

A Priced-In Hike

Measuring the impact of the Fed's September 2026 rate increase on 2-, 10- and 30-year Treasuries

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Data as of the September 18, 2026 close



The hike in four numbers



+7 / +1 / -1

Decision-day moves (bp)
in 2-, 10- and 30-year
yields



4%

Share of the 25bp hike
that reached the 10-year
on decision day



+47bp

2-year rise before the
meeting (Aug 27-Sep 15),
about 1.9 hikes



33 → 25bp

2s10s flattening from Sep
15 to Sep 18

The price of this hike was paid before the meeting; the decision itself moved only the front end.



What the Fed did on September 16

FEDERAL FUNDS TARGET RANGE

3.75%–4.00%

- +25bp: the first hike since July 2023
- Unanimous 12-0 vote
- IORB 3.90% · primary credit 4.00%



Dot plot

16 of 18 participants expect another hike this year; 4 of them see room for two.



Inflation

Inflation remains elevated; the SEP lifts the year-end 2026 PCE projection to 3.7%.



Market pricing

Futures priced a better-than-90% chance of the hike going into the meeting.



2027 split

8 participants see further hikes, 6 a hold and 4 cuts.



How we measured the impact

Three on-the-run securities • settlement fixed at Sep 17 • full repricing at Treasury CMT closing yields

