



Summary

Markets softened slightly last week, with equities edging lower and Treasury yields rising across short- and mid-term maturities as investors await this week's labor market data. The third estimate of second quarter real GDP was revised up to an annualized 3.8% from the second estimate of 3.3%, marking a sharp rebound from the 0.6% contraction in the first quarter of 2025. The upward revision was driven by stronger consumer spending, with personal consumption expenditures rising 2.5% compared to 1.6% in the previous estimate. Inflation, measured by the GDP deflator, was revised a tad higher to

2.1%, slightly above the previous measure of 2.0%. The second quarter's current account balance came in at -\$251.3 billion, narrowing \$188.5 from the first quarter. Although exports marginally increased, the narrower deficit primarily reflects a \$184.5 billion drop in goods imports. New home sales surged in August, up to a seasonally adjusted annual rate (SAAR) of 800,000. Existing home sales came in at 4.00 million, matching expectations. Durable goods orders increased 2.9% in August, far above expectations of a 0.5% decline and recovering from July's 2.7% decrease. Durable goods

orders, excluding transportation, increased 0.4% in August. Personal Income rose slightly above expectations at 0.4% in August; personal spending increased 0.6%, underscoring continued consumer strength. PCE prices were up 0.3%, in line with forecasts, and core PCE rose 0.2%. The University of Michigan consumer sentiment index slipped to 55.1 in September, down from 58.2 in August and well below the 70.1 level from the same period a year ago. This decline reflected a large decrease in consumer expectations.

Last Week: Indicator	Number Reported	Consensus Expectation*	Comment
Current Account Balance (Q2 – Tue 08:30)	-\$251.3B	-\$302.1B	
New Home Sales (Aug – Wed 10:00)	800K	650K	
GDP - Third Estimate (Q2 – Thu 08:30)	3.8%	3.3%	
GDP Deflator - Third Estimate (Q2 – Thu 08:30)	2.1%	2.0%	
Durable Orders (Aug – Thu 08:30)	+2.9%	-0.5%	Durable goods ex. trans: +0.4%
Initial Claims (09/20 – Thu 08:30)	218K	238K	
Continuing Claims (09/13 – Thu 08:30)	1,926K	NA	
Existing Home Sales (Aug – Thu 10:00)	4.00M	3.99M	
Personal Income (Aug – Fri 08:30)	+0.4%	+0.3%	
Personal Spending (Aug – Fri 08:30)	+0.6%	+0.4%	
PCE Prices (Aug – Fri 08:30)	+0.3%	+0.3%	
PCE Prices - Core (Aug – Fri 08:30)	+0.2%	+0.2%	
U. of Michigan Consumer Sentiment - Final (Sep – Fri 10:00)	55.1	55.4	
Next Week: Indicator	Consensus Expectation*	Prior	Comment
Chicago PMI (Sep – Tue 09:45)	41.0	41.5	
Consumer Confidence (Sep – Tue 10:00)	96.0	97.4	
JOLTs - Job Openings (Aug – Tue 10:00)	NA	7.181M	
MBA Mortgage Applications Index (09/27 – Wed 07:00)	NA	0.6%	
Construction Spending (Aug – Wed 10:00)	+0.1%	-0.1%	
ISM Manufacturing Index (Sep – Wed 10:00)	49.2%	48.7%	
Initial Claims (09/27 – Thu 08:30)	220K	218K	
Continuing Claims (09/20 – Thu 08:30)	NA	1,926K	
Factory Orders (Aug – Thu 10:00)	+0.8%	-1.3%	
Nonfarm Payrolls (Sep – Fri 08:30)	39K	22K	
Nonfarm Private Payrolls (Sep – Fri 08:30)	40K	38K	
Unemployment Rate (Sep – Fri 08:30)	4.3%	4.3%	
Avg. Hourly Earnings (Sep – Fri 08:30)	+0.3%	+0.3%	
Average Workweek (Sep – Fri 08:30)	34.2	34.2	
ISM Services (Sep – Fri 10:00)	51.7%	52.0%	



