

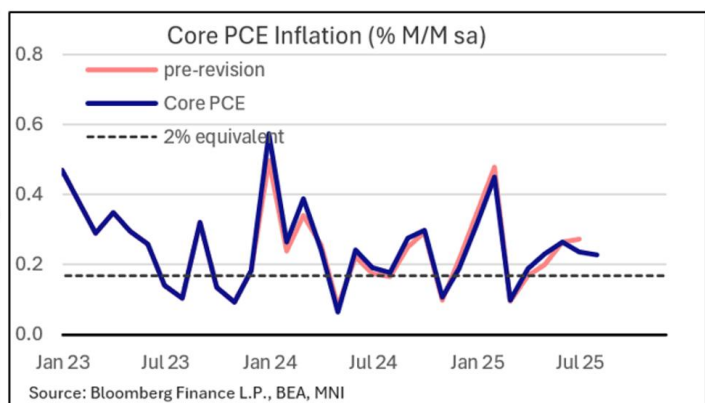
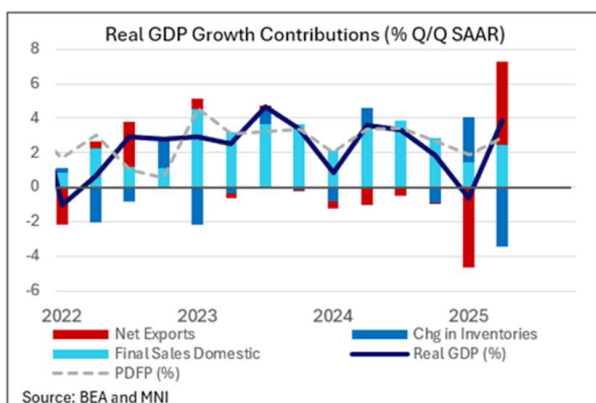
MNI U.S. Macro Weekly

MNI View: Too Solid For Comfort

Sep 26, 2025 – By Tim Cooper

Executive Summary

- The US economy now appears to be on more solid footing than it seemed a week ago. Versus 45bp in Fed rate reductions through the remainder of 2025 as of last Friday, futures markets now price 40bp. Half of that retracement came Thursday at 0830ET, when Q2 GDP data, initial jobless claims, durable goods orders, and goods trade data all pointed to stronger ongoing GDP growth than previously anticipated.
- Q2 GDP growth was revised up significantly in the 3rd and final reading, to 3.84% Q/Q SAAR from 3.29% in the 2nd reading (consensus had expected this to be unchanged in the 3rd). And while that's in the past, the latest monthly data saw the Atlanta Fed's GDPNow estimate for Q3 jump to 3.9% from 3.3% last week.
- Friday's PCE data suggested solid consumption dynamics through August (and no nasty surprises in the core inflation data). As such, the week's data almost unambiguously portrayed a better domestic demand story through – and beyond – a volatile first half of the year related to tariff policy shifts.
- That poses something of a quandary for a Fed that has shifted its sights to labor market risks. GDP is not employment, but a case for rate cuts at a time when inflation is still pushing 3% is tougher to make when the economy is growing at close to a 4% real pace and equities remain at or near all-time highs.
- October's cut is no longer such a sure thing as it seemed after the September meeting, with a 25bp ease now priced at 21bp (~84% implied prob), versus closer to 23bp (90+%) at the end of the prior week.
- While we heard the monetary policy views of 6 of 12 current FOMC voters this week, there were no real surprises. Chair Powell reiterated that policy is not on a preset course; Gov Bowman and Gov Miran reiterated their more-dovish-than-median views; Musalem and Schmid suggested only limited scope for easing; and Goolsbee eyed neutral rates 100-125bp lower but was "uneasy" with too much front-loading.
- Appropriately, the upcoming week's data schedule centers around the US labor market, including JOLTS job openings data, ADP private sector employment, and Challenger job cuts. And we hear from some of the few FOMC participants who haven't yet commented since the September meeting, including 2025 voters Waller (Monday), Jefferson (Tuesday and Friday), and Collins (Tuesday).
- Of course, the upcoming week's schedule culminates with the September Employment report scheduled for Friday. It's expected to show a continuation of the sluggish growth in U.S. payrolls seen over the prior 4 months, with early consensus estimates eyeing 50k overall gains (22k prior) made up entirely of private employment at 50k (38k prior). Just as closely-eyed, the unemployment rate is seen steady at an unrounded 4.3%, having broken out to a 46-month high 4.32% in August.
- We're not even guaranteed to get an employment report in the coming week: there is a high probability of a federal government shutdown beginning on October 1 that could prevent the Bureau of Labor Statistics from releasing the data. MNI's Political Risk team wrote Friday that a shutdown "now appears inevitable".

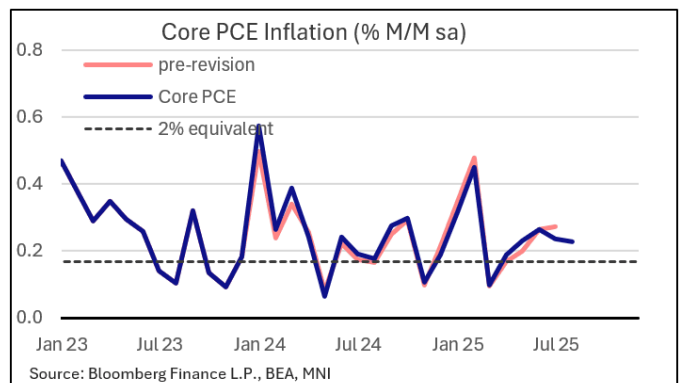
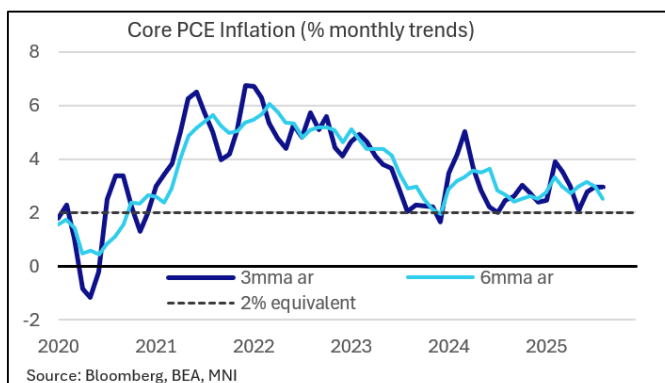
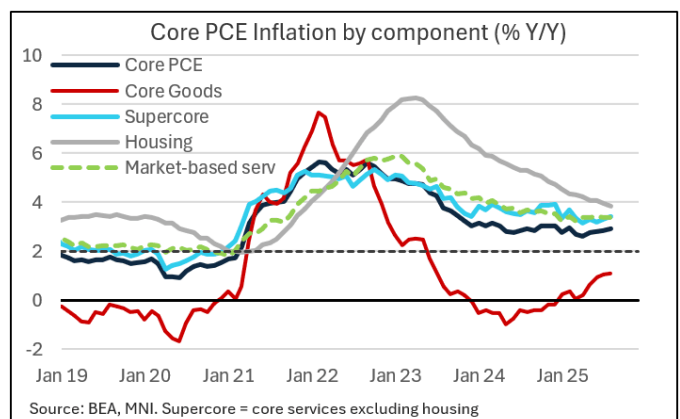
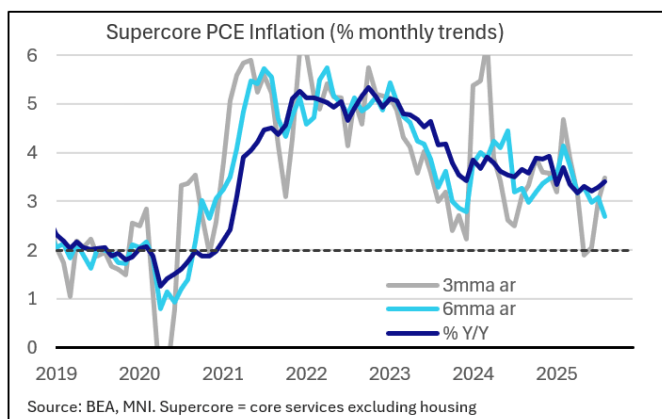


Inflation: Steady

Core PCE Inflation Steady In August, Supercore M/M Stays Elevated

August's core PCE reading of 0.227% M/M was basically exactly in line with expectations (0.22% MNI median), and came with a downward revision to July's figure (now 0.235%, was 0.273%). That marks the slowest monthly M/M print in 4 months.

- As flagged in our preview from the Q2 national accounts revisions, the profile of PCE looked a little stronger at the start of Q2 (April rev up 0.02pp to 0.19% and May 0.03pp to 0.23%) but the June reading was unchanged at 0.263%.
- Core goods prices contracted by 0.11% M/M, the weakest since March, versus services which hit a 6-month high 0.325% M/M after 0.296%.
- The core services non-housing reading ("supercore") printed 0.33% M/M, a slight tickup from 0.32% prior for a 6-month high, as market-based services ticked up to 0.26% (0.20% prior).
- For its part, housing PCE also gained, to 0.36% from 0.27% prior for a 5-month high.
- Headline PCE was similarly revised, with the latest reading of 0.265% M/M unrounded in line with expectations as well.
- Note that the revisions go all the way back to Q1 2024 - 2024 monthly core PCE now registers an average monthly 0.229% M/M (was 0.215%).
- Core PCE run rates are currently a little under 3%: 3M moving average annual rate 2.9% (3.0% prior) / 6-month 2.5%, lowest since January (3.0% prior).
- For supercore however on those metrics it's running at 3.5% 3M (5-month high, up from 3.0% prior) and 6M 2.7% (lowest since 2020, from 3.1% prior), as the softer March/April prints are fully accounted for.
- Overall, supercore continues to moderate Y/Y but there are some upside trends developing in core goods and, to a lesser extent, broader services and core PCE.

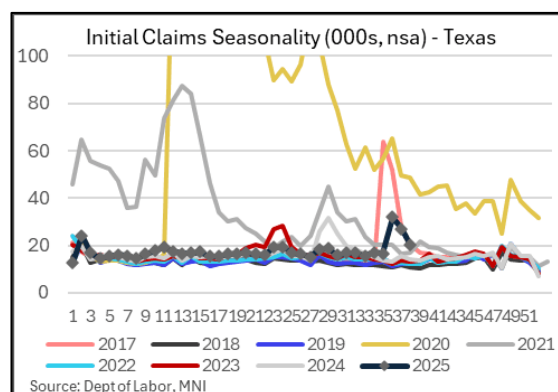
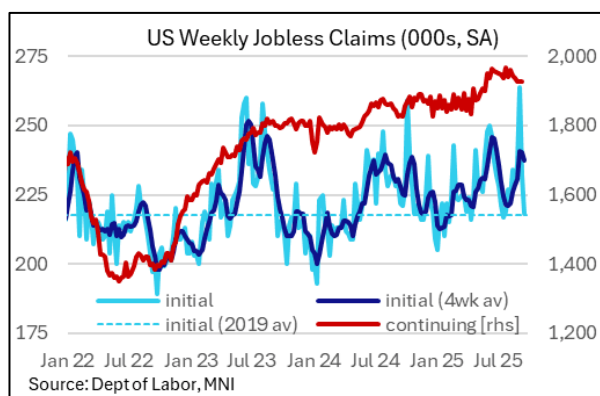


Labor Market: Consolidating

Solid Improvement Across Initial And Continuing Jobless Claims

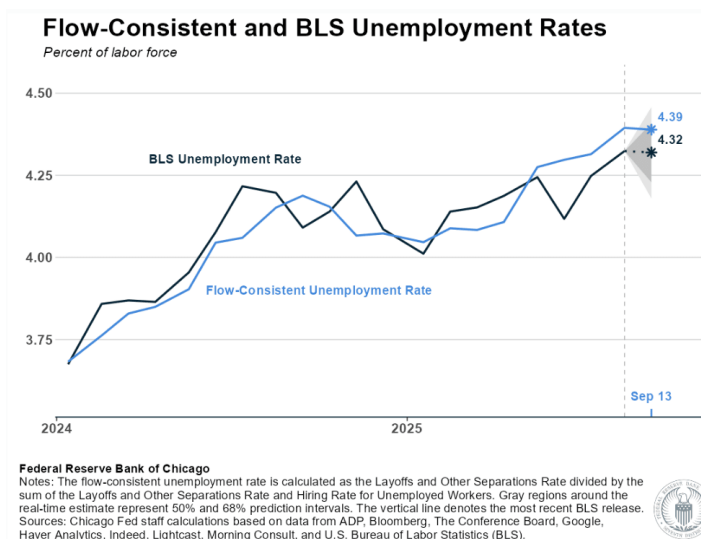
Initial jobless claims surprised to the downside in the week of Sep 20, at 218k (233k consensus, 232k prior rev up by 1k). This was the lowest number of initial claims in 9 weeks, and brought the 4-week average down to a 3-week low 238k.

- The prior weeks are still exaggerated to the upside by the fraud-related jump in Texas this month. The relative drop in national initial claims was helped by Texas claims falling 6.9k, settling back closer to their usual range, at 20.1k NSA (the prior 27k and 32k were minimally revised despite some speculation that they could be updated to remove the apparently fraudulent claims made earlier in the month).
- Meanwhile continuing claims sustained their recent retracement lower, to 1,926k (1,932k consensus, 1,928k prior albeit rev up by 8k). This marked the lowest in 16 weeks.
- Outside of the fact that the headline readings show a solid improvement in labor market conditions, it's actually a fairly unremarkable report. On an NSA basis, claims dropped to 15k to 181k (vs 14k drop SA), with continuing NSA dropping 32k (vs 2k drop SA).
- As that suggests, this is a pretty typical seasonal move for initial claims (arguably the drop in Texas overestimates the sequential improvement by a few thousand), with the drop in continuing a little less than usual for this week of the year.



New Chicago Fed Indicators Show Steady Unemployment In Sept

- The "Advance" Chicago Fed Labor Market Indicators report (it is released twice a month ahead of the nonfarm payrolls report) currently shows a 4.32% unemployment rate for September, which would be unchanged from August (albeit a small decline on an unrounded basis, from 4.324%). The final release will be published on Thursday Oct 3 - the day before the September nonfarm payrolls report.
- The unemployment rate forecast includes a combination of job-finding and job separations rates, based on real-time data. That data includes: initial and continuing jobless claims, Google Trends unemployment topic index, Bloomberg consensus for unemployment, Morning Consult's indices, JOLTS, the Conference Board's labor market differential, and Indeed / ADP / Lightcast-based job openings rates.



