REGIME INTELLIGENCE
Cross-Asset Note

The Day After the Fed

Why Stocks and Gold Reversed Higher While Treasury Yields Fell

September 17, 2026

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Key Takeaways

- The Fed raised the federal-funds target range 25bp to 3.75%–4.00% on Wednesday, September 16 — a 12-0 vote, the first hike since July 2023 — and 16 of 18 FOMC participants' projections show at least one more hike by year-end 2026.
- Equities, the dollar and short-dated yields moved in the hawkish direction Wednesday; the 10-year yield held near its highest close since July 2007 (first reached Tuesday, Sept. 15) and gold fell to a six-week low.
- The reversal appears to have been driven less by a change in Fed expectations than by a discrete oil-supply development — Saudi Arabia signaling a partial-to-full restoration timeline for its East-West pipeline — that began easing Brent crude intraday Wednesday and continued into Thursday.
- Short-end yields (2-year) stayed elevated through Thursday while long-end yields eased, snapping an eight-day rising streak in the 10-year — consistent with a falling term/inflation-risk premium, not a market pricing in Fed easing.
- Thursday's cross-asset figures cited here are intraday, as of the time of writing (Thursday, September 17); final closing levels may differ. See Data Notes.

1. What Happened — Wednesday, September 16

The Federal Open Market Committee raised the federal-funds target range by 25 basis points to 3.75%–4.00%, its first increase since July 2023. The policy vote was 12-0 among the Committee's voting members.

FACT The updated Summary of Economic Projections showed 16 of 18 participants' individual rate projections (the “dot plot”) pointing to at least one further 25bp increase before the end of 2026; the median year-end 2026 projection implies one more hike, to a 4.00%–4.25% range. Two participants saw no further increase this year.

The dot plot canvasses all Federal Reserve Board governors and Reserve Bank presidents who submit projections — a broader group (18 submitted this round) than the 12 who hold a vote in the current rotation. The unanimous 12-0 vote and the 16-of-18 hike signal are two distinct facts and should not be conflated.

Markets absorbed this as confirmation that policy would stay restrictive for longer. The reaction across asset classes was internally consistent with a hawkish repricing:

Market	Wednesday, Sep 16 (close)	Context
S&P 500	–0.45% to 7,551.81	Dow –1.21% (–631pts) to 51,461.90; Nasdaq –0.01% to 25,978.42 — essentially flat, so the decline was concentrated in cyclicals/financials, not broad tech

Market	Wednesday, Sep 16 (close)	Context
2-year Treasury yield	~4.74% (4.738%)	Highest level since 2024; most sensitive to near-term Fed policy expectations
10-year Treasury yield	~5.00–5.02%	Continued at its highest closing level since July 2007 — a threshold first closed above on Tuesday, Sep. 15, not Wednesday (see Data Notes)
U.S. Dollar Index (DXY)	+~0.6–0.7%	Reached its highest level in roughly seven weeks (since late July); intraday prints vary slightly by data source
Gold (spot)	Fell to ~$4,235	A six-week low, down from a pre-decision intraday high near $4,365
Brent crude	~$105.7–105.8, –2.7% to –2.9%	WTI –3.2% to $102.43 — the sharpest one-day oil drop in about three weeks, on Saudi pipeline-restoration reports (see §2)

Sources: CNBC, Bloomberg, The Motley Fool, DTN, Trading Economics, FRED (DGS10). Wednesday close figures; see Sources for full citations.

2. What's Happening — Thursday, September 17 (intraday)

This section is being written on the day it describes. The figures below are intraday reads as of the time of writing, not confirmed closing levels — an important distinction for an institutional audience, and one the original draft did not flag.