Economic Review

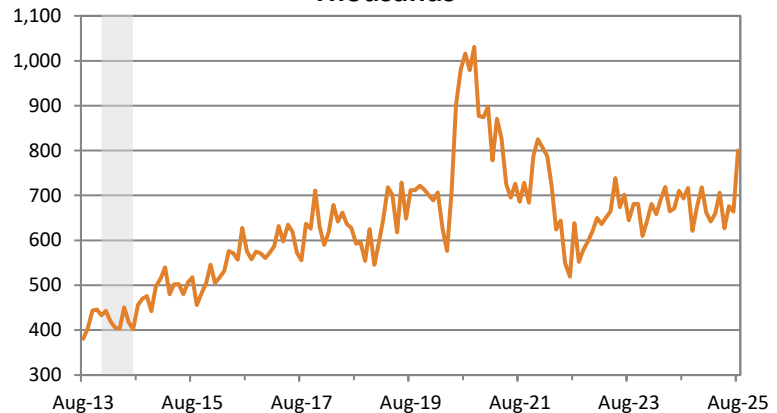
NEW HOME SALES surged in August, jumping 20.5% from the previous month. Sales increased to a seasonally adjusted annual rate (SAAR) of 800,000, far exceeding expectations and reaching the highest level since January 2022. On a year-over-year basis, sales climbed 15.4%. The median sales price rose 1.9% from a year ago to \$413,500, while the average price jumped 12.3%, reflecting a higher share of home sales over \$1 million (7% of transactions versus 3% in July). Overall, the sharp rebound in sales suggests stronger housing demand, ahead of September's decline in mortgage rates, though much of the momentum was concentrated in higher-priced homes, pointing to continued affordability pressures for many buyers.

DURABLE GOODS ORDERS rebounded in August, rising 2.9%, well above expectations, following a 2.7% decline in July. Excluding transportation, orders advanced 0.4%, extending July's upwardly revised 1.0% increase. Strength was led by a 7.9% surge in transportation equipment, offsetting July's weakness. Core categories also improved, with machinery orders up 1.3% and fabricated metal products up 0.7%. Nondefense capital goods orders excluding aircraft

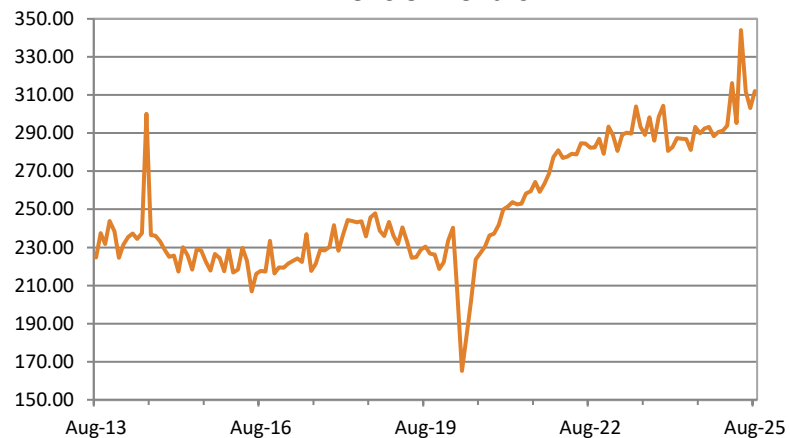
rose 0.6% in August, building on a 0.8% gain in July. The back-to-back increases suggest that business spending is regaining momentum after a soft patch earlier this year, even as uncertainty around tariffs and demand conditions remains a potential headwind.

PERSONAL INCOME rose 0.4% in August, matching the previous month, while **PERSONAL SPENDING** accelerated 0.6% after a 0.5% increase in July. Real disposable income edged up 0.1% month-over-month and 1.9% year-over-year, while real personal spending gained 0.4%, up 2.7% year-over-year, an improvement from July. The personal savings rate slipped to 4.6% from 4.8%, suggesting income growth was primarily used to sustain spending as opposed to building savings. The PCE price index rose 0.3% in August, leaving headline inflation up 2.7% year-over-year, while core PCE increased 0.2% on the month and held at 2.9% year-over-year. Goods prices rose just 0.1%, while services prices increased 0.3% and remained up 3.6% year-over-year. The inflation figures came in line with expectations, easing market concerns about tariff pass-through pressures.