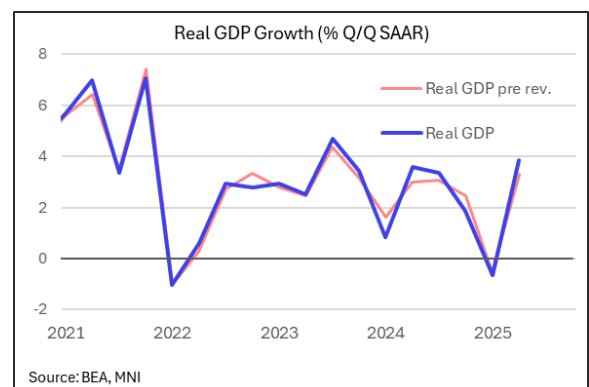
- Per the Chicago Fed, the model then relates changes in the flow-consistent unemployment rate (the ratio of the job separations rate to the sum of the job finding and job separations rates) to changes in the BLS's unemployment rate to produce a BLS unemployment rate forecast.
- Based on the real-time data above, the Chicago Fed sees layoffs and other separations steady at 2.09% and the hiring rate for unemployed workers ticking up to 45.61% from 45.49%. The latter implies a very small dip in the overall unemployment rate in September.
- It reports probabilities of possible values to be published in the upcoming Employment report: it shows a roughly one-in-three chance that the unemployment rate will fall from 4.3%, with 28% prob of no change and ~40% of an increase of 0.1pp or more.

Growth: Strong

Sizeable Q2 GDP Upward Revision Shows Domestic Demand In Better Light

Q2 GDP growth was revised up significantly in the 3rd and final reading, to 3.84% Q/Q SAAR from 3.29% in the 2nd reading (consensus had expected this to be unchanged in the 3rd). While Q1 was downgraded to -0.65% from -0.50%, this meant average growth of 1.6% in H1, vs the 1.4% previously estimated and 1.2% implied by the initial reading for Q2.

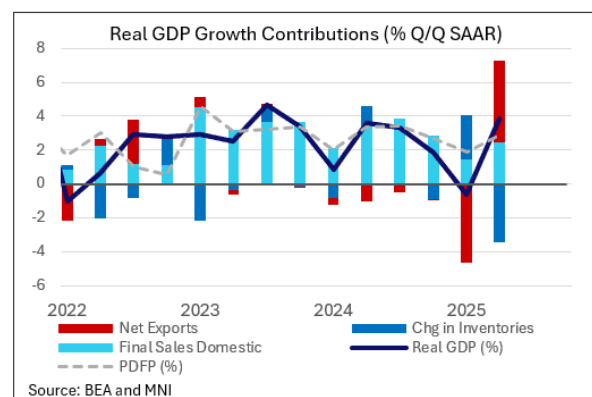
- Overall this final report portrayed a better domestic demand story through a volatile first half for inventories and net exports related to tariff policy shifts.
- Final sales to private domestic purchasers (PDFP) was revised up to 2.9% from 1.9% prior, with private consumption printing 2.5% growth (was 1.6%) and Q1 revised up to 0.6% from 0.5%. The PDFP average growth rate of 2.4% in H1 implies only a more modest slowdown from the 3.1% in the second half of 2024 than the 1.9% previously estimated.
- Non-residential investment was another key upgrade, seeing 1.0% growth (0.8% previously estimated). There were modest offsets by downgrades to inventories and net exports.
- Revisions to Q2 GDP and contributions GDP are in the images below.
- The report also came with an upped estimate for the core PCE price deflator: it now reads 2.60% for Q2 (rev from 2.47%), with Q1 revised lower (3.28% rev from 3.53%) leaving the average price growth in H1 basically unchanged overall.
- Meanwhile, national accounts revisions went back to Q1 2020, including both GDP and PCE prices. This had multiple impacts on the trajectory of growth, with domestic demand looking a little stronger through the middle of 2023 through mid-2024, but a softer end to 2024 than previously estimated.
- That said, from Q2 2020 - 1Q 2025, there was no change in the overall annual rate of growth (4.5%).



US Real GDP Growth and Contributions (%Q/Q SAAR, pps)

	4Q24	1Q25	2Q25		
			prior	latest	rev
Real GDP	1.9	-0.6	3.29	3.84	0.55
Final Sales Dom. Purchasers	2.8	1.5	1.63	2.44	0.81
(of which Private)	2.3	1.6	1.66	2.45	0.79
Personal Cons	2.6	0.4	1.07	1.68	0.61
Gov Cons + Invt	0.6	-0.2	-0.03	-0.01	0.02
Fixed Invt	-0.3	1.2	0.59	0.77	0.18
non-resi	-0.5	1.2	0.78	0.98	0.20
resi	0.2	0.0	-0.19	-0.21	-0.02
Chg in Inventories	-0.9	2.58	-3.29	-3.44	-0.15
Net Exports	-0.1	-4.7	4.95	4.83	-0.12
Exports	-0.1	0.0	-0.14	-0.20	-0.06
Imports	0.0	-4.7	5.09	5.03	-0.06

Source: BEA, Bloomberg Finance L.P., MNI



Atlanta Fed GDPNow Shows Growth Nearing 4% In Q3

The Atlanta Fed's GDPNow estimate for Q3 has jumped to 3.9% Q/Q SAAR (3.899% unrounded) from 3.3% (3.336%) in the prior full update on September 17.

- That doesn't come as a surprise after the significant upside surprises to data in the last couple of sessions, including to Q2 GDP, August goods trade balance, and today's PCE spending figures.
- This would mark an acceleration from even Q2's 3.8% figure, and is the highest estimate for GDPNow this quarter so far. It would mark the 2nd-fastest quarter of growth outright since Q4 2021.
- The standouts in the latest update are real PCE expenditure which are now seen growing 3.4% (2.5% in Q2) vs 2.7% in the prior estimate (contribution to GDP rises to 2.29pp vs 1.85pp in the prior estimate), while net exports are now seen adding 0.58pp to GDP vs 0.08pp in the prior estimate.
- These are very strong estimates for domestic demand, which imply real final sales to domestic purchasers rising 2.9% in the quarter, up from 2.4% in Q2.

Atlanta Fed GDPNow estimates for 2025: Q3, growth rates and changes

Date	Major Releases	GDP	PCE	Equip- ment	Non- prop. prod.	Nonres. struct.	Resid. inves.	Govt.	Exports	Imports	Change in net exp.	Change in CPI
25-Sep	Latest BEA estimate for 25:Q1	-0.6	0.6	21.4	6.5	-3.1	-1.0	-1.0	0.2	38.0	-312	155
25-Sep	Latest BEA estimate for 25:Q2	3.8	2.5	8.5	15.0	-7.5	-5.1	-0.1	-1.8	-29.3	323	-190
31-Jul	Initial GDPNow 25:Q3 forecast	2.3	1.9	2.6	5.5	-2.3	1.8	1.7	7.8	8.5	-26	36
26-Aug	Advance Manufacturing (M3-1)	2.2	2.2	4.8	5.0	-3.5	-8.2	1.4	7.2	8.5	-29	40
	Q2 GDP (8/28), Adv. Econ. Ind.,											
29-Aug	Personal income & outlays	3.5	2.3	11.7	5.5	-3.5	-8.2	1.5	7.9	1.8	35	34
	ISM Manufacturing Index, Construction											
2-Sep	spending	3.0	1.7	8.9	5.3	-6.8	-5.6	1.4	6.4	-0.1	42	35
3-Sep	M3-2 Manufacturing	3.0	1.7	8.9	5.3	-6.8	-5.6	1.4	6.4	-0.1	42	35
4-Sep	Int. trade, ISM Services, Auto sales	3.0	2.1	11.0	5.4	-6.6	-5.2	1.4	5.7	2.4	15	34
5-Sep	Employment report	3.1	2.3	11.7	5.3	-6.2	-4.7	1.4	6.3	3.2	11	32
10-Sep	Wholesale trade, Producer Price Index	3.1	2.3	11.8	5.3	-6.0	-4.8	1.4	6.3	3.3	11	32
11-Sep	CPI, Monthly Treasury Statement	3.1	2.3	11.8	5.3	-6.0	-4.8	1.6	6.3	3.3	11	31
	Retail trade, Import/Export Prices,											
16-Sep	Industrial production	3.4	2.7	12.0	5.3	-5.1	-4.6	1.6	6.2	4.3	1	36
17-Sep	Housing starts	3.3	2.7	11.9	5.3	-5.1	-6.3	1.6	6.2	4.2	2	36
24-Sep	New-home sales	3.4	2.7	11.9	5.3	-5.1	-4.7	1.6	6.2	4.3	1	36
	Q2 GDP (9/25), Adv. Econ. Ind. (9/25),											
	Adv. Manuf. (M3-1) (9/25), Existing-											
26-Sep	home sales (9/25), Pers. Inc. & outlays	3.9	3.4	7.2	5.4	-5.3	-4.6	1.8	3.4	-1.5	37	23

Source: Atlanta Fed

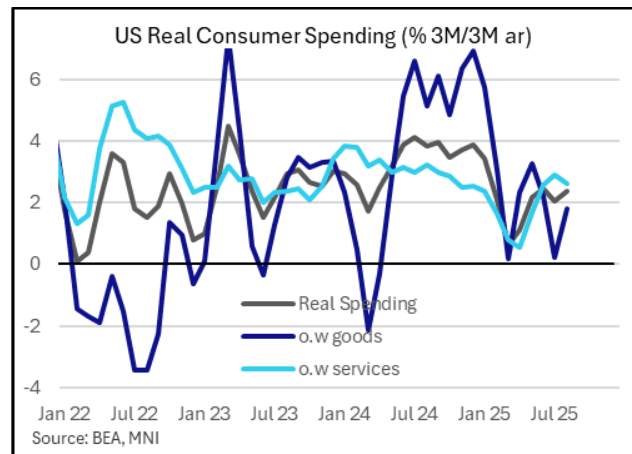
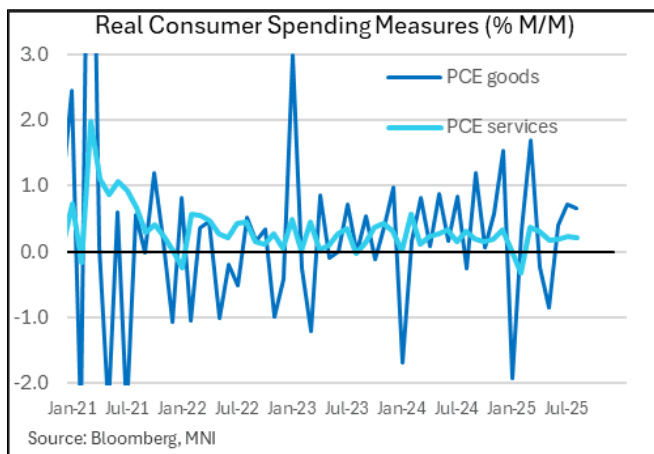
PCE Spending Looks More Robust After Revisions

August's PCE spending and income data showed robust spending dynamics, especially when strong upward revisions to Q2 are considered. However, the income data didn't cast quite as solid a light on the underlying dynamics.

- Real spending growth came in at 0.35% M/M, above the 0.2% expected; the upside surprise was enhanced by the upward revision to July, to 0.38% (was 0.33%). And even moreso with each of the prior 4 months revised up, as flagged by the latest GDP revisions. On a 3M/3M annualized basis, consumption growth is running at 2.4%, a pickup from 2.1% in July (revised up from 1.0%) and steady with June's 2.5% (which as noted in the GDP data was revised up to 2.5% from 1.4%).
- Goods consumption rounded to 0.7% for a second month (after July was rev down from 0.9%) with May revised up substantially to 0.4%. Note a downward revision to Q2 goods purchases had been signalled in GDP, so this isn't a surprise. The flip side was upward revision in services: not just Q2 (April's and May's both upped a very substantial 0.2pp each), but also July's which now reads 0.23% (was 0.07%). And in

August itself, purchases printed 0.21% M/M, meaning consumption has been going at that solid rate for 4 consecutive months.

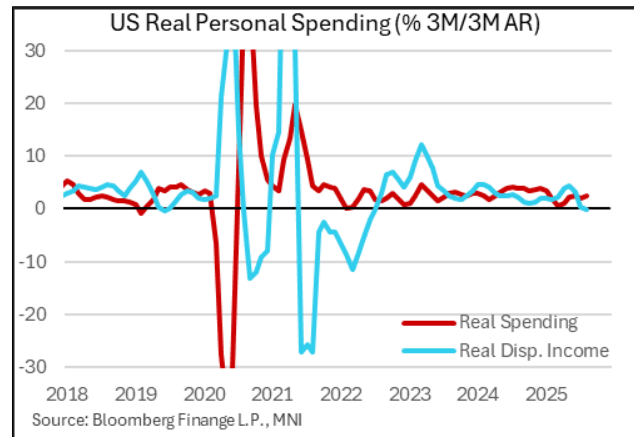
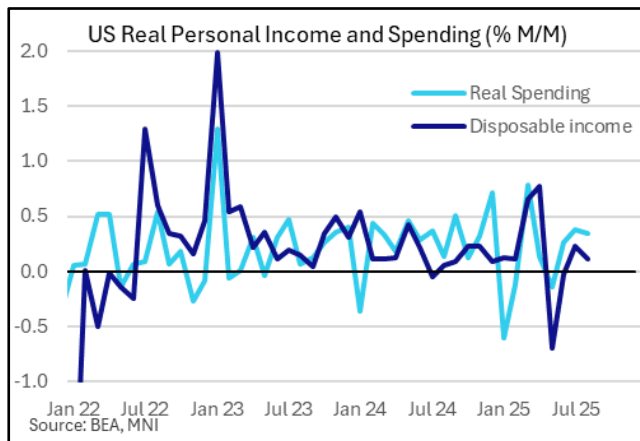
- On a quarterly annualized basis, real goods purchases are running at 1.8% (up from 0.2% in Jul), with services a more robust 2.6% (was 2.9% in Jul). This is the strongest 3-month period for quarterly services purchases since the turn of the year.
- Overall there had been concerns that discretionary purchases, especially in services which make up 2/3 of consumption, had been flagging - but the latest data shows it's been settling in at a robust growth level consistent with 2+% real PCE consumption growth.



Income Dynamics Less Robust Than Spending

The income side of the PCE report was a little softer than the spending components, with disposable income growing at a slower rate than spending over the last few months.

