Graystone Consulting
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Capital Markets Commentary – September 2026

August has a reputation for sluggishness, and the month waiting behind it has earned one of its own. September holds the unenviable distinction of being the historically worst month of the year for the S&P 500.[i] This year, August had no intention of blending in. Equities finished the month in positive territory despite the seasonal headwinds, and the Treasury made a surprise intervention in the bond market that briefly sent yields sharply lower, before the market thought better of it and handed the move back entirely.[ii,iii] We also have some exciting news to share about our growing team, as we recently added some exceptional talent and look forward to introducing you to them. This month we will cover all of it, starting where we always do, with the numbers.

In the United States, the S&P 500 gained 2.7% for the month, pushing its year-to-date (YTD) total return to 13.1%. The Nasdaq had a strong 4.0% monthly gain with the Dow adding a steady 1.5%. Overseas, the results were similarly constructive. The Eurozone STOXX 50 advanced 1.9% and the Nikkei posted a solid 2.9% gain for the month, adding to what has been an extraordinary year for Japanese equities with a YTD return of 30.1%. On the fixed income side, the 10-year Treasury yield closed the month at 4.75%, while the 30-year settled at 5.24%. Both yields continue to reflect the fiscal and inflationary pressures we've been tracking throughout the year. And then, there was gold. Gold futures surged 9.8% in August, a strong move that on the surface may appear disconnected from the equity market's strength. It was not. As we will explain in the next section, gold's sharp rise and the events surrounding the Treasury's surprise intervention in the bond market tell the same story from two different angles.[ii]

The defining market event of August had nothing to do with earnings, economic data, or the Federal Reserve. It happened at 8:15 in the morning on August 19th, when the U.S. Treasury Department announced it would at least double its longer dated bond buyback program, from $2 billion to $4 billion, targeting the 10-30 -year portion of the Treasury market.[iii] The stated rationale was improving liquidity in longer-dated securities and showing the Treasury's view that yields don't reflect the underlying fundamentals. The unstated rationale was simple, the 30-year Treasury yield touched its highest level since 2007.[iv] The administration decided it had seen enough.

The initial market reaction was everything the Treasury could have hoped for as yields fell sharply, the dollar fell, gold surged, and stock futures jumped. For a matter of hours, it appeared that Secretary Bessent had successfully called the market's bluff. By the following morning, the 10-year climbed back and even surpassed the pre-announcement level.[v] The 30-year followed suit and within 48 hours, the entire move had essentially been erased.[iv] The bond market, it turned out, was not particularly impressed.

To understand why the market reacted this way, you first need to understand what the Treasury did, and what they did not do. The buyback that was announced does not reduce the national debt by a single dollar. When the Treasury purchases a long-dated bond from the market, it typically funds that purchase by issuing short-term Treasury bills. A 30-year bond is removed from one end of the maturity spectrum, and a short-term bill takes its place at the other. To be clear, this is not a debt paydown, it is simply a debt restructuring. By funding long-dated buybacks with short-term bill issuance, the Treasury is shortening the average maturity of the national debt. That is not a neutral act. The shorter the average maturity of outstanding government debt, the more frequently it must be refinanced, and as a result, the governments annual interest cost becomes more sensitive to wherever short-term rates happen to be when each bill matures. In an environment where short-term interest rates remain elevated, this compounds the interest burden, rather than reliving it. The government has already made $963 billion in net interest payments in the first ten months of fiscal year 2026, according to the Congressional Budget Office.[vi] This figure represents roughly 15% of total federal spending and now exceeds what the government spends on national defense. Shortening the maturity of that debt does not make that problem smaller. We tend to think it can make it more volatile and sensitive to short-term rates. To be fair, the Treasury did not explicitly say they would issue short-term debt to fund these operations, it was implied and Bessent even stated these repurchases could be funded by tapping into the Treasury General Account, but we won't get into those details in this month's letter.

What we are left with is a bond market that has now received explicit confirmation from the Treasury that current yield levels are uncomfortable for the administration, and it is willing to intervene to manage them. This month's episode may suggest that structural pressures such as record deficits, AI-driven corporate issuance competing with Treasuries for a similar pool of buyers, and softening foreign demand are not going away simply because the Treasury doubled a $2 billion operation.[iii]

As we have mentioned in recent letters, we have been intentional about investing in our team, to help provide a high level of service and support structure for the wealth management needs of our clients. This month, we are pleased to formally introduce several new members of the Graystone Charleston Family. We'd like to welcome Amanda Kugel, who joins our Graystone team as Chief of Staff, with 19 years of Morgan Stanley experience behind her. In her new role, she will focus on improving execution across our practice, supporting talent development, and leading special projects designed to help our advisors spend more time serving you. We are also pleased to welcome two registered client service associates who can help support the day-to-day experience our clients receive. Jacob Gomolak joins us from Morgan Stanley's Pittsburgh office, where he built a strong foundation in wealth management before relocating to the Charleston area. Quin Cable joins us from a competing firm, bringing firsthand wealth management experience along with a strong background in client relationship management, financial planning support, and operational efficiency. We are grateful to have these new additions in our corner and look forward to the ways they may help support our clients and our practice. We mention all of this because none of it is possible without you. Our clients are the reason this practice exists and the reason we hold ourselves to the standard we do. As our client base grows and the complexity of the work deepens, we are committed to focusing on strengthening the resources and support available to our clients.

Amanda Kugel
Chief Of Staff

Quin Cable
Registered Client Service Associate

Jacob Gomolak
Registered Client Service Associate

As always, should you have any questions or concerns, please never hesitate to reach out. We look forward to hearing from you.

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[i] Source: S&P Dow Jones Indices, "U.S. Equities Market Attributes September 2024," October 2, 2024. September is the worst month for the S&P 500, averaging -1.16% per month since 1926.
[ii] Source: Morgan Stanley Wealth Management GIO, Bloomberg, FactSet.
[iii] Source: U.S. Department of the Treasury, "Treasury Announces Increased Sizes of Nominal Buybacks Beginning September 9", Press Release, August 19,2026.
[iv] Source: Federal Reserve Bank of St. Louis, FRED. Board of Governors of the Federal Reserve System (US), Market Yield on U.S. Treasury Securities at 30-year Constant Maturity, Quoted on an Investment Basis [DGS30].
[v] Source: Federal Reserve Bank of St. Louis, FRED. Board of Governors of the Federal Reserve System (US), Market Yield on U.S. Treasury Securities at 10-year Constant Maturity, Quoted on an Investment Basis [DGS10].
[vi] Source: Congressional Budget Office, "Monthly Budget Review: July 2026," August 10, 2026.

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Hang Seng Hong Kong: The Hang Seng Index is a free-float capitalization-weighted index of a selection of companies from the Stock Exchange of Hong Kong.

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