Market	Thursday, Sep 17 (intraday)	Context
S&P 500	~+1%	Bloomberg intraday; a chip-stock gauge was cited up ~3%. Trading Economics' end-of-morning read showed a smaller +0.6% move — the spread reflects timing, not disagreement about direction
10-year Treasury yield	Lower, off Wed's highs	Bloomberg: declined from the highest level since 2007, snapping an eight-day rising streak. A precise closing print was not yet available at the time of writing
2-year Treasury yield	Little changed	Stayed elevated — the front end did not reprice toward Fed easing
U.S. Dollar Index	Modestly lower	Bloomberg described the dollar as "wavering" rather than falling sharply
Gold (spot)	~$4,380	Up roughly 2.3% off Wednesday's ~$4,235 low; above the pre-Fed intraday high near $4,365
Brent crude	~$102–103	A further ~2–3% decline on top of Wednesday's drop, as Saudi Arabia detailed a partial restart (days) and full restoration (~six weeks) of the East-West pipeline, plus added ship-to-ship crude transfers near Oman for Asian refiners

Sources: Bloomberg ("Stock Market Today," Sep 17), Trading Economics (crude, Brent, US500), CNBC, Reuters. Intraday as of writing — see Data Notes.

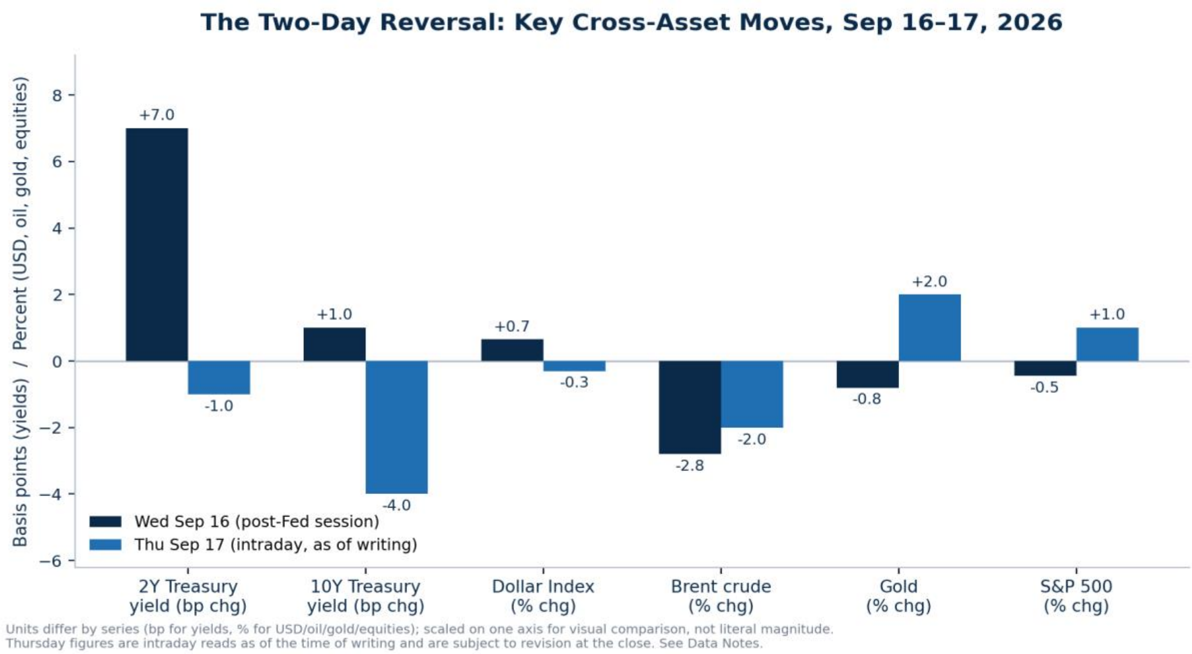

Figure 1. Direction and rough magnitude of the two-day move across six series. Units are mixed (bp for yields, % for USD/oil/gold/equities) and shown on one axis for visual comparison only — not a claim of equivalent scale. Thursday bars are intraday.

3. The Mechanism: Two Overlapping Forces, Not Two Separate Days

The original framing of this note — "Wednesday was the Fed, Thursday was oil" — is a useful simplification but not quite accurate. The oil-supply news broke and began moving Brent crude intraday Wednesday, overlapping with, rather than following, the Fed decision. Saudi Arabia's signal that it could restore roughly half the damaged East-West pipeline's capacity within days, and full capacity in about six weeks, was already circulating Tuesday night into Wednesday morning — which is part of why oil was already retreating from its ~$109 high before the 2:00pm FOMC statement landed.

INTERPRETATION The cleaner read is two overlapping tracks rather than two sequential days: a Fed/rates channel that dominated price action into the Wednesday close, and an oil/supply channel that was building underneath it and became the dominant driver by Thursday. Figure 2 lays out both chains and where they converge.