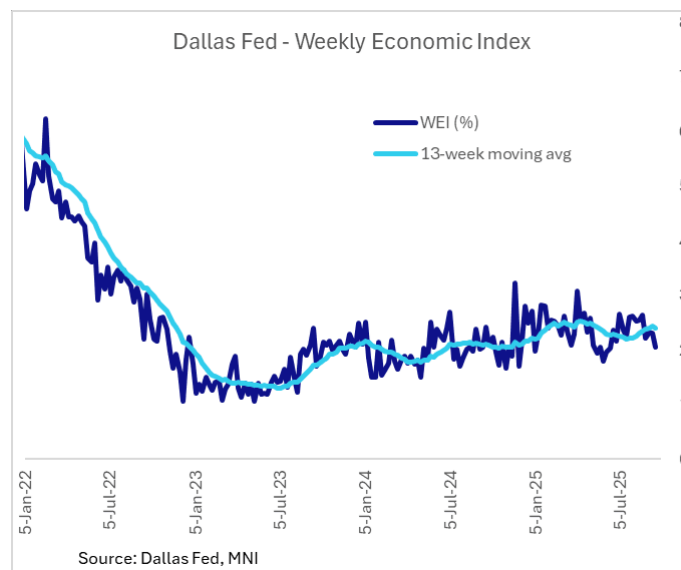
- Nominal income actually came in a little stronger than had been expected in August, at 0.37% M/M (0.3% has been expected), with July unrevised (0.4%). But the broader trends have actually been to the weaker side. On a 3M/3M (ie quarterly) annualized basis, growth is down to 2.8%, the slowest since 2021 (was 3.0% in July and above 7% in Q2).
- Even more concerning, real disposable income - a key barometer of purchasing power - is now running at the slowest 3M/3M rate since June 2022 (at -0.2% it's the first negative reading since July 2022). Indeed, the current level remains below April's level.
- The most important component (60%) of income - compensation of employees - has seen a broad slowing in recent months, printing 3.9% 3M/3M annualized in August (0.3% M/M, after 0.5% prior). That's the slowest since February 2023 and the latest month only just kept up with inflation.
- This could be a sign that slowing payrolls growth is having an impact on labor income. Taxes, which reduce personal disposable income, have grown in line. (Personal current transfer receipts (ie government payments) picked up strongly in the month (on "other current transfer receipts, from business").
- This meant that personal savings diminished, with the household savings ratio falling to an 8-month low, though the prior rates were revised up substantially (and this is a volatile series to begin with).



Dallas Weekly Economic Indicator Tracking 3-4% Q/Q Growth In Q3

The Dallas Fed's latest Weekly Economic Index update shows 2.05% four-quarter GDP growth (effectively a % Y/Y indicator) per the latest data to Sept 20. That's the slowest in 14 weeks, though the 13-week average is still running at 2.40%, down only slightly from the 2.42% prior (which outside of the tariff front-running burst of growth in Q1, was the fastest seen since 2022).

- If that pace of growth holds, that would equate to 3.5-4% Q/Q real GDP growth for the 3rd quarter.
- The Atlanta Fed's GDPNow forecast now stands at 3.34% for the quarter, though that's likely to be revised up in Friday's update given Thursday's growth-positive surprises in Q2 GDP, durable goods, and trade balance.

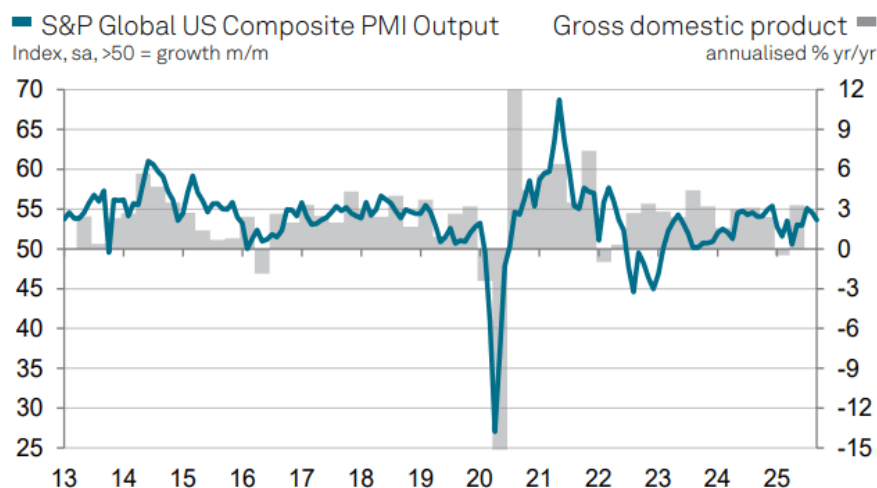


Flash PMIs Point To Moderation In Q3 Expansion

September's flash US PMIs brought a 2-month low for Manufacturing at 52.0 (52.2 consensus, 53.0 prior) and a 3-month low for Services at 53.9 (54.0 consensus, 54.5 prior), but both readings were pretty much in line with consensus and suggest an economy in expansionary territory (consistent with 2.2% Q/Q annualized GDP expansion in Q3, per the S&P Global report).

Highlights from the report:

- "US business activity growth slowed for a second successive month in September, according to early 'flash' PMI data, accompanied by a softening of demand growth. While growth was again seen across both manufacturing and service sectors, both categories reported weakened expansions, leading to slower hiring in both cases."
- "Tariffs were meanwhile again widely cited as the main cause of sharply higher costs, but weaker demand and stiff competition reportedly limited the scope to raise selling prices, which rose on average at the slowest rate since April. Slower than expected sales reportedly also contributed to the largest rise in factory inventory levels of unsold stock in the history of the survey."
- "More encouragingly, business confidence in the outlook improved, partly reflecting hopes that lower interest rates will help offset some of the anticipated impacts from tariffs and broader policy uncertainty."
- On labor market conditions: "Employment rose for a seventh straight month in September, though the rate of job creation slowed. Lower job gains were seen across both manufacturing and service sectors. Although service companies continued to take on extra staff in response to rising workloads and improved confidence, the September survey saw a higher incidence of companies unable or unwilling to fill vacant positions. In manufacturing, the survey saw more of a focus on job losses due to cost cutting."
- Inflationary pressures remained hot but have been tempered a little, and this is of note from a tariff passthrough perspective: "Firms across both manufacturing and services often reported difficulties passing higher costs on to customers due to weak demand and growing competition. Goods price inflation cooled especially sharply, down to its lowest since January whilst selling prices in the service sector rose at the weakest rate since April."



Data were collected 11-22 September 2025.

Sources: S&P Global PMI, Bureau of Economic Analysis via S&P Global Market Intelligence.

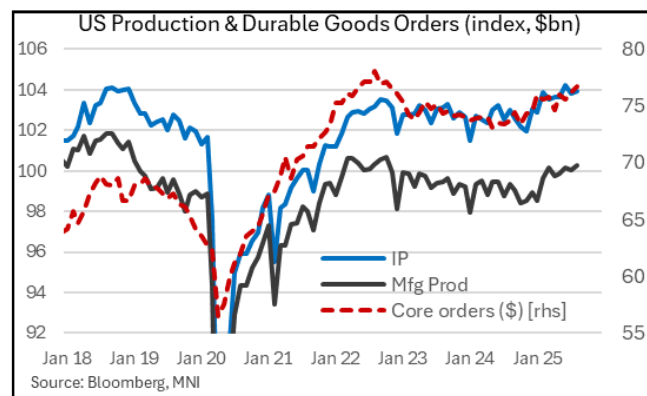
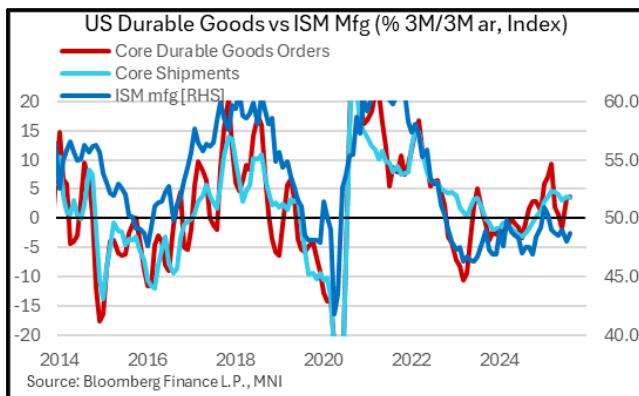
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Core Durable Goods Solidifying After Volatile Period

Durable and capital goods orders exceeded expectations in August.

- Headline orders came in at 2.9% M/M, besting the expected 0.3% contraction and reversing August's 2.7% fall (rev from a 2.8% drop). As is more often the case than not, aircraft orders volatility played a key role here, though it wasn't just the usual nondefense aircraft & parts (i.e. Boeing) orders which rose 22% after -32%, with defense aircraft/parts jumping 50% to the highest level in 28 months.
- Nonetheless, ex-transport durable goods orders also exceeded expectations, rising 0.4% M/M (0.0% expected, 1.0% prior unrevised).
- And the key core indicator, nondefense/ex-aircraft capital goods orders, rose 0.6% (0% expected, 0.8% prior rev from 1.1%).
- After pulling back over the summer, momentum is starting to rebuild for core capital goods orders: the 3M/3M annualized rate of growth is up to 3.7%, vs flat/contractionary in May/June and the fastest since Q1's tariff front-loaded activity.

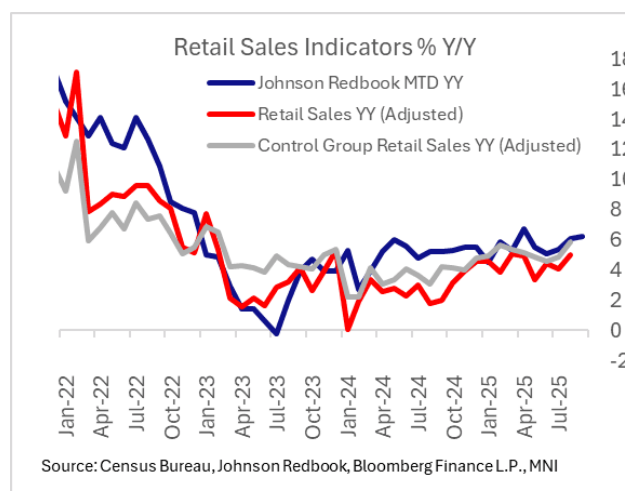
- If you exclude Q1 which is arguably a distorted period to measure, this is some of the strongest momentum since 2023. Shipments have been on the softer side (-0.3% M/M in Aug), but that is more of a lagging indicator.
- Overall manufacturing and equipment investment appears to have steadied out, with the resumption of the uptrend appearing to resume in core durables and more broadly in IP/manufacturing production.



Redbook Retail Sales Continue To Grow At A ~6% Clip

Johnson Redbook Retail Sales rose 5.7% Y/Y in the week ending September 20, a paring of the 6.3% gain the prior week. As such, month-to-date sales slipped back to 6.2% after printing 6.5% the prior week, but that's still in line with retailers' targeted 6.3% gain.

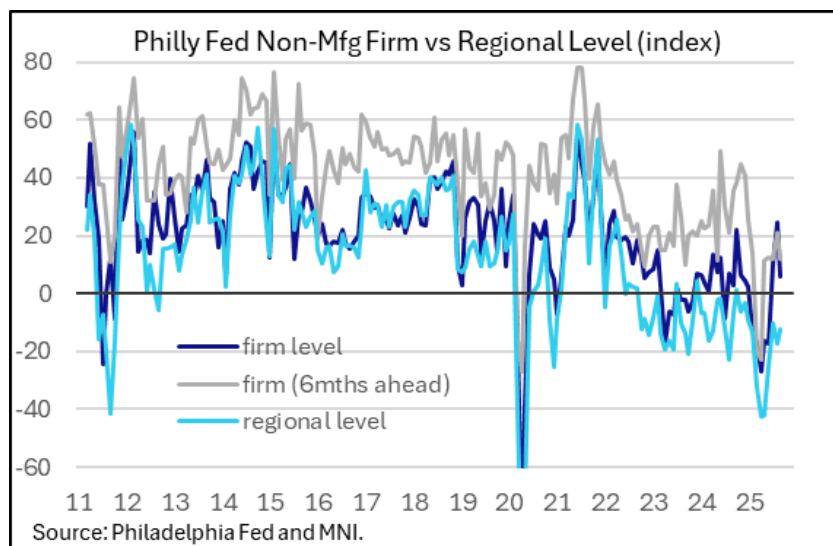
- With Y/Y sales growth continuing to run at a 6% clip, there are no signs that overall retail sales growth is moderating as Q3 comes to a close - with the usual caveat that these indices are reported in nominal and not volume terms.
- The report's anecdotes highlight the upcoming Amazon sales in October: "Sales declined during the week as back-to-school categories wrapped up and transitioned into fall merchandise. The cooler weather drove demand for seasonal items, particularly clothing. Basic apparel, food, and household supplies helped maintain performance at discount stores. Amazon's Prime Big Deal Day sales are scheduled for October 7-9, marking the start of the holiday shopping season with various discounts. Other major retailers have also announced promotions to compete with this event. Additionally, retailers are beginning to offer Halloween merchandise to get an early start on the celebration."



Business Sentiment: Mixed*Philly Fed Services Activity And Prices Decidedly Mixed*

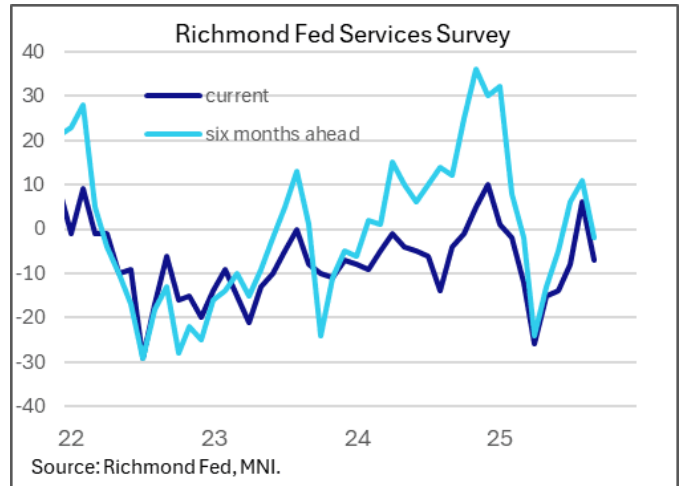
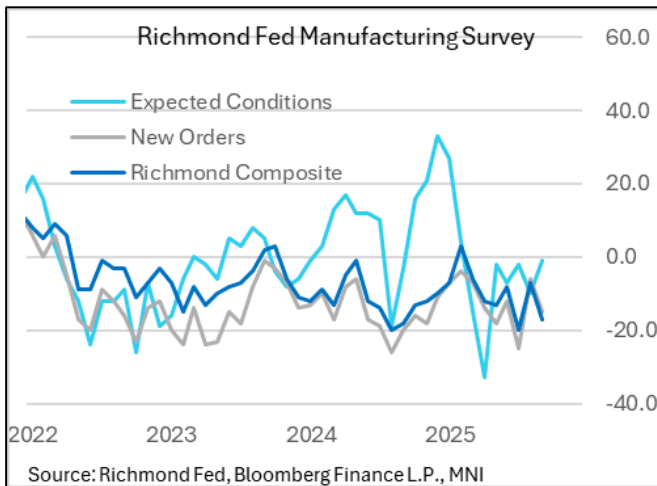
The September Philadelphia Fed Nonmanufacturing Business Outlook Survey showed a modest pickup in regional services sector activity, albeit remaining soft overall with a weaker outlook.