● 2-YEAR NOTE

4 $\frac{1}{8}$ % • due Aug 31, 2028

Modified duration

DV01 per \$1mm

1.85

\$183

● 10-YEAR NOTE

4 $\frac{5}{8}$ % • due Aug 15, 2036

Modified duration

DV01 per \$1mm

7.80

\$761

● 30-YEAR BOND

5 $\frac{1}{8}$ % • due Aug 15, 2056

Modified duration

DV01 per \$1mm

14.89

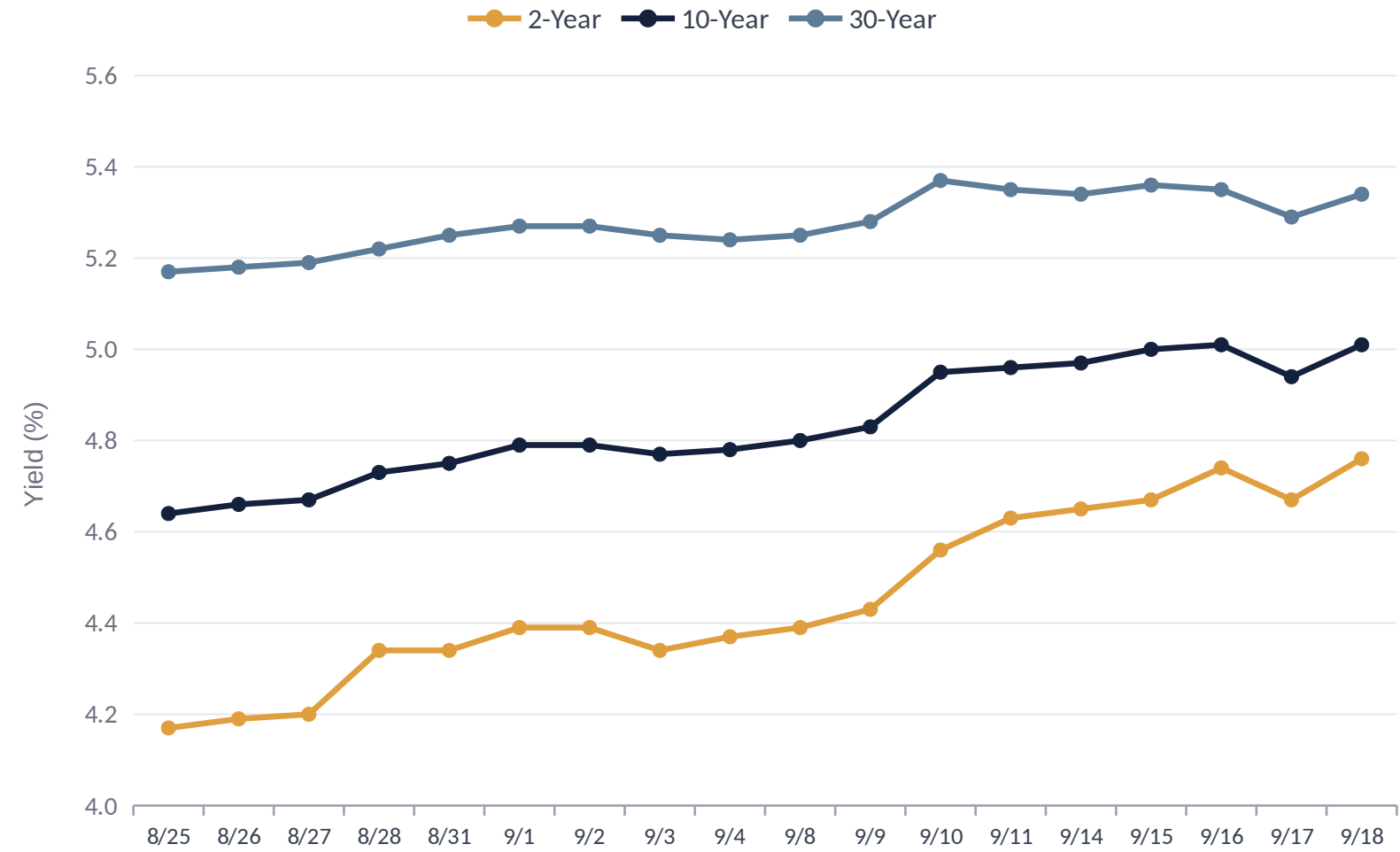
\$1,444

$$\Delta P/P \approx -D\Delta y + \frac{1}{2}C(\Delta y)^2$$

Example, 30-year +25bp: duration -3.72% + convexity +0.10% = -3.62%, matching full repricing.



