Summary

Equities advanced last week despite the government shutdown, while Treasury yields broadly declined, with the sharpest drops at the long end of the curve, reflecting growing concerns over slowing growth and political uncertainty. Oil prices continued to weaken, while gold surged further as investors sought safe haven assets. Consumer confidence dropped below expectations in September, down to 94.2, as households face a cooling labor market and limited job availability. The August JOLTS report reflected a continuation of the ongoing low hiring, low firing environment, with job openings inching up from 7.208 million to 7.227 million. Hires fell 2.2% month-over-month and separations dropped 2.1%, with quits and layoffs down 2.4% and 3.5%, respectively. The September employment report has been delayed due to the government shutdown leading to increased reliance on private alternative data sources; the ADP employment change indicated private payrolls declined by 32,000 in September. This is well below the expected gain of 40,000, highlighting softness in private sector hiring and raising concern about the potential information contained in the delayed September BLS employment report. The ISM services index fell to 50.0% in September, below expectations, and suggesting the services sector, typically a pillar of economic resilience, has nearly stalled. The service employment index has remained persistently in contractionary territory, while the prices index has remained above 60% for the tenth consecutive month, raising concerns over stagflationary pressures. The ISM manufacturing index remained in contraction in September at 49.1%. The Chicago PMI, a regional measure of activity in the manufacturing and non-manufacturing sectors in the Chicago region, measured at 40.6. This measure, well below the 50 threshold between expansionary and contractionary activity, indicates continued contraction in regional activity.

Last Week: Indicator	Number Reported	Consensus Expectation*	Comment
Chicago PMI (Sep – Tue 09:45)	40.6	41.0	
Consumer Confidence (Sep – Tue 10:00)	94.2	96.0	
JOLTs - Job Openings (Aug – Tue 10:00)	7.227M	NA	
MBA Mortgage Applications Index (09/27 – Wed 07:00)	-12.7%	NA	
ADP Employment Change (Sep – Wed 08:15)	-32K	40K	
Construction Spending (Aug – Wed 10:00)	--	0.1%	N/A due to government shut down
ISM Manufacturing Index (Sep – Wed 10:00)	49.1%	49.2%	
Initial Claims (09/27 – Thu 08:30)	--	220K	N/A due to government shutdown
Continuing Claims (09/20 – Thu 08:30)	--	NA	N/A due to government shutdown
Factory Orders (Aug – Thu 10:00)	--	+0.8%	N/A due to government shutdown
Nonfarm Payrolls (Sep – Fri 08:30)	--	39K	N/A due to government shutdown
Nonfarm Private Payrolls (Sep – Fri 08:30)	--	40K	N/A due to government shutdown
Unemployment Rate (Sep – Fri 08:30)	--	4.3%	N/A due to government shutdown
Avg. Hourly Earnings (Sep – Fri 08:30)	--	+0.3%	N/A due to government shutdown
Average Workweek (Sep – Fri 08:30)	--	34.2	N/A due to government shutdown
ISM Services (Sep – Fri 10:00)	50.0%	51.7%	

Next Week: Indicator	Consensus Expectation*	Prior	Comment
Trade Balance (Aug – Tue 08:30)	-$61.0B	-$60.2B	
Consumer Credit (Aug – Tue 15:00)	$13.1B	$16.0B	
MBA Mortgage Applications Index (10/04 – Wed 07:00)	NA	-12.7%	
FOMC Minutes (Sep 16-17 – Wed 14:00)	NA	NA	
Initial Claims (10/04 – Thu 08:30)	233K	NA	
Continuing Claims (09/27 – Thu 08:30)	NA	NA	
Wholesale Inventories (Aug – Thu 10:00)	-0.2%	0.1%	
U. of Michigan Consumer Sentiment - Prelim (Oct – Fri 10:00)	54.5	55.1	
Treasury Budget (Sep – Fri 14:00)	-$83.0B	-$344.8B	

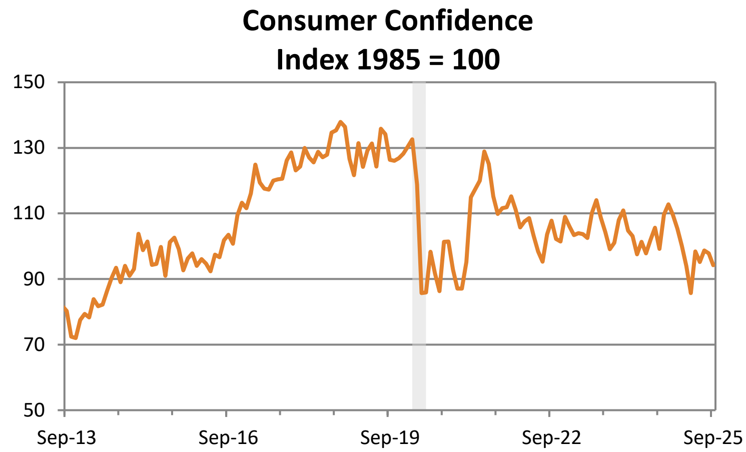
**Sources: www.briefing.com and www.federalreserve.gov*