- The regional level general activity index picked up to -12.3 from -17.5, however the firm-level reading pulled back significantly to 5.8 from 24.6 prior which had been a 41-month high (and now looks like an extreme outlier). The 6-month activity outlooks for both regional and firm-level activity reversed August's rise, falling to 4-month lows in the case of the regional reading.
- New orders dropped to 0.5 from 21.5 (3-month low), with employment mixed (full-time jumped to 9.4 from -3.8 for a 4-month high, but part-time dropped to -7.3 from -2.8 for a 4-month low).
- There was some modest relief on the prices paid front, which dropped to 38.8 from 43.2 - but the former was the 2nd-highest reading since early 2023, and pressures remain elevated overall. Prices received ticked up to the highest level of the year at 21.8 from 20.1, however, potentially suggesting firms are passing on prices to clients, and thereby reducing input-related margin pressures.
- The Philly surveys have been a little erratic the last few months and often outliers to regional peers, and appear to be so again on activity (NY Fed fell back sharply even as Philly improved) but overall these line up with the NY Fed's services survey in prices paid moderating slightly with prices received ticking up.

*Richmond Fed: Pickup In Activity Fails To Persist In September*

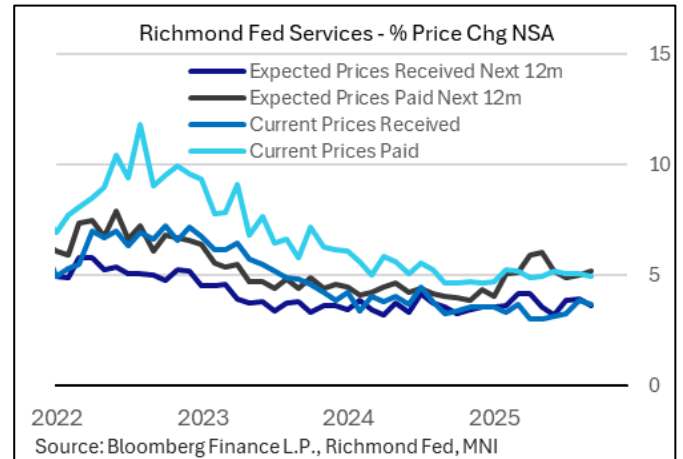
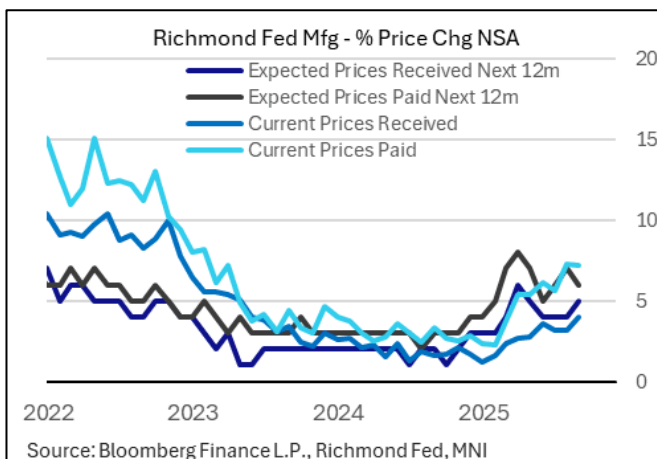
The Richmond Fed's Fifth District surveys of regional manufacturing and services firms for September showed that a nascent pickup in activity in August may have been an outlier. The headline aggregate indices as well as key sub-components weakened, though were roughly in line with averages seen over the last year.

- The manufacturing survey showed a sharp retrenchment to -17 in September from -7 prior, for the 2nd weakest headline figure since September 2024 and a full reversion of the surprise improvement in August. This was far worse than the expected improvement to -5 (Bloomberg consensus).
- The internals of the report were weak: all three of the composite sub-indices pulled back, including shipments (-20 from -5), new orders (-15 from -6), and employment (-15 from -11). In a rare bright spot, expectations improved to -1 from -10.
- The Services business activity index reverted to -7 in September after an improvement to 6 in August. Similarly the 6-month outlook fell to a 3-month low -2 from 11 prior.
- As with manufacturing, current measures were weak (revenues down to 1 from 4, demand down to 3 from 13), though employment remained steady.



The Richmond Fed surveys' inflation subcomponents were somewhat mixed in September, with continued pressures more apparent for manufacturers than for services firms. Note that the Richmond Fed reports its price indices differently from the other regional banks, expressing them in percentage changes over the last / next 12 months.

- Manufacturing prices remained stubbornly high: current prices paid stayed at 7.2% for a second consecutive month (August's was a 27-month high), with prices received picking up sharply to 4.0% - the latter marking a 27-month high (and a potential sign that manufacturers are passing through tariff costs).
- Expected prices paid dipped to 6.0% however from 7.0%, with received up to 5.0% after four months at 4.0%.
- Services price inflation was better-behaved. Current paid dipped to 5.0% from 5.1%, marking a 4-month low, with prices received at a 2-month low 3.7% after August's 3.9% was the highest in over a year.
- Expected prices paid ticked up to 5.2% from 5.0%, though expected received fell to 3.6% from 4.0% for a 3-month low.



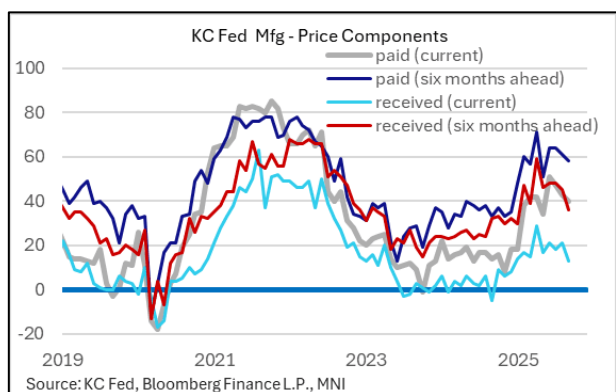
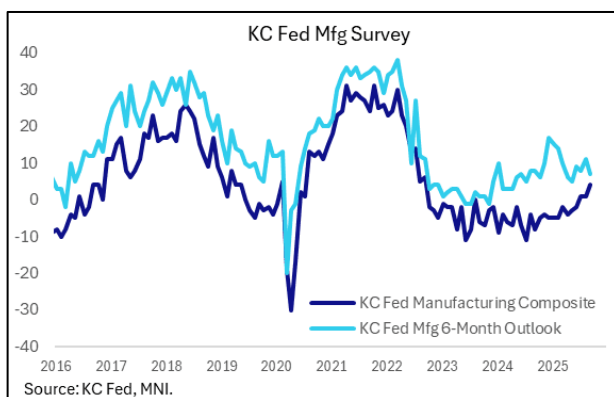
KC Fed Manufacturing Continues To Pick Up As Price Pressures Abate

The Kansas City Fed's Tenth District Manufacturing Activity report showed the strongest activity in 36 months in September, with the headline month-over-month composite index at 4, vs 1 in the prior two months.

- The composite is calculated as the average of the production, new orders, employment, supplier delivery time, and raw materials inventory indices: all rose sequentially with the exceptions of new orders (2, after 5

prior) and supplier delivery time (4, after 7 prior), while notably employment picked up to the highest since March 2025. Expectations 6 months forward were a little softer at 7, but remains elevated vs levels seen over most of 2023-24.

- Inflationary pressures abated: current prices paid dipped to a 4-month low 40 from 43, with prices received fell to a 9-month low 13 from 21. 6-month ahead prices cooled too, with prices paid at 58 (4-month low) from 61 and received at 36 (8-month low) from 45.
- While we wouldn't read too much into the anecdotes, we noted that there was no mention of the word "tariff", in contrast to reports in most of the year - that said, most of the respondents were more downbeat and uncertain than the headline survey indices would suggest.
- We await the Dallas Fed manufacturing report on Monday before making any conclusions on national manufacturing activity in September ahead of next Wednesday's ISM Manufacturing release.
- Thus far the September results have been very mixed: the NY and Richmond Feds saw large pullbacks in current activity vs August, while Philadelphia and KC saw big improvements.

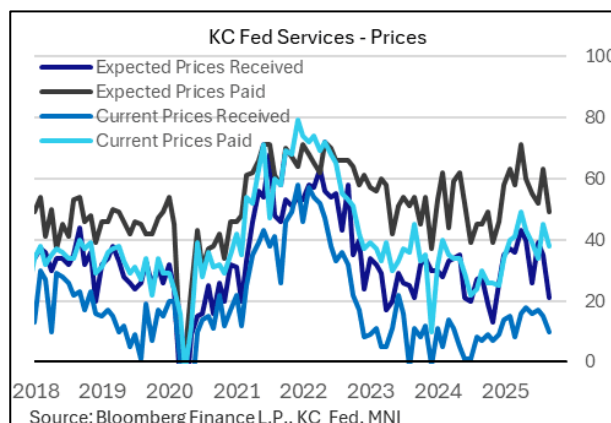
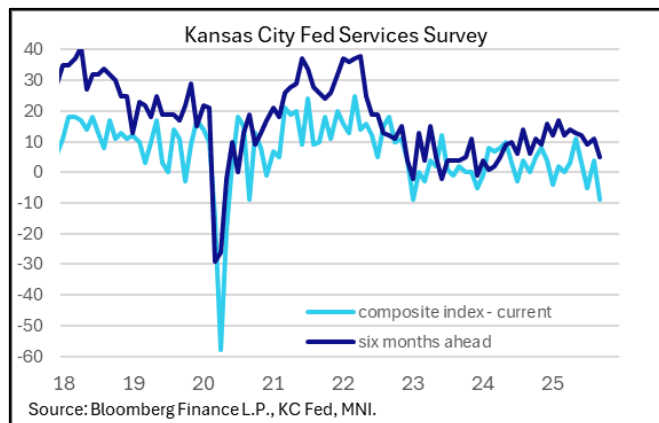


KC Fed Services Activity Weakens Sharply, But So Do Price Pressures

The Kansas City Fed's Tenth District Services survey showed a "modest decline" in regional service firm activity in September, with the composite index falling to -9 from 4. This was the weakest reading in 32 months, and stands in contrast to the KC Fed's manufacturing survey which showed a robust improvement to multi-month highs in September.

- So far, 3 of the 4 regional Fed surveys released for the month (KC, NY, Richmond) have shown deterioration from August - Philly is the exception albeit still in contractionary territory. That leaves the Dallas Fed's reading on Tuesday Sep 30th for a final steer ahead of the ISM Services reading on Thursday Oct 2.
- The internals of the KC survey were weak: standouts included the general revenue/sales index dropping to -13 from 5, and the employment index falling to a post-May 2020 low -12 from 2. Per the report, "Activity in education and professional services grew, while the tourism sector continued to fall."
- The overall reading is fairly steady vs a year ago, but as noted this is one of the biggest sequential declines in the last 3 years. The six-month ahead expectations also fell to a 17-month low 5 from 11.

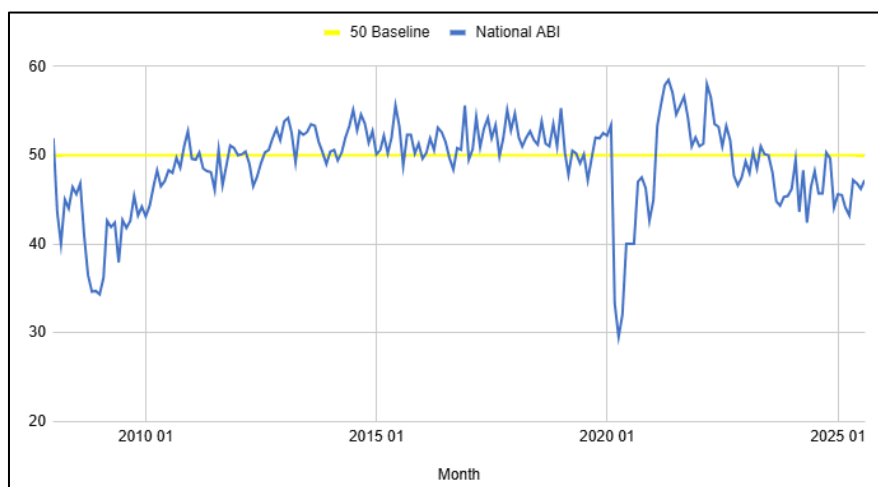
- The inflation readings accorded with the KC Fed manufacturing survey however in showing some reduction in price pressures: current prices paid fell to 38 from 45 with expected down to 49 (9-month low) from 63; current prices received fell to 10 (6-month low) from 15, expected down to 21 (10-month low) from 35.



Architectural Billings Suggest Weakness Ahead For Construction

The American Institute of Architects (AIA)'s Architecture Billings Index (ABI) remained below the 50 mark in August.

- At 47.2, it improved from 46.2 in July. But the sub-50 reading meant that the value of new design contracts dropped for a record 18th consecutive month (the series has been published for 15 years).
- As a leading indicator of construction activity, this is a negative sign for both nonresidential and residential (multifamily) investment over the coming year.
- Already, construction is under duress - as of the latest data for August from the Census Bureau, private sector construction activity contracted (in value terms) for the 14th consecutive month (-0.2% after -0.5%). Overall, since peaking in December 2023, private nonresidential construction has fallen by 6.9%.

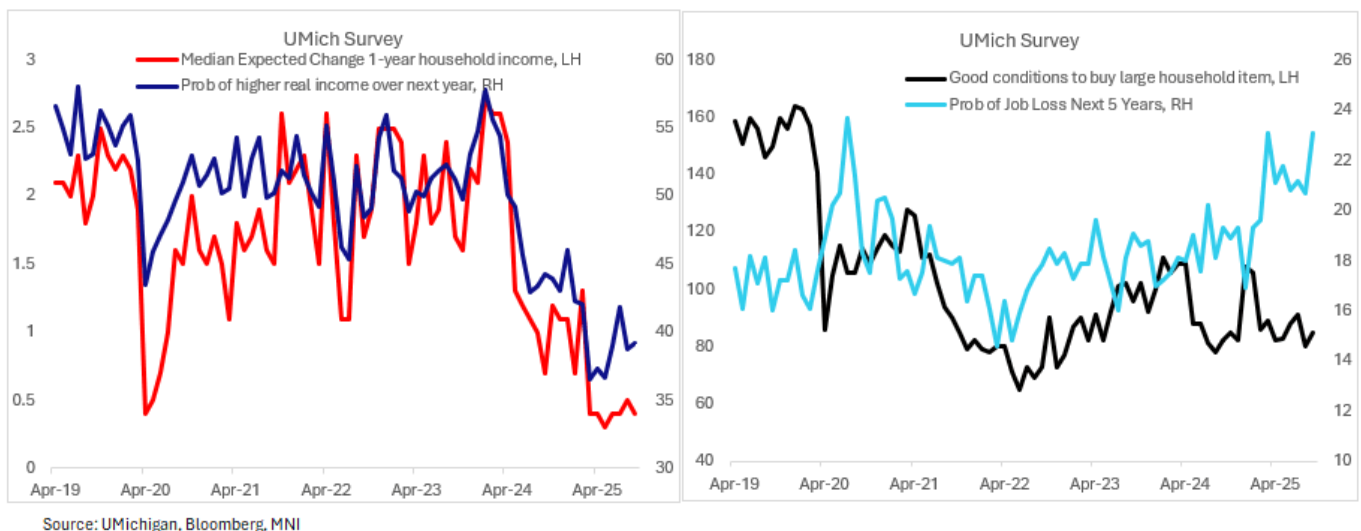
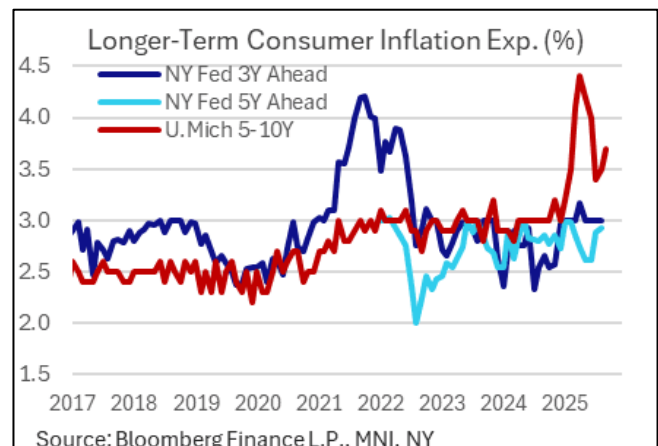


Consumer Sentiment: Subdued

UMichigan Confidence Remains Subdued As Inflation, Job Concerns Persist

The University of Michigan's final September report showed downwardly revised sentiment as well as inflation expectations.