Most of the move came before the meeting



Aug 27 → Sep 15 • pre-meeting

2Y +47 • 10Y +33 • 30Y +17bp

Sep 16 • decision day

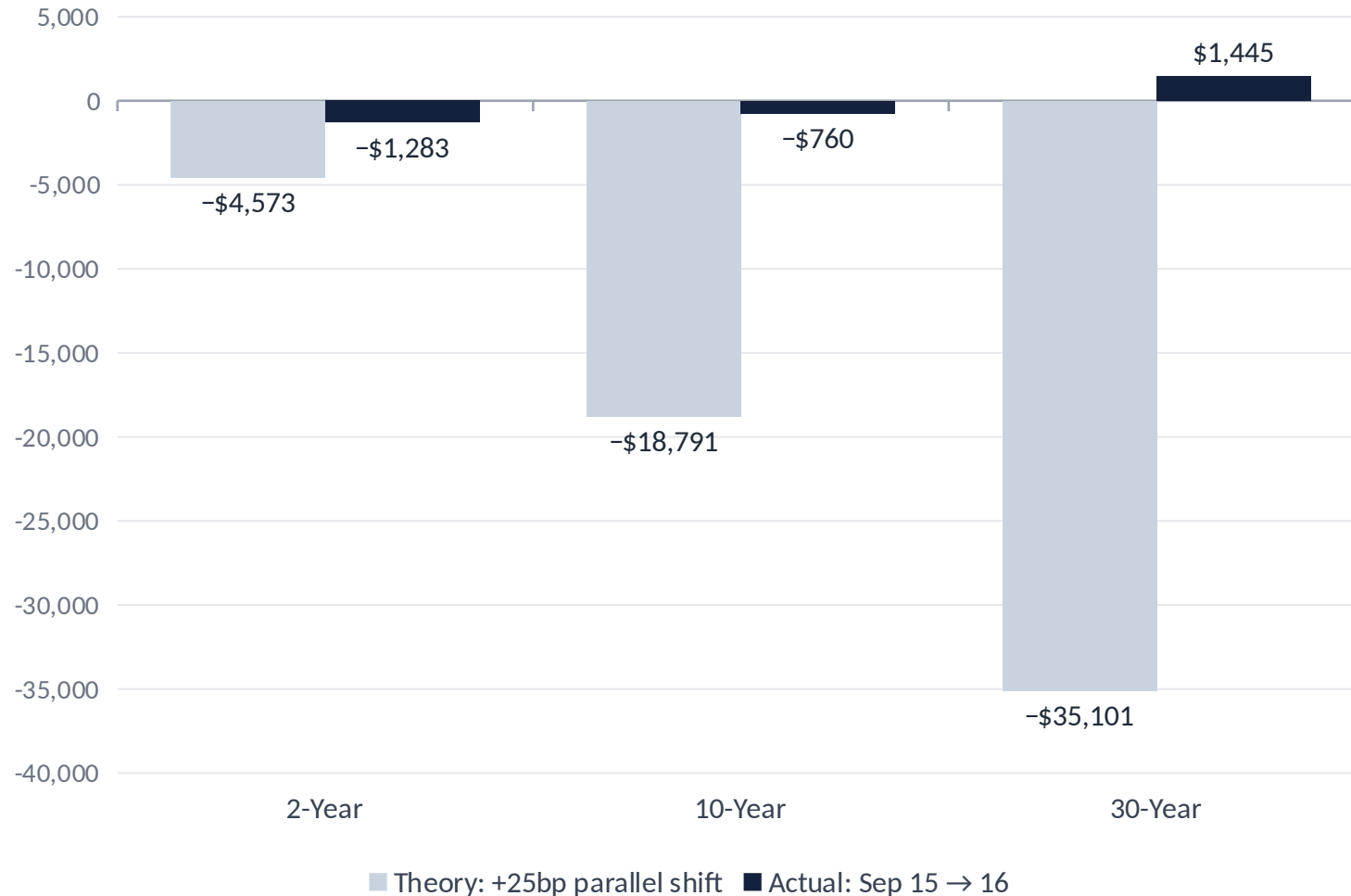
2Y +7 • 10Y +1 • 30Y -1bp

Sep 17-18 • aftermath

-6 to -7bp on Sep 17 (credibility),
rebound on Sep 18 (oil)



Theory vs. reality on decision day



4%

10-year decision-day pass-through: a \$760 loss per \$1mm, vs. \$18,791 in theory

+\$1,445

The 30-year actually gained on decision day



P&L across time windows

Long position of \$1mm face; second line shows yield change | price change

Window	2-Year	10-Year	30-Year
① Theory: +25bp parallel shift	-\$4,573 +25bp -0.46%	-\$18,791 +25bp -1.93%	-\$35,101 +25bp -3.62%
② Pre-meeting, Aug 27 → Sep 15	-\$8,671 +47bp -0.87%	-\$25,492 +33bp -2.55%	-\$25,014 +17bp -2.52%
③ Decision day, Sep 15 → 16	-\$1,283 +7bp -0.13%	-\$760 +1bp -0.08%	+\$1,445 -1bp +0.15%
④ Day after, Sep 16 → 17	+\$1,283 -7bp +0.13%	+\$5,336 -7bp +0.55%	+\$8,739 -6bp +0.90%
⑤ Decision week, Sep 15 → 18	-\$1,649 +9bp -0.17%	-\$760 +1bp -0.08%	+\$2,894 -2bp +0.30%

Pass-through ($\Delta y \div 25bp$)