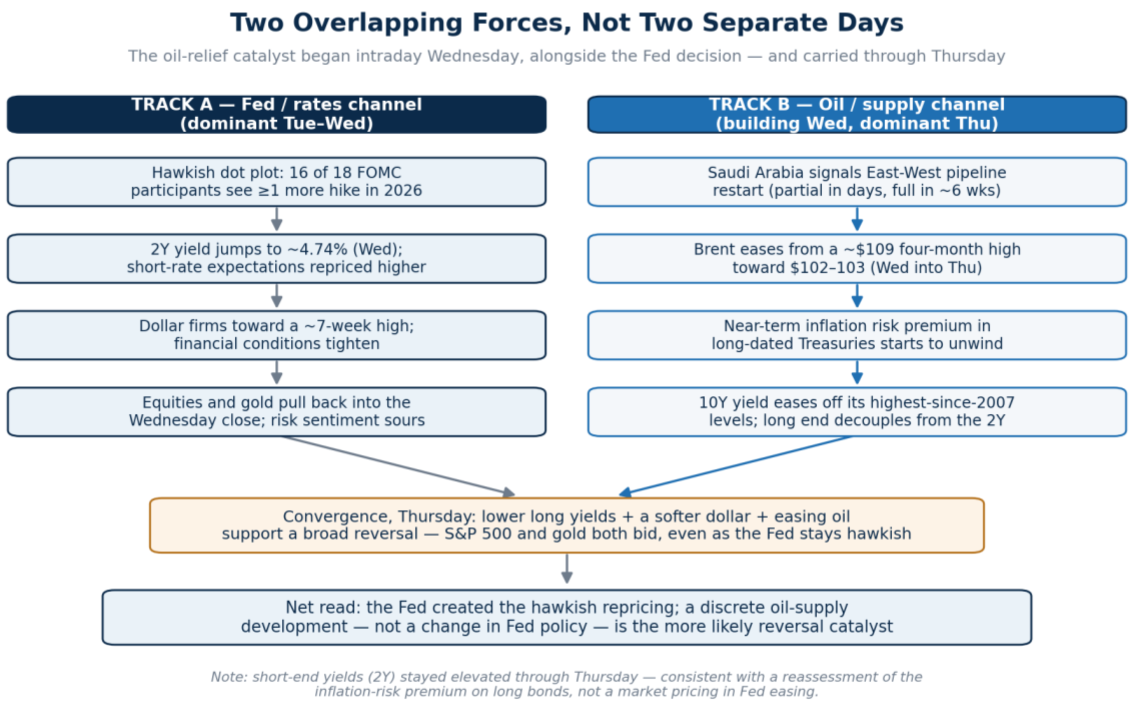

Figure 2. Illustrative causal chains, not a statistical decomposition of returns.

On the specific geopolitical trigger: coverage attributes the broader elevation in oil prices and shipping risk to the ongoing U.S.–Iran conflict and its effect on Strait of Hormuz transit, while the acute spike and the subsequent relief traces to a separate, discrete event — a drone attack on Saudi Arabia's East-West pipeline around September 10–13 that forced its shutdown. Attribution of that specific attack was not consistently reported across sources reviewed for this note and is treated here as unresolved; the pipeline's shutdown and Saudi Arabia's restoration timeline, by contrast, are well corroborated across Reuters, Bloomberg and Trading Economics reporting.

4. Why the Long End Decoupled From the Front End

The two-year Treasury yield is priced primarily off expected Fed policy; the ten- and thirty-year yields carry a larger weight from long-run inflation expectations, term premium, growth expectations and fiscal-supply considerations. That distinction is the key to Thursday's move.

FACT The 2-year yield stayed near its Wednesday level through Thursday — the front end did not reprice toward easier policy. The 10-year yield eased off its highest-since-2007 levels, per Bloomberg, snapping an eight-day rising streak.