- The headline sentiment index came in at 55.1 (55.4 prelim, 58.2 August), with economic conditions at 60.4 (61.2 prelim, 61.7 prior) and expectations 51.7 (51.8 prelim 55.9 prior).
- The inflation expectations were revised down: 1Y to 4.7% from 4.8%, and 5-10Y to 3.7% from 3.9%. That leaves the longer-run inflation reading, especially, very elevated by historic standards (3.0% for most of 2022-24), and up from 3.5% in August
- We take this finding with significant skepticism, as does, it appears, Fed officials. At the September Fed press conference, Chair Powell acknowledged the survey's elevated inflation expectations metrics: "Michigan being a bit of an outlier lately", with other officials making similar comments downplaying the reliability of the survey.
- That said, the survey report does highlight what FOMC members have referred to as risks to both side of the mandate. Per the report: "Nationally, not only did macroeconomic expectations fall, particularly for labor markets and business conditions, but personal expectations did as well, with a softening outlook for their own incomes and personal finances. Consumers continue to express frustration over the persistence of high prices, with 44% spontaneously mentioning that high prices are eroding their personal finances, the highest reading in a year. Interviews this month highlight the fact that consumers feel pressure both from the prospect of higher inflation as well as the risk of weaker labor markets."
- Indeed, households remain concerned about future income and about as worried as they've been since the pandemic over losing their job, per the survey - keeping overall sentiment depressed - see charts.

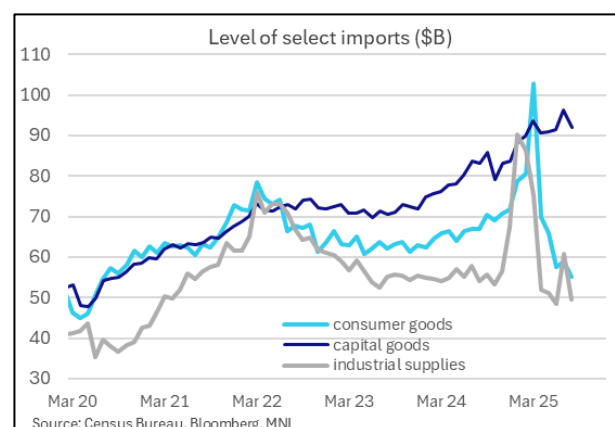
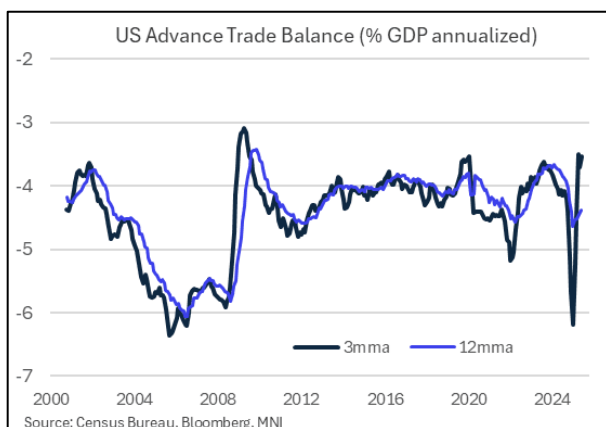


External Sector: Narrower Deficit

Narrower Trade Deficit Amid Weaker Consumer Imports In Tariff Era

August's goods trade deficit was smaller than expected, at \$85.5B in the advance estimate (\$95B expected). That's a narrowing from the outsized \$103B in July, and comes as imports (-7.0% M/M) dropped more sharply than exports (-1.3% M/M).

- This was a poor month for exports across the board, with industrial supplies/materials, autos, consumer goods, and other all seeing contractions; capital goods and food/beverage exports ticked up slightly however.
- But imports' decline reversed the prior month's 7.0% rise, and meant that the level of nominal imports was the lowest in 19 months at just under \$262B. Industrial supplies/materials imports dropped 19% after rising 26% the prior month, while consumer goods (-6%) and capital goods (-4%) each saw notable pullbacks.
- The goods deficit as a % of GDP is roughly 3.5% on a 3 month moving average basis, well under 6+% in March and among the lowest levels seen in the last 25 years.
- It's increasingly clear that tariffs are having an impact, one way or the other, on consumer imports: on a Y/Y basis August saw declines in industrial supplies (-9%), autos (-12%), foods (-6%), and of course, in consumer goods (-18%).
- Part of that is tariff front-running after a very strong rise at the turn of the year (consumer goods rose 56% Y/Y in March), though it's probably not far-fetched to suggest that the implementation of tariffs is dampening consumer import demand. The pullback in industrial supply imports is due in large part to a reversal of gold/precious metal imports that distorted both the trade picture and overall GDP earlier in the year.
- Either way, consumer goods imports at \$55B are at their lowest level since July 2020, and about 45% below the March peak.
- At the same time, capital goods imports have remained relatively resilient despite August's 4% pullback: at \$92B they are widening the gap in nominal terms vs consumer goods, suggestive of domestic investment growth that isn't being matched by imported goods consumption - or in part at least, domestic sellers may still be running down inventories.
- We'll know more with the full trade report due out Oct 7.

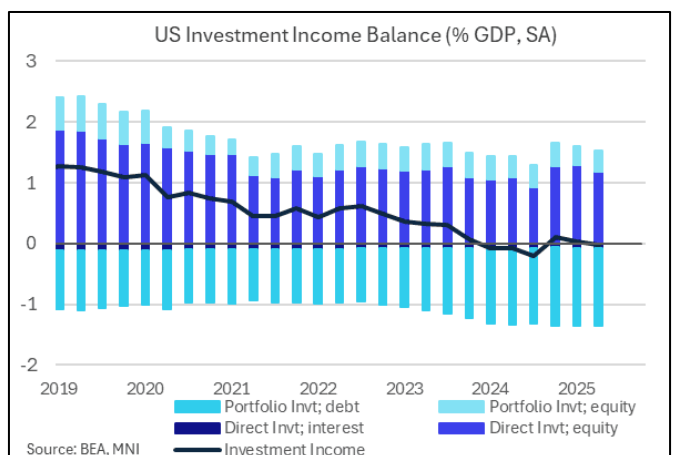
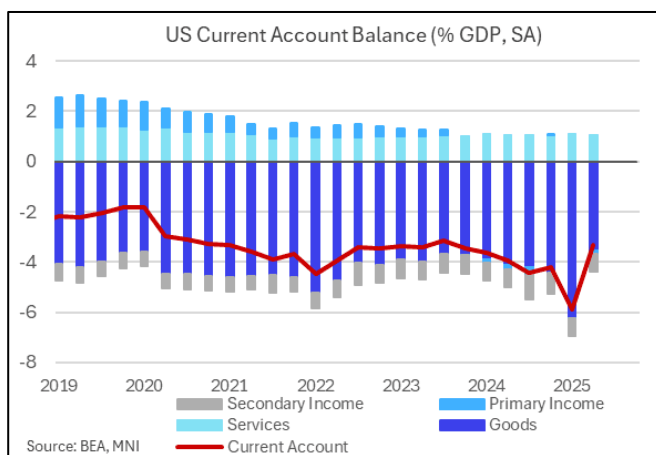


Current Account Weighed By Trade Deficit, Weaker Net Investment Income

The US current account deficit was a little smaller than expected in Q2 2025, at \$251B, vs \$257B expected (prior revised to \$440B from \$450B - all figures rounded).

- This was the smallest deficit in nominal terms since Q4 2023, but comes after a record shortfall the prior quarter. The implied 3.3% of GDP deficit was the smallest since Q3 2023, after 5.9% in Q1. The swings were of course exaggerated primarily by tariff-related trade shifts, but when we average the two quarters out, the deficit comes out at \$346B.
- That's wide by historical standards (the prior 8 quarters averaged \$254B), with the difference again being the goods trade deficit of \$368B on average the first half of the year (\$284B 8-quarters prior average). The services trade surplus averaged \$80B in H1, vs around \$74B the prior 8 quarters, so a slight improvement there in line with the historical average, even as the primary and secondary income accounts showed slightly smaller deficits - see chart as % of GDP.

- We get August advance goods trade data on Thursday - it's expected to see a smaller deficit of \$95B vs a surprisingly high \$103B in July. Consensus for the current account sees a small narrowing over the coming quarters, from an average 4.6% of GDP in H1 to 4.0% by mid-2026.
- One key to the current account outlook is portfolio income: as US yields have risen, the % of GDP paid out to the rest of the world has neared 2.0% (1.8% in the latest quarter) of GDP from 1.5% in 2022, while credits received have been static at 0.6%, reflecting the negative international portfolio investment position.
- While this has been offset by an improvement in net direct investment income, that widening in the portfolio category accounts for about 0.4-0.5pp of the current account deficit, and doesn't look likely to abate in the near future. The investment income balance used to represent a strong surplus for the US current account (+1% of GDP) but has been flat for the last couple of years.



Housing/Credit/Household Finances: Home Sales Mixed

Huge Jump In New Home Sales At Odds With Broader Indicators

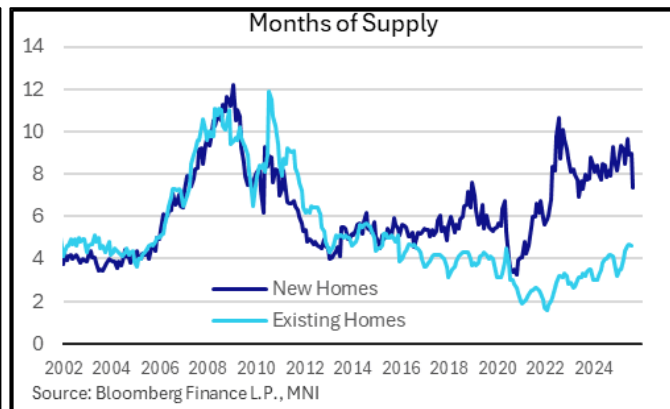
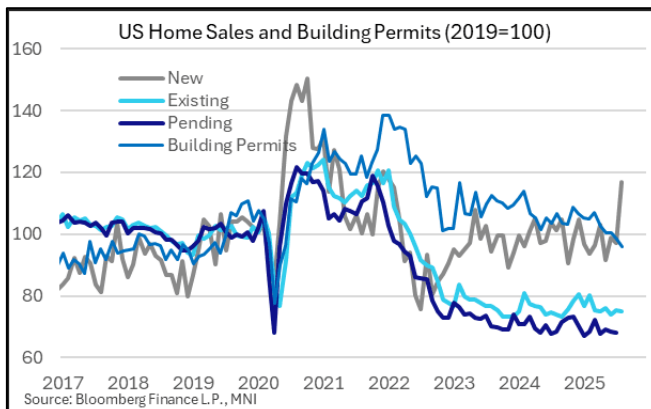
New single-family home sales soared in August to 800k on a seasonally adjusted annualized basis, a 20.5% rise from 664k in July (rev from 652k). A slight decline had been expected to 650k, but instead sales jumped to the highest rate since January 2022.

- There was no explanation for the surge in the Census Bureau release. For now we treat this reading with caution, and consider it an anomaly that's likely to see reversion in coming months.
- It's at odds with continued decade-plus lows in NAHB single-family homebuilder sentiment through September, and comes ahead of the recent improvement in mortgage rates (which in any case haven't seen an appreciable rise in mortgage purchase applications).
- We know from the NAHB report that builder incentives for buyers hit a 5-year high in August (66% used such incentives), which may also have played a factor.
- With August typically a down month for sales M/M on a non-seasonally-adjusted basis (only 2 of the prior 10 years saw NSA rises in August), the SA will have provided a boost too: NSA sales were 66k sales in August, up 10k from July and 56k in August 2024. 9k of the 10k Y/Y jump was in the South, so there may have been a one-off explanation for this.
- All four national regions saw sizeable increases in sales - while the Northeast saw a 72% M/M increase, that was from a low base (31k from 18k), the biggest contributor was the 25% rise in the South (530k from 425k).
- This implied a sudden tightening of inventory: months of supply vs current sales fell to a 25-month low 7.4 from 9.0.
- % Y/Y prices rose 1.9% to \$413.5k (not seasonally-adjusted), but remained below the month-of-August peak of \$441k in 2023.

Existing Home Sales Market Tightening Very Slightly, But Still Loose

Existing home sales totaled 4.00M in August on a seasonally-adjusted, annualized basis, per the National Association of Realtors. This was a little above the expected 3.95M, though a small decline from July's 4.01M.

