



Summary

Equities advanced last week on investor optimism that the September rate cut marked the resumption of a Fed easing cycle, while the Treasury curve steepened with short rates falling and longer yields edging higher. Import prices increased 0.3% in August, with prices excluding oil up 0.4%. Export prices also rose 0.3% with prices excluding agriculture also up 0.3%. Retail sales in August came in above consensus expectations at 0.6%; excluding autos, sales increased 0.7%. These strong gains underscore continued consumer resilience, with households maintaining spending despite high borrowing costs. Business inventories increased 0.2% in July, in line with

expectations; the steady growth indicates firms are managing stock levels cautiously against moderate demand. Industrial production gained 0.1% in August, just above the consensus expectation of flat growth. This increase was driven by an increase in manufacturing output, as motor vehicle and parts production jumped 2.6%. Capacity utilization held at 77.4%, unchanged from July, and 2.2 percentage points below its long-run average; manufacturing utilization ticked up 0.1 percentage points to 76.8%. The Philadelphia Fed manufacturing index increased 24 points to 23.2 in September, the highest reading since January 2025 and well-above consensus expectations,

indicating stronger regional manufacturing momentum than expected. In August, housing starts declined to a seasonally adjusted annual rate (SAAR) of 1.307 million, and building permits dropped to a SAAR of 1.312 million permits, both under consensus expectations. The Conference Board's leading economic index declined 0.5%, steeper than expected; in the past 12 months, the index has posted nine monthly declines. The Federal Open Market Committee cut 25 basis points, bringing the federal funds rate to 4.00-4.25%. The move reflects moderating growth, rising weakness in the labor market, and progress on inflation.

Last Week: Indicator	Number Reported	Consensus Expectation*	Comment
Retail Sales (Aug – Tue 08:30)	+0.6%	+0.3%	Retail Sales ex-auto: +0.7%
Import Prices (Aug – Tue 08:30)	+0.3%	NA	Import Prices ex-oil: +0.4%
Export Prices (Aug – Tue 08:30)	+0.3%	NA	Export Prices ex-ag.: +0.3%
Industrial Production (Aug – Tue 09:15)	+0.1%	+0.0%	
Capacity Utilization (Aug – Tue 09:15)	77.4%	77.4%	
Business Inventories (Jul – Tue 10:00)	+0.2%	+0.2%	
Housing Starts (Aug – Wed 08:30)	1,307K	1,375K	
Building Permits (Aug – Wed 08:30)	1,312K	1,370K	
FOMC Rate Decision (Sep – Wed 14:00)	4.00-4.25%	4.00-4.25%	
Continuing Claims (09/13 – Thu 08:30)	1,920K	NA	
Initial Claims (09/13 – Thu 08:30)	231K	245K	
Philadelphia Fed Index (Sep – Thu 08:30)	23.2	3.0	
Leading Indicators (Aug – Thu 10:00)	-0.5%	-0.1%	
Next Week: Indicator	Consensus Expectation*	Prior	Comment
Current Account Balance (Q2 – Tue 08:30)	-\$302.1B	-\$450.2B	
New Home Sales (Aug – Wed 10:00)	650K	652K	
GDP - Third Estimate (Q2 – Thu 08:30)	3.3%	3.3%	
GDP Deflator - Third Estimate (Q2 – Thu 08:30)	2.0%	2.0%	
Durable Orders (Aug – Thu 08:30)	-0.5%	-2.8%	Durable goods ex. trans (prev): +1.1%
Initial Claims (09/20 – Thu 08:30)	238K	231K	
Continuing Claims (09/13 – Thu 08:30)	NA	1920K	
Existing Home Sales (Aug – Thu 10:00)	3.99M	4.01M	
Personal Income (Aug – Fri 08:30)	+0.3%	+0.4%	
Personal Spending (Aug – Fri 08:30)	+0.4%	+0.5%	
PCE Prices (Aug – Fri 08:30)	+0.3%	+0.2%	
PCE Prices - Core (Aug – Fri 08:30)	+0.2%	+0.3%	
Univ. of Michigan Consumer Sentiment - Final (Sep – Fri 10:00)	55.4	55.4	