INTERPRETATION A plausible reading: the market is not pricing a dovish pivot. It is distinguishing between two separate questions — will the Fed stay restrictive (yes, per the front end), and will inflation become structurally unanchored (the long end's answer moved toward “less likely,” as the energy shock showed signs of being transitory rather than persistent). Those two views are not contradictory, and the curve behaving differently at the front and back end is consistent with that distinction — though it is one interpretation of the move, not the only one available; a relief-rally / mean-reversion explanation (§6) also fits the same data.

5. Fed Credibility and the Term Premium

INTERPRETATION A secondary, more debatable interpretation raised in the original draft: a central bank that demonstrates willingness to hike into an inflation shock can, over time, support long-duration bonds by anchoring inflation expectations — even though the immediate effect of a hike is to push yields higher. Applied here, the argument is that Wednesday's hawkish, unanimous decision itself may have reinforced confidence that the Fed will not let energy-driven inflation become embedded, which would help explain why the 10-year yield did not need a dovish Fed pivot to come down. This is a standard and defensible line of reasoning in rates strategy, but it is analytically distinct from the oil-supply explanation in §3–§4, and this note cannot separate how much of Thursday's long-end move is attributable to each channel with the data available. Treat it as a complementary hypothesis, not a confirmed mechanism.

6. Was Wednesday's Selloff Simply Overdone?

Partly, and this is a real and separate factor from the oil-supply story. The 10-year yield had just pushed through the psychologically significant 5% level for the first time since 2007 (on Tuesday, Sept. 15), after a run of losses across risk assets. Once the oil catalyst gave investors a fundamental reason to buy, a mechanical, positioning-driven bounce — short-covering and profit-taking after a sharp move — plausibly amplified the reversal.

The original draft attributed a specific quote on this point to economist David Rosenberg via Barron's. That exact quote could not be independently verified against primary or wire sources in the course of this review and has been removed rather than reproduced on trust. Rosenberg did publish a related note on September 16 ("A Pre-FOMC Relief Rally as Oil Prices Dip and Bond Yields Steady") describing bond-market fragility ahead of the decision, but its content and timing differ from what was attributed to him in the draft; it should not be cited as support for the post-Fed reversal claim.

CALCULATION Framed as a sum of two effects: (1) a fundamental catalyst — falling oil and a credible pipeline-restoration timeline reducing the near-term inflation shock, plus (2) a mechanical effect — room for a bounce created by Tuesday–Wednesday's sharp, multi-asset selloff. Neither effect is separately quantified here; treat the split as directional, not a precise attribution.

7. Gold and Equities: Same Mechanism, Different Assets

Gold's Thursday rebound is easier to explain once the analysis moves past the fed-funds rate itself. Gold responds to the full complex of real yields, nominal yields, the dollar, inflation expectations, geopolitical risk and positioning — several of which reversed in gold's favor Thursday: long yields eased, the dollar softened from its Wednesday high, and oil's decline reduced the immediate inflation impulse. Reuters and Trading Economics reporting also points to a positioning unwind — investors who had built hedges ahead of a well-telegraphed Fed decision reducing those hedges once the event passed — consistent with the roughly 2.3% recovery off Wednesday's six-week low.

The same mechanism helps equities. The S&P 500 is sensitive to the discount rate applied to future cash flows; a lower 10-year yield mechanically supports valuations, particularly for longer-duration growth names. Lower yields, a softer dollar and easing oil together describe a broad, simultaneous tailwind across gold and equities — without requiring a dovish shift in Fed expectations, which the front end shows did not happen.

8. What Matters From Here

The variables to watch are the interaction of oil, inflation expectations, real and nominal 10-year yields and the dollar — not the 25bp move in isolation. If Saudi Arabia's restoration timeline holds and Brent stabilizes below $100–103, that is evidence the energy-driven inflation shock is fading. If the Strait of Hormuz situation deteriorates or the pipeline repair slips, the pressure that drove Tuesday–Wednesday's move could resume quickly.

- The Fed has not turned dovish: its own projections still point to a further hike before year-end, and markets continue to price a meaningful probability of additional tightening.
- Thursday's rally is better read as the market distinguishing between "policy stays restrictive" (front end) and "long-run inflation stays anchored" (back end) than as an easing bet.
- The front-end/back-end split in the yield curve is the single most useful confirming signal for this thesis going forward; a re-steepening driven by a front-end decline, rather than the current back-end-led move, would be the sign of an actual dovish repricing.