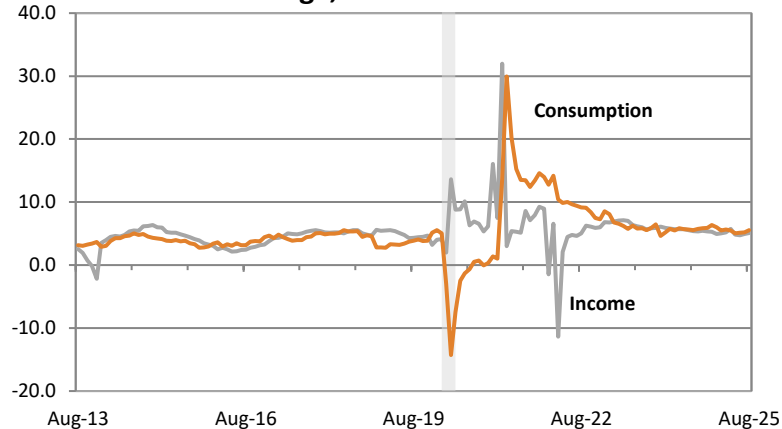
New Home Sales Thousands



New Durable Orders Billions of Dollars



Personal Income and Consumption Percent Change, Year-Over-Year





Fed Speeches

At the Forecasters Club of New York in Manhattan, Federal Reserve Vice Chair for Supervision Michelle W. Bowman outlined her current approach to monetary policy, at a time when inflation is drifting closer to target while the labor market is showing signs of fragility. Now that inflation, excluding tariff-related effects, is hovering not far above 2%, she stressed it is appropriate for the FOMC to pivot towards supporting employment.

Bowman argued that last week's rate cut was the right first step toward a neutral stance. She also cautioned against allowing the Fed's policy choices to be constrained by an overly mechanical reliance on incoming data. Instead, she urged a more forward-looking approach that anticipates where the economy is headed rather than reacting after conditions worsen.

"An inflexible and dogmatic view of data

dependence gives an inherently backward-looking view of the economy and would guarantee that we remain behind the curve, requiring us to catch up in the future."

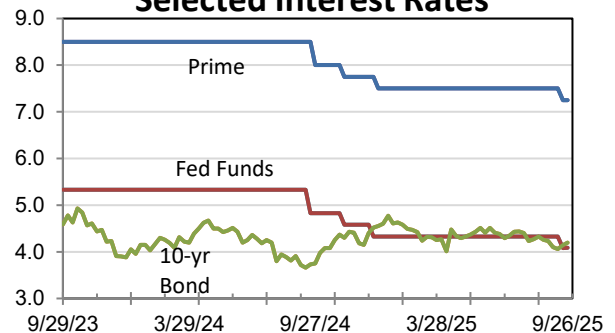
She noted that the recent rise in prices linked to tariffs should be seen as a temporary shock rather than a lasting source of inflation and emphasized that inflation is still expected to move back toward the Fed's 2% target once these effects fade.

Looking ahead, she pointed to several challenges that could complicate the path of monetary policy: supply shocks that put price stability and employment in conflict, risks of a housing market correction, and uncertainty surrounding the economic effects of the ongoing surge in AI-related investment. She also underscored longer-run risks, including slower population growth, which could depress the neutral interest rate, and fiscal sustainability pressures, which could push it higher.