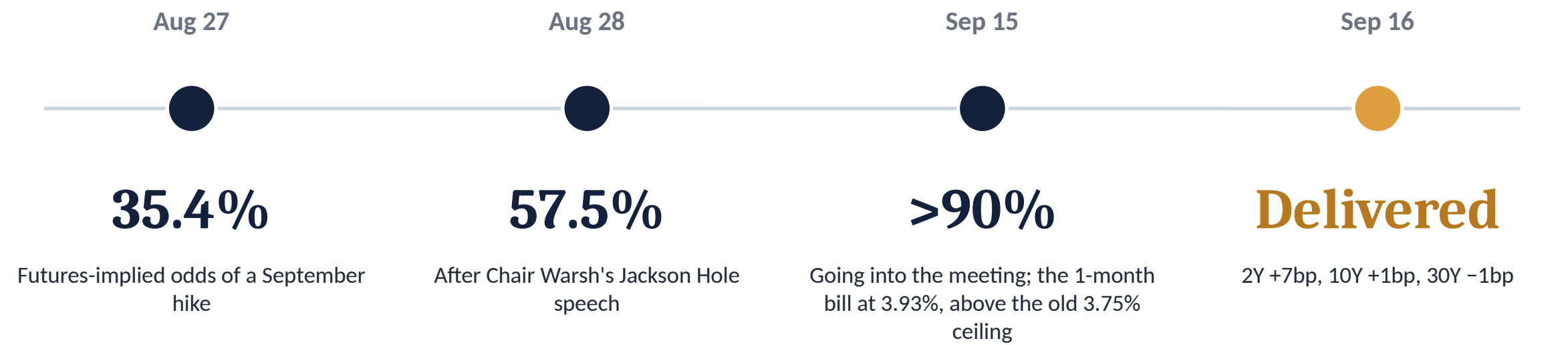
Decision day 28% / 4% / -4%

Decision week 36% / 4% / -8%

Pre-meeting 188% / 132% / 68%



The 25bp was spent before the meeting



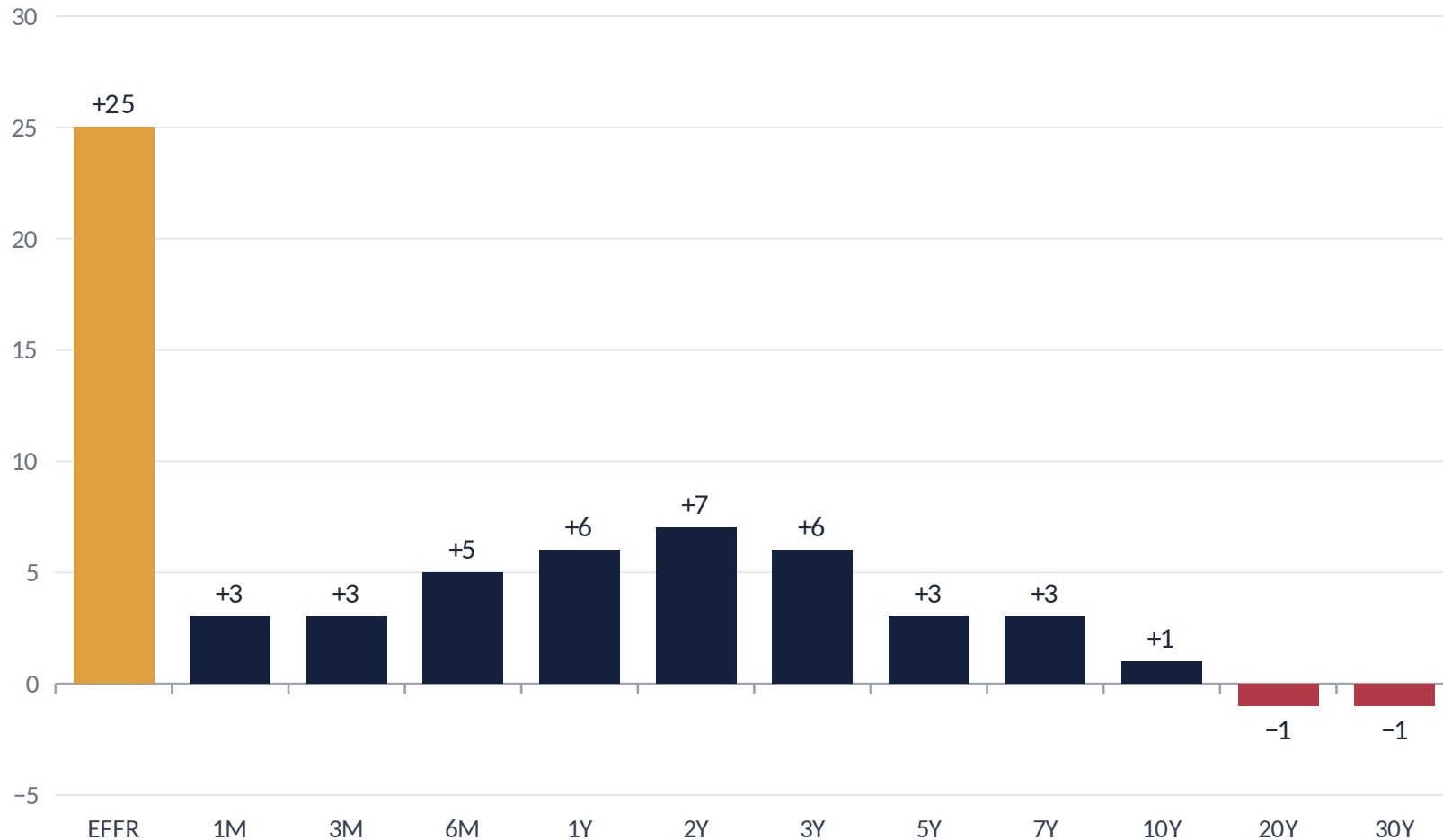
+47bp

2-year rise from Aug 27 to Sep 15, about 1.9 hikes: markets priced a path of hikes, not a single move



