The Fed just reversed course

On September 16, 2026, the FOMC raised its target range by 25 bps to 3.75%–4.00%, the first rate increase since July 2023, while the 10-year Treasury pushed above 5%, its highest since 2007. A year ago this reversal wasn't in anyone's forecast. That is exactly the point: the path is uncertain, and the institutions that model for it rather than a single rate view, are the ones positioned to capitalize.

3.75-4.00%
New target range, up from 3.50–3.75%

+25 bps
First hike since July 2023

5.0%+
10-yr Treasury — highest since 2007

~4.2%
Funds rate implied by market, Dec 2026

The impact today

Margins split by profile
Asset-sensitive books get an immediate yield lift; liability-sensitive books compress as funding reprices faster than assets.

Deposit betas reset higher
Competition for funding reintensifies and noninterest-bearing balances resume migrating into interest-bearing accounts.

The curve, not the Fed, drives your marks
With the 10-year above 5% and at its highest since 2007, it's the long end that re-marks AFS/AOCI and fixed-rate loans lower, well beyond the 25 bp move in the funds rate.

A trend, not a blip

The drivers are structural
Inflation still above target, energy shocks tied to the Iran conflict, and a Fed signaling it has "work to do" not a transitory one-off.

Markets price a path, not a point
Futures imply roughly 4.2% by December and a further rise into 2027. Plan for a sequence of moves.

Funding pressure persists
Higher-for-longer keeps pressure on cost of funds and liquidity as money-market-fund competition continues.

The real risk isn't higher rates. It's not being prepared for the rate paths you didn't expect.

The reversal is the lesson. In September 2024, the FOMC's own projections had this easing cycle troughing near 2.9% with futures pricing a similar sub-3% low. Instead, the funds rate bottomed at 3.50–3.75% and has now turned higher, with the long end above 5%. The terminal rate the market modeled to was never the one that arrived.

Sentiment points up today but it can flip just as fast. Static, parallel-shock disclosures can't prepare you for that. Dynamic balance sheet modeling runs earnings and value across hundreds of rate paths, so your risk points are mapped before the path moves, whichever way it breaks.

Live Webinar · October 1, 2026

Turnkey Dynamic Balance Sheet Modeling

- ✓ Earnings across hundreds of rate scenarios — not a handful of parallel shocks
- ✓ One consistent source for ALCO, board & management reporting, at each stakeholder's level
- ✓ More confident balance sheet decisions amid the uncertainty around them

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