Economic Review

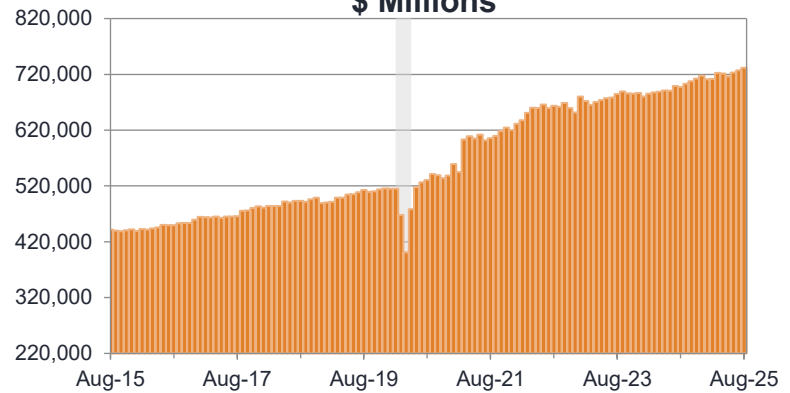
RETAIL SALES advanced 0.6% in August, above expectations and matching July's upwardly-revised gain. Excluding autos, sales jumped 0.7%, underscoring broad-based consumer strength. Gains were led by a 2.0% increase in sales from nonstore retailers, which includes ecommerce. Spending on discretionary categories like clothing (+1.0%) and food services and drinking locations (+0.7%) also posted strong gains. Gasoline station sales increased 0.5%, reflecting both volume and modest price effects, while food and beverage stores rose 0.3%. Furniture and general merchandise stores both slipped slightly in August, but strong overall gains offset these weaker categories.

Affordability constraints continued to put pressure on the housing market in August, with HOUSING STARTS plummeting 8.5% to a seasonally adjusted annual rate (SAAR) of 1.307 million. BUILDING PERMITS also contracted, dropping 3.7% to a SAAR of 1.312 million, signaling softer momentum ahead for residential construction. Single-family construction was notably weak with starts declining 7.0% overall, driven by a steep 17.0% plunge in the South. Permits for single-family homes

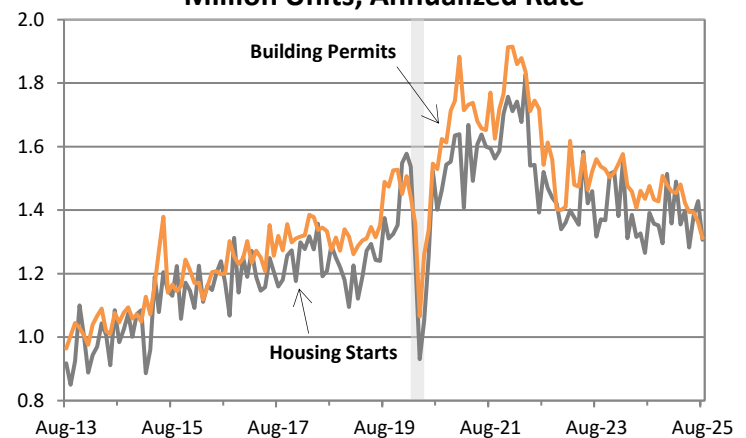
slipped 2.2%, with losses concentrated in the West (-6.9%) and South (-1.5%). Gains in the Northeast and Midwest were not enough to offset broader weakness. The number of units under construction edged down 1.5% to 1.317 million, including a 2.1% drop in single-family homes. Multi-family activity also faltered, with starts down 11.7% and permits lower by 6.4%.

The Conference Board's LEADING ECONOMIC INDEX declined 0.5% in August to 98.4, following a slight 0.1% gain in July (upwardly revised). The index has now fallen 2.8% over the past six months and 3.6% year-over-year. The August decline was the steepest since April, driven by weak consumer expectations, soft manufacturing orders, rising unemployment claims, and shorter manufacturing workweeks. Stock prices and the leading credit index provided support, but the yield spread turned marginally negative for the first time since April. The August report underscored growing economic weakness tied to higher tariffs and weakening labor conditions. The Conference Board does not anticipate a recession at this point but continues to forecast a significant slowdown, with real GDP growth expected to slow to 1.6% in 2025.

