S. Index	-1.1	12.4	17.3	16.3	6.3	6.7
10-year Treasury Note (yield only)	5.0	N/A	4.1	4.3	1.3	1.7
S&P GSCI Gold Index	0.4	1.9	20.3	31.3	20.2	12.9
Bloomberg Commodity Index	0.2	32.6	40.7	10.6	8.7	5.7

S&P 500, Dow Jones Global ex-US, S&P GSCI Gold Index, Bloomberg Commodity Index returns exclude reinvested dividends. The three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods.
Sources: Yahoo! Finance; MarketWatch; djindexes.com; U.S. Treasury.
Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable.

COUPONS AND YIELDS AND INTEREST RATES, OH MY! In the old days, when investors agreed to lend their money to the U.S. government or a state government or a company, they received a paper certificate. The value of the bond was printed on the certificate and known as the bond's "face value".

The Rothschild Bank Archive explained, "The bonds themselves were often beautiful examples of iconography and engraving. Each bond was printed with a sheet of coupons and every six months the bondholder would cut out the next coupon and present it to the Bank or paying agent in exchange for the designated dividend payment. The coupon number would be recorded in a ledger, the coupon cancelled..."

After the last coupon was cashed, the bond matured, and the bondholder’s original investment was expected to be returned.

What is a coupon rate?

A bond's coupon rate is the annual payment expressed as a percentage of the bond's face value. While the practice of clipping coupons is long gone, the term “coupon rate” is still used to describe amount of interest a bond provides relative to its price when issued. For example, a bond with a $1,000 face value and a $50 annual coupon has a coupon rate of 5 percent.

What is yield?

A bond’s yield is the amount of income it pays relative to the current market price. If the coupon rate offered on new bonds rises from 5 percent to 6 percent, the market price for a bond with a 5 percent coupon rate falls. Investors generally won't pay as much for a bond that offers less income than comparable new bonds.

As a result, a bond’s price may fall until its yield becomes competitive. It works the other way, too. When the coupon rate offered on new bonds falls to 4 percent, the market price for a bond with a 5 percent coupon rate rises.

Ideally, a bond buyer wants a “yield” that equals the coupon rate on new bonds. For example, if the new rate is 6 percent, an investor might pay about $833 for a bond with a 5 percent coupon rate. At that price, the bond's current yield would be about 6 percent.

What are interest rates?

Interest rates reflect the cost of borrowing. The Federal Reserve, which is the central bank of the United States, sets the federal funds rate. That’s the interest rate banks charge to borrow from each other overnight loans.

When the Fed raises the federal funds rate, the cost of borrowing often increases, and the interest rate charged by credit cards and various types of loans may increase. The interest rate paid on bank accounts also increases. When the Fed lowers the federal funds rate, the cost of borrowing tends to decrease, reported Jessica Dickler of CNBC.

Bonds are loans. Generally speaking, when the federal funds rate rises and the cost of borrowing increases, new bonds offer higher coupon rates to attract investors. When the federal funds rate falls and the cost of borrowing declines, new bonds tend to offer lower coupon rates.

If you have questions about coupons, yields or interest rates, please get in touch.

WEEKLY FOCUS – THINK ABOUT IT

“Since 2000 net government debt in America and Britain has tripled as a share of GDP. In France and Japan, it has doubled. The pile keeps growing: seldom outside wartime or recessions have rich-world deficits been higher than they are today…

In October 2025, The Economist calculated that if America and Britain had to immediately refinance all their debts at prevailing five-year bond yields, they would each need higher taxes or spending cuts worth 2.3 percent of GDP just to stop debt from rising as a share of the economy. Today, with yields higher, the number in America has more than doubled, to 4.7 percent.”

—The Economist, September 17, 2026

Best regards,

Ann Marie Etergino

Ann Marie Etergino, CIMA®
Managing Director – Financial Advisor

The Etergino Group at
RBC Wealth Management

5425 Wisconsin Avenue, Suite 301
Chevy Chase, MD 20815
Tel: (301) 907-2772 | Toll: (800) 368-3880
Website: www.eterginogroup.com

Wealth Management
The Etergino Group

Our mission:

To build long-term relationships with a select group of clients to inspire them to connect their wealth with purpose.

Visit our website: www.eterginogroup.com

Please feel free to forward this commentary to family, friends, or colleagues. If you would like us to add them to the list, please reply to this e-mail with their e-mail address and we will ask for their permission to be added.

Sources:
https://www.federalreserve.gov/faqs/money_12856.htm?
https://www.bloomberg.com/news/articles/2026-09-18/treasuries-fall-as-fed-rate-hike-outlook-dents-sentiment *or go to* https://resources.carsongroup.com/hubfs/WMC-Source/2026/09-21-26-Bloomberg-Treasuries-Fall-as-Fed-Rate-Hike%20-%202.pdf
https://home.treasury.gov/resource-center/data-chart-center/interest-rates/TextView?type=daily_treasury_yield_curve&field_tdr_date_value=202609
https://www.barrons.com/articles/muni-bonds-yielding-5-percent-rival-stocks-438f044b? *or go to* https://resources.carsongroup.com/hubfs/WMC-Source/2026/09-21-26-Barrons-Muni-Bonds-Are-Yielding%20-%204.pdf
https://www.goldmansachs.com/insights/articles/how-higher-rates-affect-us-stocks
https://www.barrons.com/market-data?mod=BOL_TOPNAV *or go to* https://resources.carsongroup.com/hubfs/WMC-Source/2026/09-21-26-Barrons-DJIA-S&P-Nasdaq%20-%206.pdf
https://www.rothschildarchive.org/collections/rothschild_faqs/old_rothschild_bonds
https://www.investopedia.com/terms/f/facevalue.asp
https://www.investopedia.com/terms/m/maturitydate.asp
https://www.investopedia.com/terms/c/coupon-rate.asp
https://www.federalreserve.gov/economy-at-a-glance-policy-rate.htm
https://www.cnbc.com/2026/09/16/fed-rate-hike-consumer-borrowing-and-savings-rates.html
https://www.economist.com/leaders/2026/09/17/markets-are-waking-up-to-the-rich-worlds-reckless-borrowing *or go to* https://resources.carsongroup.com/hubfs/WMC-Source/2026/09-21-26-Economist-Markets-Are-Waking-Up%20-%2013.pdf