The dots were the news

Decision-day yield changes by tenor (bp) vs. the 25bp policy move



Full pass-through overnight

Effective fed funds rate 3.63% → 3.88%

Peak at 1-3 years

+6 to +7bp as the dots lifted the expected path; 2Y touched 4.73% intraday

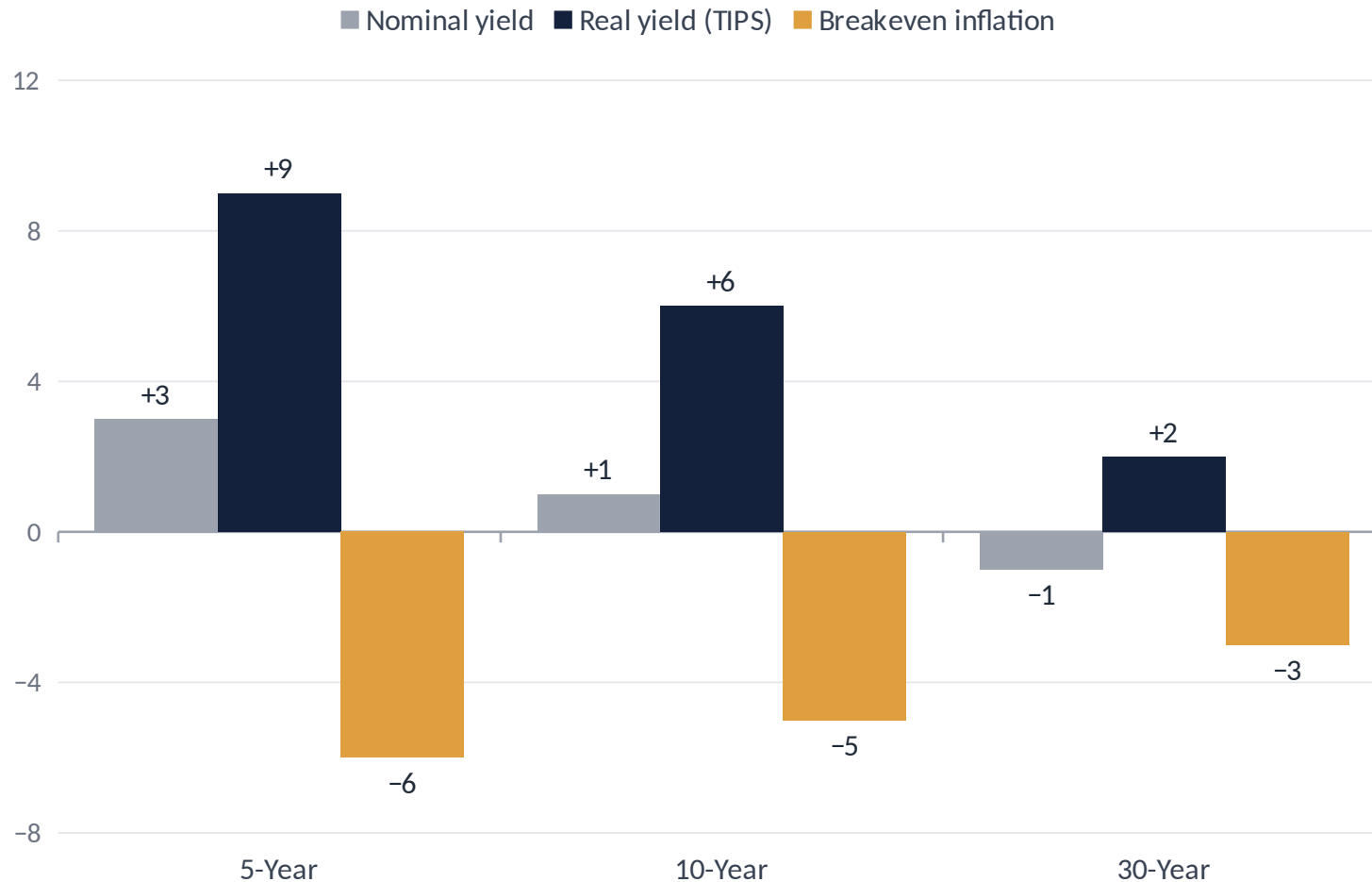
Long end slightly lower

Bear flattening: 2s10s 33 → 27bp, 2s30s 69 → 61bp



Why the long end held still

Decision-day decomposition, nominal $\approx$ real + breakeven (bp)



Tightening effect

Real yields rose +9, +6 and +2bp as policy got tighter.