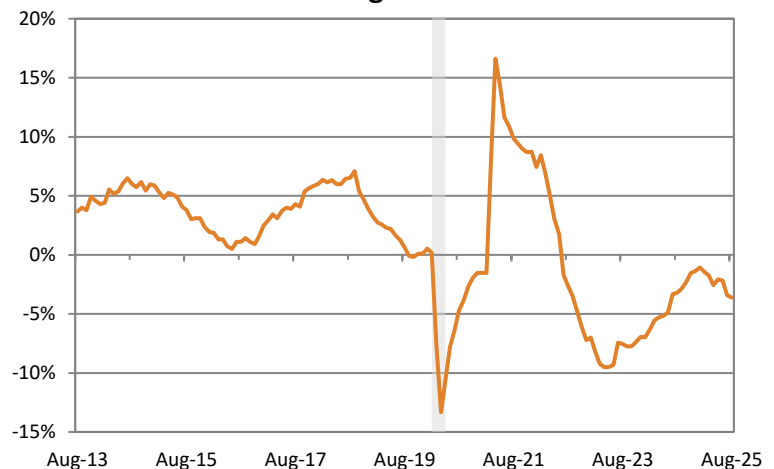
Retail Sales
\$ Millions



Total Housing Starts and Permits
Million Units, Annualized Rate



U.S. Leading Economic Index





Fed Speeches

On September 17th, Chair Powell delivered remarks and fielded questions from journalists at the post-FOMC meeting press conference. In these remarks, Chair Powell provided justification for the quarter point rate cut, highlighting downside pressures on employment even as inflation is above the Fed's 2% target.

Powell cited a "shift in the balance of risks", as economic activity has slowed notably, with GDP expanding at just 1.5% in the first half of the year, down from 2.5% in 2023. Consumer spending has weakened, but business investment shows resilience. The Fed's latest projections peg GDP growth at 1.6% in 2024 and 1.8% in 2025, stronger than earlier forecasts.

Powell highlighted the deceleration in the labor market, with unemployment ticking up to 4.3% in August, while payroll gains slowed to just 29,000 per month over the past quarter, well below

the breakeven rate needed to hold joblessness steady. Powell noted the unusual combination of slowing labor supply and softening demand, with risks to employment now "tilted to the downside."

Powell shifted his discussion to inflation, highlighting that it has eased from the peaks of 2022; but remains above the Fed's 2% goal. Core PCE inflation is running around 2.9%, total PCE at about 2.7%, with inflation in goods showing recent pickup, while disinflation appears to be continuing for services. The Fed's Summary of Economic Projections (SEP) now projects inflation at 3.0% in 2025, falling to 2.6% in 2026 and 2.1% by end-2027.

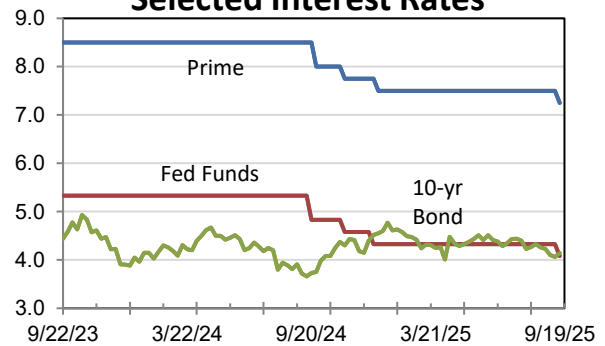
Despite the rate cut, Powell emphasized policy is not on a preset course, stating:

"We remain well positioned to respond in a timely way to potential economic developments."