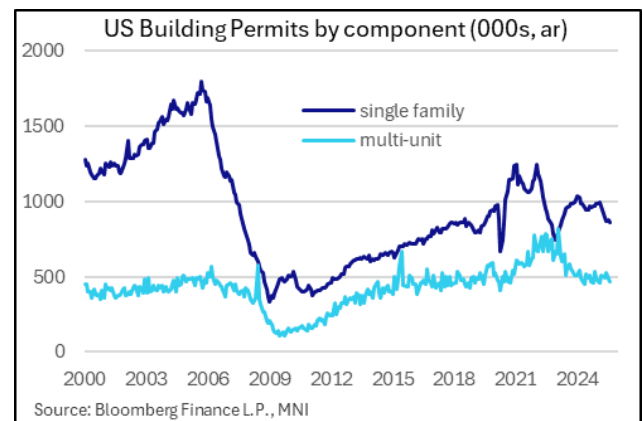
- The 6-month average for sales is exactly 4.00M, so this report merely confirms the recent trend (or lack thereof) in sales activity, which remains about 25% below 2019 (pre-Covid) levels.
- Regional performance was mixed, with sales declining in the Northeast and South, and picking up in the Midwest and West.
- Prices ticked up 2.0% Y/Y to \$422,600, with gains averaging 1.7% over the last 6 months and remaining about
- Inventories were a little softer NSA (1.53M), with the months of supply falling to a 3-month low 4.59 from 4.64 prior - but that's still well above the sub-2 lows coming out of the pandemic.
- As such the market has tightened slightly from the loosest levels seen recently, but remains loose by historic standards and the broader trend is toward further loosening.
- It also suggests the big jump in New Home Sales for August was an outlier. In any case, existing home sales are five-fold those of new sales (4M vs 800k), making them much more important for transaction activity.
- Lower mortgage rates seen in recent weeks could help buoy activity but affordability remains limited. The NAR's chief economist writes hopefully, "The ever-so-slight improvement in housing affordability is inching up home sales. Wage growth is now comfortably outpacing home price growth, and buyers have more choices."



August Building Permits Upped Slightly, Still Weak

August building permits were revised up in the final reading to 1,330k (1,312k prelim).

- That's still a drop from 1,362k in July for a cycle low (weakest since 2019, ex-pandemic 2020).
- Single-family home permits were basically unrevised at 858k (856k prelim), with multi-units now estimated at 472k (456k prelim).
- This could on the margins lead to a small uptick in residential investment estimates, including the Atlanta Fed GDPNow reading due out Friday - it currently estimates -6.3% Q/Q SAAR residential investment, which had been downgraded from -4.6% after the preliminary housing data (starts could yet be revised in the September report due out October 17).

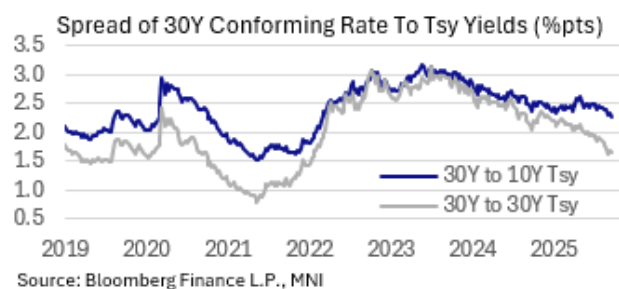
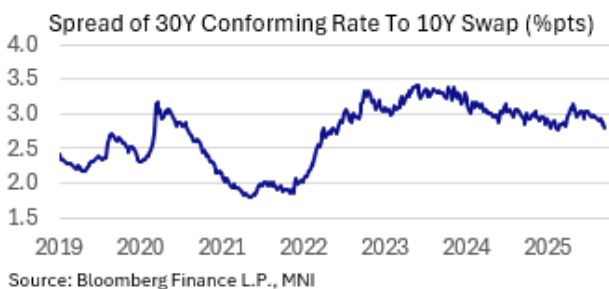
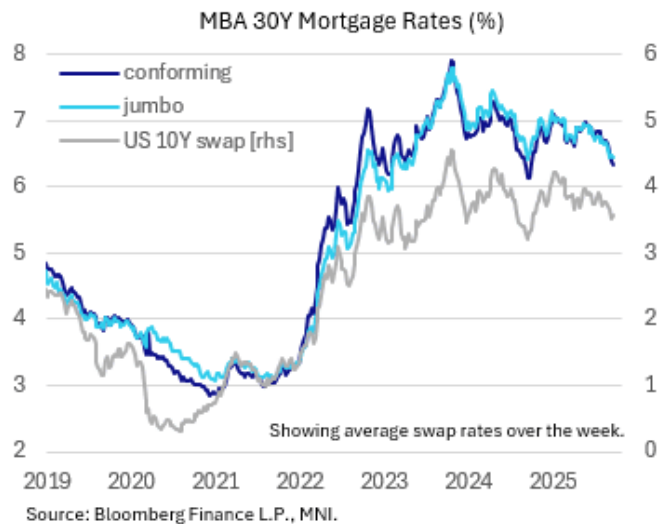
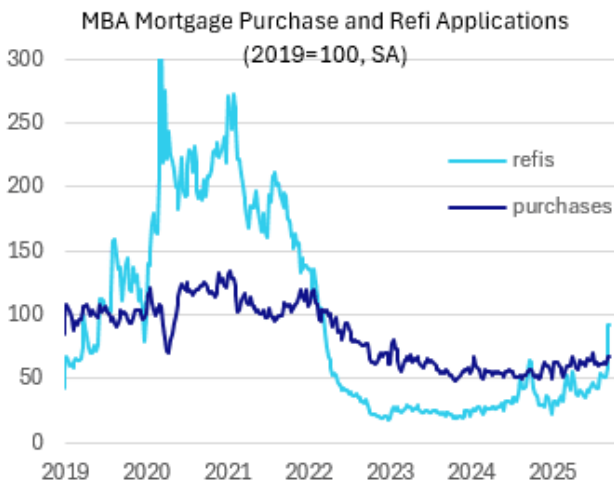


- But overall, there are no clear signs of a nascent pickup in residential investment activity.

Elevated Mortgage Refi Apps Steady W/W As Spreads, Rates Tick Lower

Mortgage application activity as measured by the MBA composite index was basically flat in the week of Sept 19, rising by 0.6% W/W after the prior 29.7% surge was the biggest since January. This is a refinancing story so far, similar to other periods seeing pullbacks in yields since 2023, with outright purchase activity remaining weak.

- Purchase applications rose 0.3% (2.9% prior) with refinancings up 0.8% (after 57.7%). While the previous week's surge didn't extend, the latest rise brought refinancing apps to fresh post-Q1 2022 highs, as homeowners clamor for the lowest rates seen since September 2024. The overall composite nudged up to its highest since May 2022.
- While the latest 5bp downtick in 30Y conforming rates to 6.34% didn't fuel much additional activity in the most recent week, that rate has now fallen 35bp in a month (6.69% week of August 22), alongside a 23bp drop in 10Y Treasury yields (average weekly basis) and 22bp for 30Y.
- The spread of the 30Y conforming mortgage rate to 10Y Tsys was 226bp in the latest week, down 7bp for the lowest since February 2022; to 10Y swaps it's the lowest since February this year.
- The spread of jumbo-to-regular 30Y rates has moved to its widest since February, at 10bp (jumbo = 6.44%), with the spread having been inverted over much of that period in jumbos' favor.
- The mortgage market is a long way from being outright supportive of residential activity, but it is headed in that direction. Note that the recent decline in yields and thus pickup in activity coincides with the Fed's Jackson Hole symposium at which Chair Powell signaled that the Fed would resume rate cutting (and did so at last week's meeting).



Fedspeak: Path To Rate Cuts Runs Through Labor Market

While we heard the monetary policy views of 6 of 12 current FOMC voters this week, there were no real surprises. Chair Powell reiterated that policy is not on a preset course; Gov Bowman and Gov Miran reiterated their more-dovish-than-median views; Musalem and Schmid suggested only limited scope for easing; and Goolsbee eyed neutral rates 100-125bp lower but was "uneasy" with too much front-loading. Virtually of the week's FOMC speakers noted labor market risks had begun to surface, but had varying concerns about inflation. To sum up:

2025 FOMC Voters:

- Powell Reiterates "There Is No Risk-Free Path", Policy Not On Preset Course (Sep 23)
- Gov Bowman: Concerned Will Need Faster And Bigger Cuts (Sep 23)
- St Louis's Musalem: Limited Room For Easing, Policy May Be Close To Neutral (Sep 22)
- Chicago's Goolsbee Eyes Neutral Rates 100-125bp Lower (Sep 23), Uneasy With Too Much Cut Frontloading (Sep 25)
- Gov Miran: Appropriate Rates In 2.00-2.50% "Ballpark" (Sep 22)
- KC Fed's Schmid: Slightly Restrictive Policy The "Right Place To Be" (Sep 24)

Non-2025 Voters:

- Atlanta's Bostic Pencils In No More Cuts this Year, But Watching Data (Sep 22), Longer-Run Dot Suggests Limited Impetus To Cut Further (Sep 23)
- SF's Daly: Likely Further Cuts Will Be Needed To Support Labor Market (Sep 24)
- Cleveland's Hammack: Policy Very Mildly Restrictive, Concerns On More Cuts (Sep 22)
- Dallas's Logan: Time To Move From Fed Funds Policy Rate To Tri-Party Repo (Sep 25)
- Barkin: Jobs Shakier, Inflation Less Troubling (Sep 26)

Powell Reiterates "There Is No Risk-Free Path", Policy Not On Preset Course (Sep 23)

Fed Chair Powell's speech text on the Economic Outlook is available [here](#). His comments don't appear to deviate much if at all from last week's FOMC press conference, hence a limited market reaction. Key comments:

- "Two-sided risks mean that there is no risk-free path. If we ease too aggressively, we could leave the inflation job unfinished and need to reverse course later to fully restore 2 percent inflation. If we maintain restrictive policy too long, the labor market could soften unnecessarily. When our goals are in tension like this, our framework calls for us to balance both sides of our dual mandate."
- "In the labor market, there has been a marked slowing in both the supply of and demand for workers—an unusual and challenging development. In this less dynamic and somewhat softer labor market, the downside risks to employment have risen."
- "Uncertainty around the path of inflation remains high. We will carefully assess and manage the risk of higher and more persistent inflation. We will make sure that this one-time increase in prices does not become an ongoing inflation problem."
- "We therefore judged it appropriate at our last meeting to take another step toward a more neutral policy stance, lowering the target range for the federal funds rate by 25 basis points to 4 to 4.25%."
- "This policy stance, which I see as still modestly restrictive, leaves us well positioned to respond to potential economic developments."
- "In recent months, it has become clear that the balance of risks has shifted, prompting us to move our policy stance closer to neutral at our meeting last week."
- "Our policy is not on a preset course. We will continue to determine the appropriate stance based on the incoming data, the evolving outlook, and the balance of risks."

Powell doesn't deviate much from the September FOMC message in a Q&A appearance Tuesday. He repeats his comment from last week's press conference that he can no longer describe the labor market as "solid", while they'll be assessing "vast quantities" of data to make a decision at the October meeting:

- "So what we've done all year is, our policy rate has been tight because inflation has been above our target, but the labor market was very solid. Now over the last really four months, really over the summer, the labor market has softened. Payroll jobs have dropped a lot, so we can't really say that anymore. And I think what

that told us, is that stance of really having a tight focus on inflation really needs to moderate toward a more balanced approach. And so that's why we took the action we took at our at our last meeting. And as we go to our next meeting, we'll be asking ourselves, we'll be looking at the data very carefully - labor market data, growth data, inflation data, all the vast quantities of data that we get and asking ourselves, is policy in the right place, and if not, we move it there."

- He says "I would say we do see meaningful weakness in the labor market now, very low job creation."
- **Powell says the latest Beige Book showed a fairly consistent economic picture across Fed regions:** "All around the country... you saw a pretty modest growth, wage and price inflation at modest to moderate levels. The economy growing, but not fast, and significant uncertainty ... federal public policy is kind of weighing on investments and decisions about investment and hiring, except in the area of the AI buildout which is just going really strong pretty much many parts of the country."
- He repeats what he said last week about how it doesn't appear that overseas exporters are eating the cost of tariffs, but rather importers/retailers - "and they're not passing along to consumers that much of the cost. So the actual effects on inflation have been quite modest."
- "The question is, are companies, then are they going to eventually be able to pass that stuff through? And then that might drive inflation up a little higher?... I would say that that the passthrough to consumers has been later and less than we expected. How much of that will continue, I don't know, but the responsible thing, from our standpoint, was to watch and wait, because, you know, it's our job to make sure we don't make a mistake on inflation."
- **On the balance of risks:** "We may find out in a year that inflation actually wasn't under control, and it's back up to three and a half or 4%. No one thinks this is the base case, but that's the risk of cutting too early or too much... of course, the risk of cutting too late is that the labor market weakens unnecessarily. There's no risk free path, and you know, it's just, it's a very difficult policy environment when your two goals are telling you two different things, you've got to make a compromise."

St Louis's Musalem: Limited Room For Easing, Policy May Be Close To Neutral (Sep 22)

St Louis Fed President Musalem (2025 FOMC voter, hawk) says he supported the 25bp cut in September as a "precautionary move" "because recent data indicate that the downside risks to employment have increased relative to the risk of inflation remaining persistently above target", however he calls for a cautious approach to easing because "I see a risk that above-target inflation could be more persistent than is desirable".

- Given this outlook we highly doubt he's at (let alone below) the median 2025 FOMC "dot" of 3.6%, and instead is probably one of the 7 members who favored no further cuts over the next two meetings (4.1% or above) though it's possible he was one of the 2 members who wrote down 1 more additional cut (3.9%).
- He says "I believe there is limited room for easing further without policy becoming overly accommodative, and we should tread cautiously for three reasons": 1) financial conditions already supportive of the economy, 2) looking through one-time tariff inflation impacts "is appropriate" but a posture of "looking through" "could risk price stability if taken too far, or if maintained for too long", 3) the ex-ante real policy rate is already close to neutral (4.1% Fed funds, 12-month forward inflation of 3.3% = 0.8%, below the 1% median long-run neutral rate FOMC median in real terms).
- On those real rate estimates, he cites potential conditions under which he would support further easing: "I do not view 1% as a floor below which the real policy rate must not go. But to go there, I believe the outlook or balance of risks must shift further from where they are today, especially if inflation looks likely to remain persistently above target. Should further signs of labor market weakness emerge, I would support additional reductions in the policy rate, provided the risk of above-target inflation persistence has not increased and longer-term inflation expectations remain anchored."
- He says that "The stance of monetary policy now lies between modestly restrictive and neutral, which I view as appropriate."
- He sums up, "While providing insurance against labor market weakness, I believe that monetary policy should continue to lean against persistence in above-target inflation, whether it materializes from the impact of tariffs, lower labor supply growth, or for other reasons."
- In Q&A, he says "I think there is limited room for further policy easing without getting into overly accommodative territory. So I think we should tread with in a cautious way, in a gradual way."
- "I am open to further adjustments in the in the policy rate. As I said, I think the the space for doing so before policy becomes accommodative, you know, is limited.... we're gonna get some more data between

now and the and the October meeting. I'm really focused on a path rather than, you know, the next meeting. I am taking a meeting by meeting approach, because I believe every piece of incremental information is important."

- Asked by MNI whether it's fair to say that he doesn't see the 25bp September cut as the start of an extensive easing cycle, Musalem says: "I can't pre-judge what the committee will do at each future meeting, so I won't be able to answer that question. But I did say, in terms of my own opinion or my own view, that I would be prepared to go below that 1% long term real neutral rate, provided I did see labor market weakness risks rising, and if inflation expectations remain anchored, and if there's no further persistence of the inflation path. So you know, I never think of the long run neutral rate as some sort of artificial boundary below which you can never go, but you have to go there under the right baseline outlook and shift in balance of risks."