Credibility effect

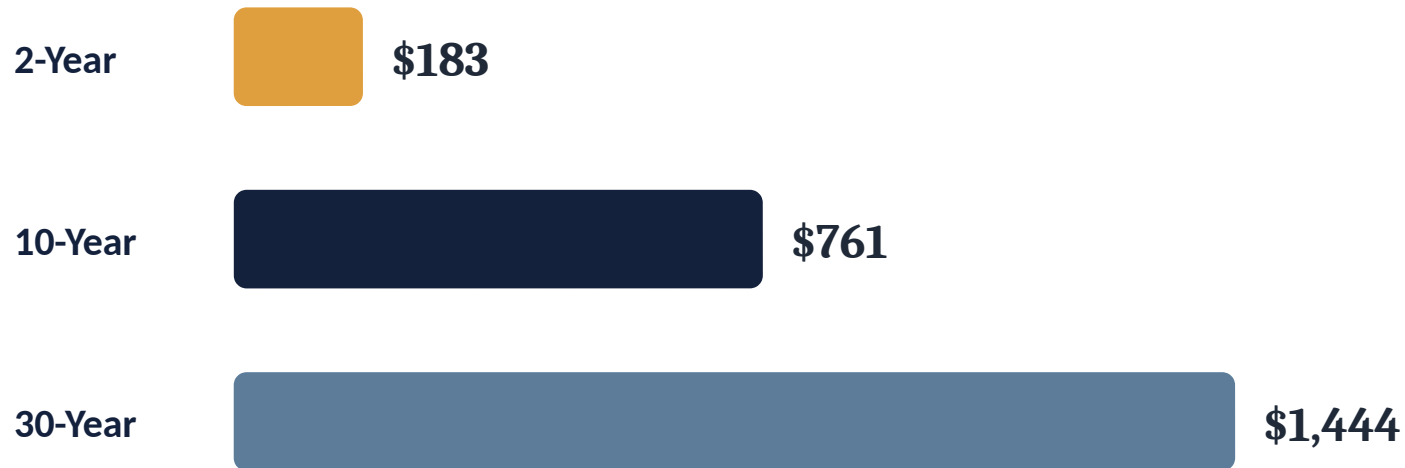
Breakevens fell -6, -5 and -3bp as confidence in the Fed's inflation fight rose.

Net at the 10-year: just +1bp



Duration drives P&L

DV01 per \$1mm face



Ratio $\approx 1 : 4.2 : 7.9$

Example: September 17

Yields fell 6–7bp across the curve

+\$8,739 30-year

+\$1,283 2-year

$\approx 6.8\times$

Measure exposure to policy events in DV01, not in the size of yield moves.



What to watch next

FRAMEWORK

$$\Delta price \approx -DV01 \times (actual - priced)$$

Market pricing as of September 18

~55%

hike on October 28

~90%

hike by December 9

Key dates

Oct 27-28

FOMC meeting

Oct 29-30

Bank of Japan (Outlook Report)

Dec 8-9

FOMC with SEP and dot plot

Risks



Inflation and energy: Middle East oil swings; WTI near \$101



Long-end term premium: Fiscal supply and Japanese repatriation



Policy-path surprises: Dots, SEP and the Chair's messaging

Sources and disclaimer

- Federal Reserve: FOMC statement and implementation note (Sep 16, 2026); H.15 Selected Interest Rates
- U.S. Treasury: Daily Treasury Par Yield Curve Rates; TreasuryDirect auction results
- CNBC; Bloomberg; Trading Economics; Bondsavvy; Investrade (Aug 28 – Sep 18, 2026)
- Calculations: settlement fixed at Sep 17; street-convention pricing; excludes carry and financing

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Companion deck: The Anchor Slips — the BOJ's September hike and global markets