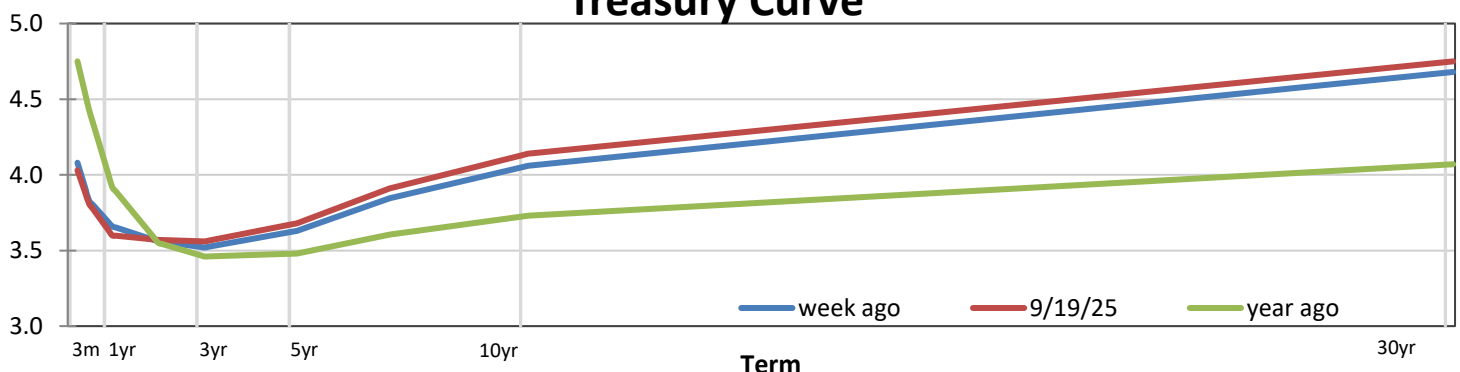
Financial Markets

Equity markets advanced last week, with the NASDAQ leading gains (+2.2%), supported by optimism in rate-sensitive technology shares as the Fed delivered its first rate cut of the year. The DJIA and S&P 500 also posted solid gains, reflecting improving investor sentiment as Fed easing optimism outweighed slowing global growth. This positive momentum marks a continuation of strong performance in equities over the past quarter after the market plummeted following tariff-related uncertainty. Treasury yields showed a notable steepening: short-term maturities declined slightly, while longer maturities rose, with the 10-year climbing 8 bps and the 30-year 7 bps. This move suggests investors expect short-term policy easing but remain cautious about long-run inflationary pressures and fiscal financing needs. Mortgage rates eased further to 6.26%, the lowest level since early 2024, offering some relief to housing. Commodities were mixed: oil prices stabilized but remain sharply lower than earlier in the summer, highlighting persistent worries about global demand. Gold rose another 1.2% to \$3,685, extending its safe-haven rally as investors hedge against uncertainty about policy and global growth.

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
3 rd Qtr '25	7.44	4.29	4.29	4.20	3.77	4.30	4.87	6.63
4 th Qtr	7.25	4.13	4.12	4.14	3.81	4.30	4.80	6.48
1 st Qtr '26	7.08	3.96	3.96	3.99	3.90	4.33	4.67	6.32
2 nd Qtr	6.91	3.79	3.79	3.84	3.90	4.25	4.52	6.13
3 rd Qtr	6.75	3.63	3.62	3.69	3.76	4.09	4.34	5.91

September 2025

FINANCIAL MARKET SUMMARY

	As of 9/19/2025	As of 9/12/2025	Weekly Change	4-Week Change	13-Week Change
MONEY MARKETS (Changes in BPs)					
Prime	7.25	7.50	(25)	(25)	(25)
Secured Overnight Financing Rate (SOFR)	4.14	4.41	(27)	(18)	(14)
Fed Funds (Wed close)	4.08	4.33	(25)	(25)	(25)
TREASURIES (BE) (Changes in BPs)					
3 Months	4.03	4.08	(5)	(24)	(36)
6 Months	3.81	3.83	(2)	(27)	(48)
1 Year	3.60	3.66	(6)	(27)	(47)
2 Years	3.57	3.56	1	(11)	(33)
5 Years	3.68	3.63	5	(8)	(28)
10 Years	4.14	4.06	8	(12)	(24)
30 Years	4.75	4.68	7	(13)	(14)
MUNICIPALS- AAA G.O. & Mortgage (Changes in BPs)					
2-Year Muni	2.02	2.02	0	(20)	(65)
5-Year Muni	2.13	2.14	(1)	(26)	(65)
10-Year Muni	2.85	2.88	(3)	46	(42)
30-Year Muni	4.25	4.26	(1)	(41)	(30)
30-Year Conventional Mortgage	6.26	6.35	(9)	(32)	(55)
MARKET INDICATORS (Changes in %)					
DJIA	46,315.27	45,834.22	1.0	1.5	9.7
S&P 500	6,664.36	6,584.29	1.2	3.1	11.7
NASDAQ	22,631.48	22,141.10	2.2	5.3	16.4
CRB Futures	370.76	373.85	(0.8)	(0.0)	(3.3)
Oil (WTI Crude)	62.68	62.58	0.2	(0.2)	(14.1)
Gold	3,685.30	3,643.14	1.2	9.3	9.4
Yen / Dollar	147.95	147.68	0.2	0.5	2.7
Dollar / Euro	1.17	1.17	0.1	0.2	1.9



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