Musalem Notes Market Expectations For QT Runoff To End In H1 2026 (Sep 22)

St Louis Fed President Musalem echoed his colleagues Monday that the Fed still sees reserves as "abundant", though highlighted market expectations of an end to QT in H1 2025:

- "The New York [Fed] monitors very carefully whether we are still in an abundant reserves situation, and they publish many indicators that suggest that we are still in an abundant reserve situation. Our balance sheet has been declining gradually. We reduced the rate of rolloff earlier this year, so it's declining gradually. I would expect at some point in the future the committee to make a decision before we, or as we, feel that we are reaching that transition point between abundant reserves and ample reserves to - at that point - potentially pause the balance sheet rolloff. I've seen some market surveys that suggest - and these are not, the committee still needs to decide - but I've seen market surveys that suggest that could happen somewhere in Q1 or Q2 of next year, and could happen at around \$2.9 trillion in reserves, plus overnight RRP."
- He may be referencing the NY Fed's Survey of Market Expectations - the latest edition of which is July's. That showed a median expectation for the SOMA portfolio's decline to cease in January 2026, with reserves at \$2.875T and ON RRP at \$125B for a total \$3T.
- That was at the beginning of the Treasury's post-debt limit cash rebuilding process and may be due an update. The deadline for the latest questionnaire (September) was two weeks ago, and the results should be released the same day as the September FOMC Minutes - Oct 8.
- While Fed Chair Powell suggested last week the FOMC remains comfortable with the pace of QT, as he notes they are inevitably "getting closer" to an "ample" reserve level. In the latest week, reserves fell \$131B, and over the last 4 weeks have fallen \$277B. With reverse repo facility takeup nearing zero, that leaves reserves + ON RRP at just above \$3T (\$3.034T) as of last Wednesday. That was the lowest since November 2020 and very close to the \$3.0T implied by the NY Fed's survey. Musalem also commented that QE shouldn't combine cooperation with Treasury: "I think it's very important to only use QE to support the dual mandate and to not be perceived as direct or indirectly, be helping with debt management responsibilities."

Gov Bowman: Concerned Will Need Faster And Bigger Cuts (Sep 23)

Gov Bowman's speech on "Views on the Economy and Monetary Policy" is [here](#) - she warns that bigger, faster cuts may be warranted with the possibility that the Fed has fallen behind the curve on weakening labor market conditions. She's definitely one of the 9 rate dots at 3.6% for end-2025, and we would guess she's one of the 5 who are either at 2.6% or 2.9% (3-4 additional cuts) in 2026.

- "Now that we have seen many months of deteriorating labor market conditions, it is time for the Committee to act decisively and proactively to address decreasing labor market dynamism and emerging signs of fragility. In my view, the recent data, including the estimated payroll employment benchmark revisions, show that we are at serious risk of already being behind the curve in addressing deteriorating labor market conditions. Should these conditions continue, I am concerned that we will need to adjust policy at a faster pace and to a larger degree going forward."
- The last line suggests that while she didn't support a 50bp cut at the September meeting, she could be open to larger front-loaded easing if there is evidence of greater deterioration in labor market conditions.

- She sees the latest Fed statement as signalling additional cuts, which to her is appropriate given weakening labor conditions: "Cutting the policy rate 25 basis points and signaling additional adjustments at upcoming meetings should allow longer-term interest rates to remain materially lower than earlier this year and help to support the economy", though she says policy is "not on a preset course", and while she'll "carefully monitor the incoming data and information" ahead of the October meeting, "we should consider reframing our focus from overweighing the latest data to a proactive forward-looking approach and a forecast that reflects how the economy is likely to evolve going forward."
- In addressing the FOMC's newfound recognition of the shift in the balance of risks, she nods to "concerns that we have not yet perfectly achieved our inflation goal" but says "we should turn our focus toward the side of the mandate that is showing signs of deterioration or fragility even though inflation is above but within range of our target" and that "Economic research is clear that, when conditions exist like those we are currently facing, monetary policy should de-emphasize inflation."
- She says that higher tariffs are creating a negative supply shock that are also "affecting" aggregate demand, conditions that are unlikely to lead to persistent effects on inflation. Additionally, productivity is likely to be revised up given the downward rebenchmarking of employment, also potentially dampening inflationary pressures.
- And with monetary policy working with a lag, "optimal policy calls for looking through temporarily elevated inflation readings. Therefore, we should proactively remove some policy restraint on aggregate demand to avoid damage to the labor market and a further weakening in the economy, provided that long-run inflation expectations remain well anchored."

Chicago's Goolsbee Eyes Neutral Rates 100-125bp Lower (Sep 23)

Chicago Fed's Goolsbee (2025 voter) in a CNBC interview calls current policy "mildly restrictive" and points to a neutral rate 100-125bp lower than current rates. However he says that rates should come down at a "gradual" pace and with inflation stubbornly above target, the Fed needs to be "a little careful". In sum it wouldn't surprise us if his rate outlook was for another 2 cuts this year (in line with the median 3.6% dot submitted in September) and for another 2-3 cuts next year for a total 125-150bp of easing to 2.9 or 3.1% by end-2026 including the 25bp delivered last week.

- He says: "I think we are restrictive, mildly restrictive. It's worth noting, if you hold the rate at some level and inflation creeps up, you're passive cutting. So I don't see that the real rate is as restrictive as it was before we started getting this inflation. But I still think in the period before April 2, before we started getting some of the some of these shocks, I thought as inflation comes down to 2% we could still go down a fair amount with the rate. What's neutral, I think, is below where we are now by 100, 125 basis points, something like that."
- Asked if he considered supporting a 50bp cut, Goolsbee says: "No, I'm still okay with moving to be in a better spot. And I think eventually, at a gradual pace, rates can come down a fair amount if we can get this stagflationary dust out of the air. But with inflation having been over the target for four and a half years in a row and rising, I think we need to be a little careful with getting overly upfront aggressive."
- "If you look at the dot plot, where everybody gives an opinion of where do they think rates are going to settle, there's a big mass of almost everyone on the committee saying that rates can go down something lay as I say, that ultimately the rate might settle around 3% with inflation at 2%. And I'm comfortable with that, with that, as a marker."
- Goolsbee advertises his Chicago Fed's latest labor market indicators - asked if it's possible that the US is past the low point in the labor market and economic activity, as suggested earlier by ex-St Louis Fed Pres Bullard, Goolsbee doesn't totally discount the possibility:
- "If you look at these new Chicago Fed labor market indicators, they don't totally suggest that. So the labor market continues to cool at a sort of a mild to modest pace, if you look at the aggregate jobs numbers, they turned decidedly sour compared with where they were, say, a year ago. But my caution on just looking at that, of course, is that the supply side is moving all around with immigration and and some some other things. So it is possible.... You've got to manage the risk. And so I think to the extent that Bullard or others are highlighting that the economy doesn't have to just deteriorate, it could be getting hotter, and if it got hotter and inflation has already been above the target for almost five years you would you would need to think about that, right?"

Goolsbee: Uneasy With Too Much Cut Frontloading (Sep 25)

Goolsbee told reporters (including MNI) Thursday that he was "uneasy" with frontloading rate cuts: "The reason why I'm uneasy with too much frontloading of cuts is because we still need to get the information and have confidence that the rise of the inflation rate, after four and a half years of being above the target, we have to be convinced that that's transitory."

- In the first Fed commentary after the strong upward revision of Q2 (and overall H1 GDP), Chicago Fed President Goolsbee noted that (as quoted by Axios): "If excessively restrictive rates were pushing the economy toward recession, you would think that the cyclical and interest rate sensitive parts of the economy would be showing that canary in the coal mine style — and they do not seem to be for the most part...the fact that you saw some greater strength in the numbers this morning, I don't think that yet changes my basic view of the throughline of steady growth."
- He noted that keeping rates steady while inflation rises is tantamount to a decline in the real interest rate, thereby passively loosening monetary policy.
- Regarding that inflation and how it impacts the rate path forward, he reiterated that rates are around 100-125bp from neutral based on the FOMC's longer-run median estimate, but "the answer to the question of when and how rapidly we can get down from where we are right now to where I think the settling point is will, in large measure, be determined by the success at demonstrating that inflation is not going to go up a lot, that the tariffs are going to stay in their lane and are not going to be persistent. If we start to see the opposite happening then I would be uneasy in doing too much in the way of cutting."

Atlanta's Bostic Pencils In No More Cuts this Year, But Watching Data (Sep 22)

Atlanta Fed President Bostic (non-2025/2026 FOMC voter) appears to have stuck to his pre-September Fed meeting outlook for just 1 cut this year, telling the WSJ [in an interview](#) that "I had one cut for this year. I didn't say the timing for that. So this could easily be the one cut. And so for that, I'm fine with it. I think moving forward, the data is going to be really important and here's what I would say. Forecasting is really hard these days and so I still have one cut down for the year. So that would be it."

- That makes him among the 7 most hawkish members on the Committee in terms of 2025 rates, with 6 of 19 members writing in 4.1% end-year Fed funds in the Dot Plot (1 member wrote in 4.4%, a hold vs the 25bp cut already delivered). Before the September meeting, Bostic said that the Fed should be able to bring policy closer to neutral next year, though he doesn't address that timeline in this interview, instead suggesting that it is going to "take some time" to get sufficient confidence to ease further.
- He says he's adjusted his unemployment and inflation forecasts up, having not yet seen "resolutions" to uncertainty over the labor market and inflation stemming from tariffs. For core PCE he sees 3.1%/headline 2.9% for 2025 and not coming back to target until early 2028, while for unemployment he sees 4.5% in 2025 and 4.4% in 2026.
- Bostic acknowledges the broader FOMC message that "the risks have shifted" but for him, "the risk to the price-stability mandate is still the most significant". And "I don't think the labor market is in crisis right now."
- He's not ruling out support for further cuts this year. He says that he wrote his one-cut 2025 projection "into the SEP with a very light pencil. That information could come in to really reshape my views of the relative balance of risks, and in that case I'd be willing to respond to that."
- While he currently doesn't support a cut at the October meeting, Bostic says that between now and then he will be paying special attention to regional business surveys and sentiment around the workforce: "to the extent that that sentiment remains stable or if it shifts in a dramatic way, that's information that I would definitely take on board in terms of thinking about whether my policy posture should change or the posture of our policy should change."

Bostic's Longer-Run Dot Suggests Limited Impetus To Cut Further (Sep 23)

Atlanta Fed President Bostic added some reflections on the economy and rates in a podcast recording Tuesday morning.

- His comments on neutral rates suggest that beyond this year, he only sees 3 or 4 more cuts in the cycle. He said Tuesday that "I have in my head that we are starting to see [longer-run neutral] rise. I think 3.1% is in the ballpark. Right now I'm at one and a quarter (in real terms)". Added to 2% inflation, this implies he's

at 3.25% on the longer-run dot - and is the only one on the Committee at that level as of September (the median is 3.00%), and has moved up since the last projection since there was nobody at 3.25% in June. That said, it's consistent with what he said in early 2025 (probably in the 3% to 3.5% range) so maybe it's only just ticked up from 3.125%.

- **Bostic acknowledges risks to the labor market but notes that it's still very much a low hiring, low firing environment:** "The labor markets are very difficult to interpret today because ... the population supply issue is very present. ... I've been hearing from our businesses for many months that we are seeing more cautionary buying or more cautionary behavior so that the demand for product is actually shrinking a little bit. But the overarching story that we're hearing from businesses is, I'm not going to hire anyone, but I'm not going to hire anyone either. There's enough uncertainty in the economy that I don't want to find myself shorthanded, because people remember how hard it was to find quality workers during the pandemic. That's kind of where we stand."
- He adds: "Teasing all this out is a really, really hard thing. But one thing that is definitely sure for me is the sentiment around the risks to employment have gone up a lot and they are, for many, comparable to the risks to inflation. And that is creating some tension in terms of what the right policy should be."
- **He emphasizes that it'll be important to observe consumer behavior when it comes to assessing sustained inflation pressures from tariffs:** "I think not having been at target for over four and a half years, we definitely need to be concerned about it... there's been a lot of discussion and debate about whether one would expect that tariffs would have an impact on inflation initially. And to date, it's been much more muted, I think, than many expected. But then there is the additional question of will things like tariffs be one time shifts or will they lead to some structural changes. That might mean that we have a different dynamic for inflation. Like all of those things are in play in ways that I think are quite significant. And from our surveys, business leaders are telling us they are definitely feeling the cost pressures. And it is becoming increasingly difficult to prevent those from flowing into prices that are faced by consumers and by their customers. So so I actually think there's still more to come. And... the question will be, does that translate into structural things... I don't think we're at target today. And given that and given that the forces and the pressures are likely to move us away from that in the short and medium term, I really think we need to pay very close attention to the consumer psyche and to what businesses plan based on what they're expecting the future to have."

Gov Miran: Appropriate Rates In 2.00-2.50% "Ballpark" (Sep 22)

New Fed Governor Miran unsurprisingly argues for significantly lower policy interest rates in his first prepared remarks ([link](#)) since being appointed to the Board, calling current rates "very restrictive".

- The central basis of his argument is that the neutral rate has shifted lower, making immediate easing appropriate: "Because many r^* estimates are based on empirical models requiring a great deal of time-series data, they can be backward-looking and slow to adjust. Moving too slowly to update a rapidly changing neutral rate raises the risk of policy mistakes....In my view, insufficiently accounting for the strong downward pressure on the neutral rate resulting from changes in border and fiscal policies is leading some to believe policy is less restrictive than it actually is."
- He goes through various facets of this shift in the neutral rate, citing "nonmonetary factors—such as shifts in border and tax policy, trade renegotiation, and regulatory dynamics—that can have substantial effects on the appropriate setting for monetary policy". He also notes expectations for further declines in housing inflation, and for downward pressure on the output gap as a result of governmental policy changes.
- He applies his estimates to the Taylor rule to estimate where appropriate policy is now, judging that inflation, the neutral rate of interest, and the output gap all point to lower rates being necessitated.
- His "general ballpark" estimate: "I believe the appropriate fed funds rate is in the mid-2 percent area, almost 2 percentage points lower than current policy. The Federal Reserve has been entrusted with the important goal of promoting price stability for the good of all American households and businesses, and I am committed to bringing inflation sustainably back to 2 percent. However, leaving policy restrictive by such a large degree brings significant risks for the Fed's employment mandate."
- He says in Q&A after the speech: "If you keep policy this degree of restrictive for too long, you're not going to allow things to move in the other direction. And so you're going to create a situation in which an output gap expands. And so in my opinion, it's imperative that we get closer to neutral quickly. And so I thought three, sort of a series of 50s [bp cuts] to recalibrate interest rates was the appropriate policy."