Limitations

- This note was substantially drafted on Thursday, September 17; Thursday figures throughout are intraday and will be superseded by closing data. Where sources disagreed on intraday levels (e.g., DXY prints ranging ~99.6–100.3 across providers/times on Wednesday), a range is given rather than a single false-precise figure.
- Attribution of the September 10–13 drone attack on Saudi Arabia's East-West pipeline is unresolved in the sources reviewed and is not asserted here.
- The relative contribution of the "relief rally / mean reversion" explanation (§6) versus the "Fed credibility" explanation (§5) versus the oil-supply explanation (§3–§4) to the long-end yield decline is not separable with public, end-of-day data; this note presents all three as candidate, non-exclusive explanations rather than adjudicating between them.
- A specific quotation attributed to David Rosenberg in the original draft could not be verified and has been removed; see §6.

Data Notes — Corrections From the Original Draft

Per Regime Intelligence's error-correction standard, corrections are documented openly rather than silently applied. Changes made in this revision:

- Timeline: the 10-year Treasury yield first closed at its highest level since July 2007 (~5.00%) on Tuesday, September 15 — not Wednesday, September 16, as the original draft implied. Wednesday's close continued near that level (~5.00–5.02%).
- Timeline: the largest single-session decline in Brent/WTI (~2.7–3.2%) occurred Wednesday, September 16, overlapping with the Fed decision — not exclusively "the day after," as the original two-day narrative implied. Thursday saw a further, smaller incremental decline.
- Precision: "highest level since July 2024" for the 2-year yield was softened to "highest level since 2024" — sourcing supports the year but not the specific month.
- Attribution: "the conflict involving Iran" was disambiguated into two distinct channels — the broader U.S.–Iran conflict's effect on Strait of Hormuz risk, and a discrete, separately-timed drone attack on the Saudi East-West pipeline whose attribution is unresolved.

- Sourcing: an exact quotation attributed to David Rosenberg via Barron's could not be verified and was removed rather than reproduced (§6).
- Framing: replaced the clean “Wednesday = Fed, Thursday = oil” narrative with an overlapping-tracks framing, since the oil catalyst began intraday Wednesday (§3).
- Added: FOMC vote count (12-0) versus dot-plot participant count (18, of whom 16 project a further hike) are distinct figures and were not previously distinguished.
- Added transparency: Thursday market figures are flagged throughout as intraday/provisional, since this note was written same-day.
- Nasdaq's Wednesday move (–0.01%) was added for precision — the equity decline was concentrated in the Dow/financials, not broad-based, which the original “U.S. stocks initially reacted negatively” did not capture.

Sources

Federal Reserve Board, FOMC statement, September 16, 2026 (federalreserve.gov).

FRED, 10-Year Treasury Constant Maturity Yield (DGS10), Federal Reserve Bank of St. Louis.

CNBC: “Fed rate decision September 2026”; “Dow drops 600 points…”; “Treasury yield bond market Fed decision”; “Oil prices today…” (Sept 16–17, 2026).

Bloomberg: “Stock Market Today, Sept 17”; “Oil Extends Slump as Saudi Arabia Moves to Restore Key Pipeline” (Sept 16–17, 2026).

Reuters (via Investing.com/CNBC republication): oil, Saudi pipeline, ship-to-ship transfer reporting, Sept 16–17, 2026.

The Motley Fool: “Stock Market Today, Sept. 16: Stocks Slip as Fed Raises Rates.”

Trading Economics: Crude Oil, Brent, U.S. Dollar, Gold, US500 series, accessed Sept 17, 2026.

DTN: “Oil Sinks 3% on Saudi Pipeline Restart Plan, Fed Hike,” Sept 16, 2026.

TradingKey: “Gold Price Forecast: Fed Hikes Rates as Expected…,” Sept 17, 2026 (dot-plot and PCE-projection detail; secondary source, flagged accordingly).

Investrade, “Market Review: September 16, 2026.”

USAGOLD / Rio Times, daily precious-metals market reports, Sept 16–17, 2026.

David Rosenberg / Rosenberg Research, Substack, “A Pre-FOMC Relief Rally as Oil Prices Dip and Bond Yields Steady,” Sept 16, 2026 (cited only for what it actually says — see §6).