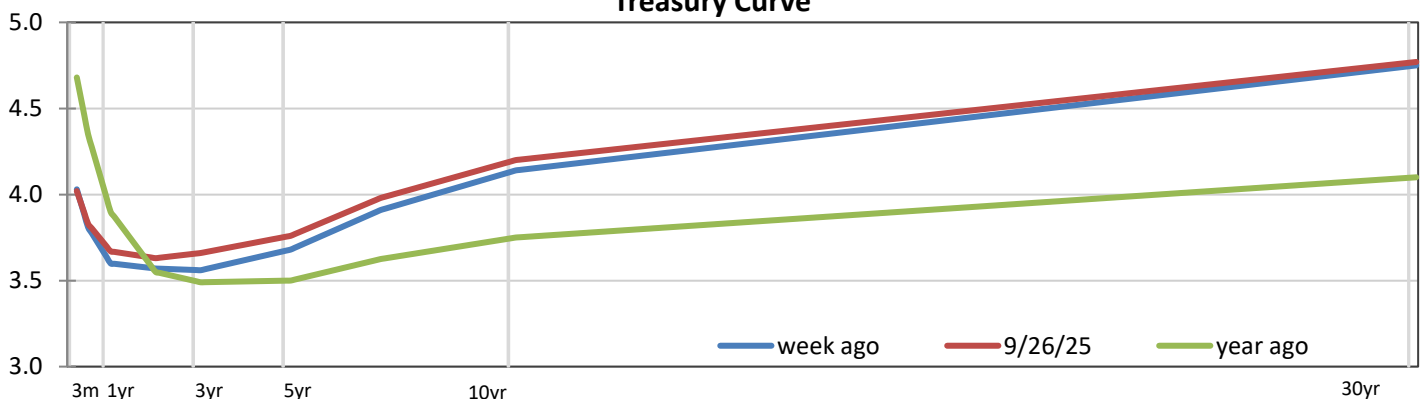
Financial Markets

The equities market cooled slightly last week as markets adjusted from optimism following the September FOMC rate cut. The NASDAQ led declines with a 0.7% drop, followed by the S&P 500 (-0.3%) and DJIA (-0.1%). Treasury yields rose across maturities, with the exception of the three-month bill yield, which fell slightly by one basis point. Yields broadly rose in the short-to-intermediate maturities (the one-, two-, and five-year yields), indicating that investors are taking a cautious approach as they await this week's employment data, which could determine the path of rate cuts this cycle. Municipal yields posted broad gains last week, with the two- and five-year yields jumping 24 bps and 17 bps, respectively. The 10-year yield is now up over 50 bps over the past month. Mortgage rates ticked up slightly to 6.30% but remain well below levels earlier in the year. Oil prices continued to rise, increasing nearly 5% from the week prior; however, prices still remain subdued compared to earlier in the year. Gold prices rose another 2.0%; the price of gold is now nearly 15% higher than its value 13 weeks ago, reflecting increased investor demand amid economic and geopolitical uncertainty.

Selected Interest Rates



Treasury Curve





Interest Rate Forecast*

During the Fed's September policy meeting, the Federal Open Market Committee (FOMC) lowered the federal funds target rate to 4.00% to 4.25%. In the statement released following the meeting, the FOMC stated, "In support of its goals and in light of the shift in the balance of risks, the Committee decided to lower the target range for the federal funds rate by 1/4 percentage

point to 4 to 4-1/4 percent. In considering additional adjustments to the target range for the federal funds rate, the

Committee will carefully assess incoming data, the evolving outlook, and the balance of risks. The Committee will

continue reducing its holdings of Treasury securities and agency debt and agency mortgage-backed securities."

Avg. for:	Prime	Fed Funds	SOFR	6-Mo. T-Bill	2-Yr. Note	10-Yr. Treasury	30-Yr Bond	30-Yr Mortgage
4 th Qtr '25	7.05	3.93	3.94	3.74	3.43	3.98	4.52	6.16
1 st Qtr	6.75	3.63	3.63	3.58	3.40	3.88	4.30	6.02
2 nd Qtr	6.59	3.46	3.47	3.49	3.39	3.81	4.23	5.93
3 rd Qtr	6.42	3.29	3.30	3.36	3.36	3.74	4.17	5.84
4 th Qtr '26	6.25	3.13	3.13	3.20	3.29	3.67	4.12	5.74

October 2025

FINANCIAL MARKET SUMMARY

	As of 9/26/2025	As of 9/19/2025	Weekly Change	4-Week Change	13-Week Change
MONEY MARKETS (Changes in BPs)					
Prime	7.25	7.25	0	(25)	(25)
Secured Overnight Financing Rate (SOFR)	4.18	4.14	4	(16)	(21)
Fed Funds (Wed close)	4.09	4.08	1	(24)	(24)
TREASURIES (BE) (Changes in BPs)					
3 Months	4.02	4.03	(1)	(21)	(37)
6 Months	3.83	3.81	2	(18)	(43)
1 Year	3.67	3.60	7	(16)	(30)
2 Years	3.63	3.57	6	4	(10)
5 Years	3.76	3.68	8	8	(7)
10 Years	4.20	4.14	6	(3)	(9)
30 Years	4.77	4.75	2	(15)	(8)
MUNICIPALS- AAA G.O. & Mortgage (Changes in BPs)					
2-Year Muni	2.26	2.02	24	5	(37)
5-Year Muni	2.30	2.13	17	(7)	(43)
10-Year Muni	2.93	2.85	8	56	(29)
30-Year Muni	4.31	4.25	6	(33)	(22)
30-Year Conventional Mortgage	6.30	6.26	4	(26)	(47)
MARKET INDICATORS (Changes in %)					
DJIA	46,247.29	46,315.27	(0.1)	1.5	5.5
S&P 500	6,643.70	6,664.36	(0.3)	2.8	7.6
NASDAQ	22,484.07	22,631.48	(0.7)	4.8	10.9
CRB Futures	378.53	370.76	2.1	1.2	2.8
Oil (WTI Crude)	65.72	62.68	4.9	3.0	(12.3)
Gold	3,759.98	3,685.30	2.0	9.0	14.8
Yen / Dollar	149.49	147.95	1.0	1.7	2.3
Dollar / Euro	1.17	1.17	(0.4)	0.1	(0.1)



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