- Getting back to his September Dot Plot submission, Miran answering questions after the speech appears to see 1 more 25bp cut in 2026 and 1 more in 2027 based on the Dot Plot (after getting rates down to 2.75-3.00% by end-2025 per the Dot Plot), to 2.25-2.50%. That's the lowest dot throughout.
- He also says in Q&A that he penciled in GDP growth in the mid-2% area under his rate forecast - if so, he is one of the biggest growth optimists: In the September SEP, the two highest 2026 GDP projections (of 19) were 1 at 2.4-2.5%, and 1 at 2.6-2.7%. (The median was 1.8%).

KC Fed's Schmid: Slightly Restrictive Policy The "Right Place To Be" (Sep 24)

KC Fed President Schmid, who is a 2025 FOMC voter and among the most hawkish members of the Committee, continues to sound concerned over the inflation outlook [in a speech Thursday](#), while acknowledging that some risks to the labor market are emerging. He's probably one of the 6 members who penciled in no further rate cuts this year in his 2025 Dot Plot.

- "I viewed the 25-basis point cut in the policy rate last week as a reasonable risk-management strategy as the Fed balances its inflation objective with some heightened concern over the health of the labor market."
- "My view is that inflation remains too high while the labor market, though cooling, still remains largely in balance."
- He acknowledges "a growing risk that the labor market may weaken more substantially or abruptly than I had been anticipating."
- He says current policy is "slightly restrictive, which I think is the right place to be." He also says he regarded policy earlier in the year amid the long hold at 4.25-4.50% as "modestly restrictive".
- "Against this backdrop, I will continue to take a data-dependent approach to any further adjustments in the policy rate. I will be watching the incoming inflation and labor market data closely as I continue to assess the balance of risks to the Fed's dual mandate."

SF's Daly: Likely Further Cuts Will Be Needed To Support Labor Market (Sep 24)

SF Fed President Daly (non 2025/2026 FOMC voter) said in [a speech Wednesday](#) that she "fully supported" the Fed's 25bp September cut, and suggested "Moving forward, it is likely that further policy adjustments will be needed as we work to restore price stability while providing needed support to the labor market."

- She notes that the latest Fed Dot Plot showed that further cuts were expected, "but these are projections, not promises, and making good decisions will require us to anchor on our objectives, assess the tradeoffs, and decide, again and again."
- She said re September's cut that "The risks to the economy had shifted, and it was time to act. Growth, consumer spending, and the labor market had slowed, and inflation had risen less than expected, remaining largely confined to sectors directly affected by tariffs."
- Recall Daly has long had a base case of 2 cuts by year-end but said that 3 could be appropriate, noting going into the September meeting that "It will soon be time to recalibrate policy to better match our economy", calling every meeting "live". As such even before this speech, we had expected her to have been one of the 9 participants on the median expecting a rate of 3.6% at end-2025.

Daly's comments in Q&A suggest that she's not overly concerned about the labor market, but sees enough signs of potential weakness - and not enough signs of tariff-related inflation persistence - that she agrees with the general principle of cutting rates as "insurance".

- Asked whether she would consider the labor market "weak", Daly says: "I wouldn't really characterize the labor market as weak. The unemployment rate is low,... The people are finding jobs. Wage growth is still expanding at productivity plus inflation. So you have a sense that people are moving and doing things. But what is true is that it's not as speedy as it once was. So if you think three years ago, it was what we called frothy, then it got to healthy, then it got to solid. Now I'd say it's sustainable, but I do not want to see further softening. So one of the things that you see in the [September] rate cut is some insurance - you see the labor market has softened at a pretty good clip. it's come down rapidly from its highs, but the level of where it's sitting right now isn't weak. But you want to prevent that weakness, because we know, historically, once it tips into weakness, it's extremely hard to get it back out."

- Daly: "I don't see stagflation as around the corner. What I do see is that inflation has been printing above our target for quite a while, and that people have been enduring that sense that prices are rising. They're rising at a faster clip. When I get up in the morning, I still have to think about price increases, and we have work to do there on the labor side... I'd see that's an economy that still needs monetary policy, you know, bridling, but not as much as we had. But it's not something that I see as faltering and recession risk... recession risk is very low right now... Stagflation is a very different thing."
- Daly doesn't sound concerned about persistent tariff impacts on inflation: "We haven't seen tariffs [impact] in any sector other than the directly tariffed sectors like goods, and only the tariff parts of that. And then in services, you haven't seen it gone up. And in housing, where they have many, many inputs that are tariffed, you haven't seen the cost of housing rise rapidly. In fact, shelter inflation has been coming down, not going up. So that's, I think, evidence so far that's consistent with tariffs being a one time thing... we're seeing that if you look at the announced tariffs ... they have not come into consumer prices because ... firms take them along the supply chain, and everybody shares a little bit of that, or spreads it out over a longer period."

Cleveland's Hammack: Policy Very Mildly Restrictive, Concerns On More Cuts (Sep 22)

Cleveland Fed President Hammack (hawk, 2026 FOMC voter) sounds extremely cautious about making further cuts: "I am laser focused on inflation. And that's why to me, I think that we should be very cautious in removing monetary policy restriction, because I think it's important that we stay restrictive to bring inflation back down to target." She says she has "one of the highest estimates" of the neutral rate on the Committee, and thinks policy is only "very mildly restrictive after last week's move", so a "very short distance to neutral".

- "I do have more concerns right now that if we remove that restriction too quickly, yes, it may help on the labor side, but I feel like the labor side is still in a pretty good shape, and I'm really worried about what's going on with inflation."
- She's very likely one of the highest 2025 dots (possibly the 7 seeing no further cuts this year as of September), and, we would guess, one of the 6-8 highest submissions for end-2026 (who saw 3.6 or 3.9% rates). The three highest longer-run dots on the FOMC are 3.6%, 3.75%, and 3.9%, each of which was selected by one participant.
- Over the summer she described current policy as "modestly restrictive, and only very modestly restrictive", saying at Jackson Hole in August that "with the information I have, if the meeting was tomorrow, I would not see a case for reducing interest rates".
- She says that the "genesis" behind the Fed's decision to cut rates last week was that "the balance of risks has shifted". "With some of the recent data that we saw around the employment side, it felt like the pressure that we're seeing on the inflation side of our mandate and the pressure that we're seeing on the employment side, were coming into better balance."
- She says that "right now is a unique time for monetary policy" given challenges to both sides of its mandate. Inflation is "high and we're running in the wrong direction", with the labor market "right around full employment" at a "pretty healthy rate" of unemployment of 4.3%, but with recent payrolls data suggesting "more softness there" and there is "some fragility" in the labor market overall. But in other indicators also suggest less concern is warranted, with the environment being "low hiring, low firing".
- Among other concerns, Hammack says, tariffs could result in "another wave of price increases that are happening in the first and second quarter of next year" due to contracts that get negotiated at the start of the year.
- On recent inflation data, "Right now we're seeing pressure come back in the goods sector. It may be that it's just related to tariffs, but we don't know that just yet. But beyond that we're also seeing pressure in services inflation. And that's harder for me to attribute to the tariff policies as what's driving that... And so when I step back and think about it, what we have to worry about again is this magnitude and persistence of our misses. And on the inflation side, part of the persistence issue is that if inflation misses for too long and is expected to be missing for longer, that could start to impact inflation expectations."

Dallas's Logan: Time To Move From Fed Funds Policy Rate To Tri-Party Repo

Dallas Fed President Logan called for the FOMC to switch its policy target from the Federal funds rate to the tri-party general collateral rate (TGCR) in a [speech Thursday](#).

- It's about as un-technical as you can get given the subject matter, but to sum up, Logan goes through several known critiques of using the Fed funds rate as the FOMC's key policy rate, and suggests alternatives, ultimately settling on the tri-party general collateral rate.
- To sum up:
- "Options fall in three broad categories. The first includes administered rates, such as interest on reserves or the rate on the Overnight Reverse Repurchase Agreement Facility or the Standing Repo Facility. The second category involves measures of the constellation of money market rates. And the third category entails switching to a different single market rate.
- "I'm not a fan of targeting an administered rate...Targeting the constellation of market rates is also unattractive..."
- "So which single rate is best? Overnight repo markets are the center of gravity. Within those markets, repos against Treasury collateral make the most appropriate target, because when risk-managed appropriately, they are essentially riskless."
- "Participants in dollar funding markets have widely adopted SOFR as a reference rate....But SOFR isn't currently a clean gauge of funding costs...."
- "The tri-party general collateral rate (TGCR) is cleaner, and I think it would currently offer the best target."
- While she acknowledges that these are "only my views", she suggests that the FOMC could change its target rate "proactively" "when markets are functioning smoothly and market participants can have plenty of advance notice", though an intermediate option "would be to announce a contingency plan but not implement it for the time being."

Barkin: Jobs Shakier, Inflation Less Troubling (Sep 26 – MNI Policy Brief):

- The U.S. employment outlook has deteriorated following recent weakening in payroll growth and large downward revisions to past numbers, while inflation has not risen as much as had been feared due to tariffs, Richmond Fed President Thomas Barkin said Friday.
- "We've been hearing this low firing, low firing thing for some time, but the jobs data wasn't giving much cause for concern. What has happened over the last two months, and you can't run away from that, is that a bunch of revisions have come in that have shown that job growth has been much more modest," he said during a Q&A at the Peterson Institute for International Economics.
- "Today, and you look at our mandate variables, you have to say unemployment looks a little bit shakier. Inflation is a little bit better than you would forecast three months."

STIR: Strong Economic Data Poses Doubt On October Rate Cut

Fed rate cut pricing expectations moderated this week, following indications that economic growth may be more robust than previously estimated.

- Around 5-6bp of cuts were priced out of the Fed funds futures-implied path through the next 2 meetings to end-year. Versus 45bp in reductions through the remainder of 2025, futures markets now price 40bp. Half of that retracement came Thursday at 0830ET, when Q2 GDP data, initial jobless claims, durable goods orders, and goods trade data all pointed to stronger GDP growth in Q3.
- October's rate cut is no longer such a sure thing as it seemed after the September Fed meeting, with a 25bp reduction now priced at 21bp (~84% implied prob), versus closer to 23bp (90+%) at the end of the prior week.
- Through the June FOMC, 77bp of cumulative cuts are priced, 13bp less than seen at the Sept 19 close, effectively removing a half a 25bp cut from the path over the next 6 meetings.
- There was a litany of FedSpeak over the course of the week, but with no new major inflation or labor market data to comment on and the September FOMC meeting communications still fresh in the mind, there were no lasting reactions.



Fed Funds effective rate with Dec 2025 meeting (%t) (Bloomberg Finance L.P.)

Meeting	Current FF Implieds (%), LH	Cumulative Change From Current Rate (bp)	Incremental Chg (bp)	Last Week's Close (Sep 19)	Chg Since Then (bp)
Oct 29 2025	3.87	-20.8	-20.8	3.85	1.9
Dec 10 2025	3.69	-40.4	-19.6	3.64	5.7
Jan 28 2026	3.60	-48.2	-9.5	3.52	7.5
Mar 18 2026	3.50	-57.9	-9.7	3.39	11.0
Apr 29 2026	3.44	-63.7	-5.8	3.32	12.0
Jun 17 2026	3.31	-77.4	-13.7	3.17	13.4

The US Macro Week Ahead: Payrolls, ISM, More Fed Speakers... And A D.C. Shutdown?

The upcoming week's data schedule centers around the US labor market, including JOLTS job openings data (Tuesday), ADP private sector employment (Wednesday), and Challenger job cuts (Thursday). Additionally we get ISM Manufacturing (Wednesday) and Services (Friday) reports for September, with both expected to show some improvement in activity in what has appeared to be another strong quarter for GDP growth. And we hear from some of the few FOMC participants who haven't yet commented since the September meeting, including 2025 voters Waller (Monday), Jefferson (Tuesday and Friday), and Collins (Tuesday).

Of course, the week's schedule culminates with the September Employment report scheduled for Friday. It's expected to show a continuation of the sluggish growth in U.S. payrolls seen over the prior 4 months, with early consensus estimates eyeing 50k overall gains (22k prior) made up entirely of private employment at 50k (38k prior). While the headline job change number has been de-emphasized by various Federal Reserve officials due to the uncertainty over what constitutes the "breakeven" pace of job growth, the FOMC is clearly concerned about incipient labor market weakness and another soft reading (private payrolls have averaged 39k growth over May/ June/ July/ October, overall payrolls just 27k) would keep the Committee on track to cut rates again at the end of October. Just as closely-eyed, the unemployment rate is seen steady at an unrounded 4.3%, having broken out to a 46-month high 4.32% in August, while average hourly earnings (0.3% M/M) and weekly hours (34.2) are seen unchanged as well.

It should be said, we're not even guaranteed to get an employment report in the coming week: there is a high probability of a federal government shutdown beginning on October 1 that could prevent the Bureau of Labor Statistics from releasing the data. MNI's Political Risk team wrote Friday that a shutdown "now appears inevitable".

Date	ET	Impact	Event
29-Sep	730		Fed Governor Christopher Waller
29-Sep	800		Cleveland Fed's Beth Hammack
29-Sep	930		NY Fed's Roberto Perli
29-Sep	1000	**	NAR Pending Home Sales
29-Sep	1030	**	Dallas Fed manufacturing survey
29-Sep	1330		St. Louis Fed's Alberto Musalem
29-Sep	1330		Ex-St. Louis Fed's James Bullard
29-Sep	1330		New York Fed's John Williams
29-Sep	1800		Atlanta Fed's Raphael Bostic
30-Sep	600		Fed Vice Chair Philip Jefferson
30-Sep	855	**	Redbook Retail Sales Index
30-Sep	900	**	S&P Case-Shiller Home Price Index
30-Sep	900	**	FHFA Home Price Index
30-Sep	900		Boston Fed's Susan Collins
30-Sep	942	***	MNI Chicago PMI
30-Sep	1000	***	Conference Board Consumer Confidence
30-Sep	1000	***	JOLTS jobs opening level

30-Sep	1030	**	Dallas Fed Services Survey
30-Sep	1910		Dallas Fed's Lorie Logan
1-Oct	700	**	MBA Weekly Applications Index
1-Oct	-	***	Domestic-Made Vehicle Sales
1-Oct	815	***	ADP Employment Report
1-Oct	945	***	S&P Global Manufacturing Index (final)
1-Oct	1000	***	ISM Manufacturing Index
1-Oct	1000	*	Construction Spending
2-Oct	830	***	Jobless Claims
2-Oct	830	**	WASDE Weekly Import/Export
2-Oct	1000	**	Factory New Orders
2-Oct	1030		Dallas Fed's Lorie Logan
3-Oct	600		NY Fed's John Williams
3-Oct	830	***	Employment Report
3-Oct	945	***	S&P Global Services Index (final)
3-Oct	945	***	S&P Global US Final Composite PMI
3-Oct	1000	***	ISM Non-Manufacturing Index
3-Oct	1340		Fed Vice Chair Philip Jefferson