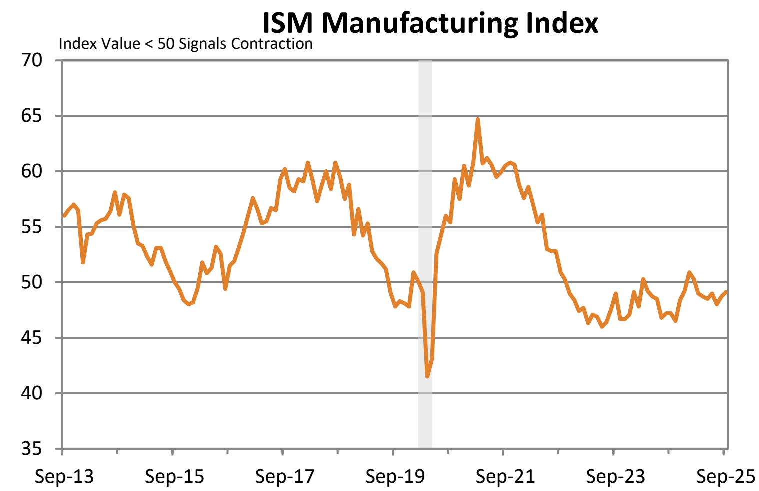
Economic Review

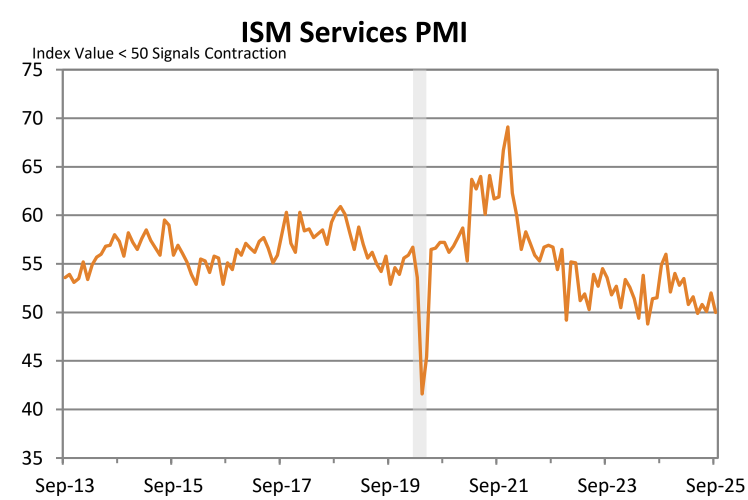
The Conference Board's CONSUMER CONFIDENCE INDEX slipped from 97.8 in August to 94.2 in September. In the same period a year ago, the index stood at 99.2. This deterioration primarily reflected a weaker assessment of current conditions with the present situation index falling from 132.4 to 125.4 in September. The expectations index also declined, albeit less dramatically, falling to 73.4 from 74.7 in August, dropping further below the 80 threshold that typically signals recession. Average 12-month inflation expectations dropped to 5.8% from 6.1% in August. Concerns about the labor market weighed heavily on confidence, with consumer views of job availability declining to multi-year lows. The net measure of employment sentiment fell sharply from 11.1 to 7.8 in September, signaling households are especially concerned and cautious about employment prospects.

The ISM MANUFACTURING index remained in contraction in September, registering at 49.1%, a slight increase from 48.7% in August. This marks the seventh consecutive month that the manufacturing sector has remained in contraction. The new orders index, which briefly registered in expansion (51.4%) in August, returned to contractionary levels (48.9%) in September, indicating ongoing weakness in demand. The production index increased to 51.0%, showing a return into expansionary activity, although employment remained firmly in contraction (45.3%). Input cost pressures eased slightly, with the price index falling from 63.7% to 61.9% in September but remained elevated.

The ISM SERVICES index fell to 50.0% in September from 52.0% in August, landing exactly on the dividing line between expansionary and contractionary activity. The decline reflected a sharp slowdown in business activity, with the business activity index dropping more than five percentage points to 49.9%. This is the first contractionary reading of the business activity index since May 2020. New orders also weakened, slipping from 56.0% to 50.4% in September. Employment in the sector remained soft, with the employment index registering 47.2%, marking the fourth straight month below 50. Meanwhile, inflationary pressures persisted: the prices index edged up to 69.4%, its second-highest level since late 2022 and the tenth consecutive month above 60.







Fed Speeches

At the International Monetary Policy Conference in Helsinki, Finland, Federal Reserve Vice Chair Philip N. Jefferson discussed the Fed's updated policy framework and the evolving outlook for the U.S. economy. Speaking alongside global central bankers, Jefferson emphasized that, like the European Central Bank, the Fed has moved toward a more flexible and durable framework that reflects today's economic environment rather than the low-rate era that shaped past strategies.

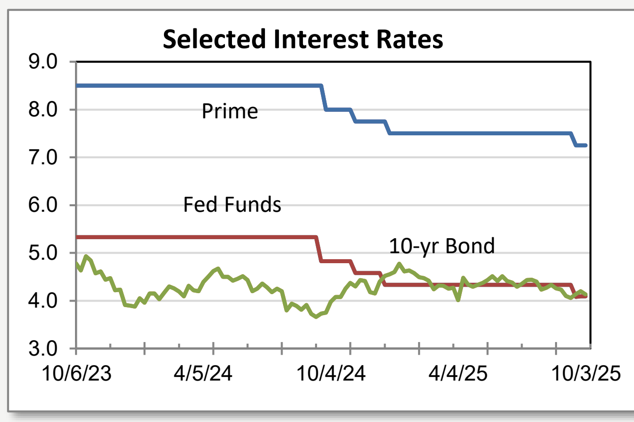
Jefferson highlighted several key changes to the framework: the removal of the effective lower bound as a central focus, a shift to flexible inflation targeting, clearer language around how the Fed defines maximum employment, and a renewed pledge to balance inflation and employment when the two objectives are in conflict. He stressed that these changes are not a departure from the mandate and standards previously held by the Federal Reserve. He says,

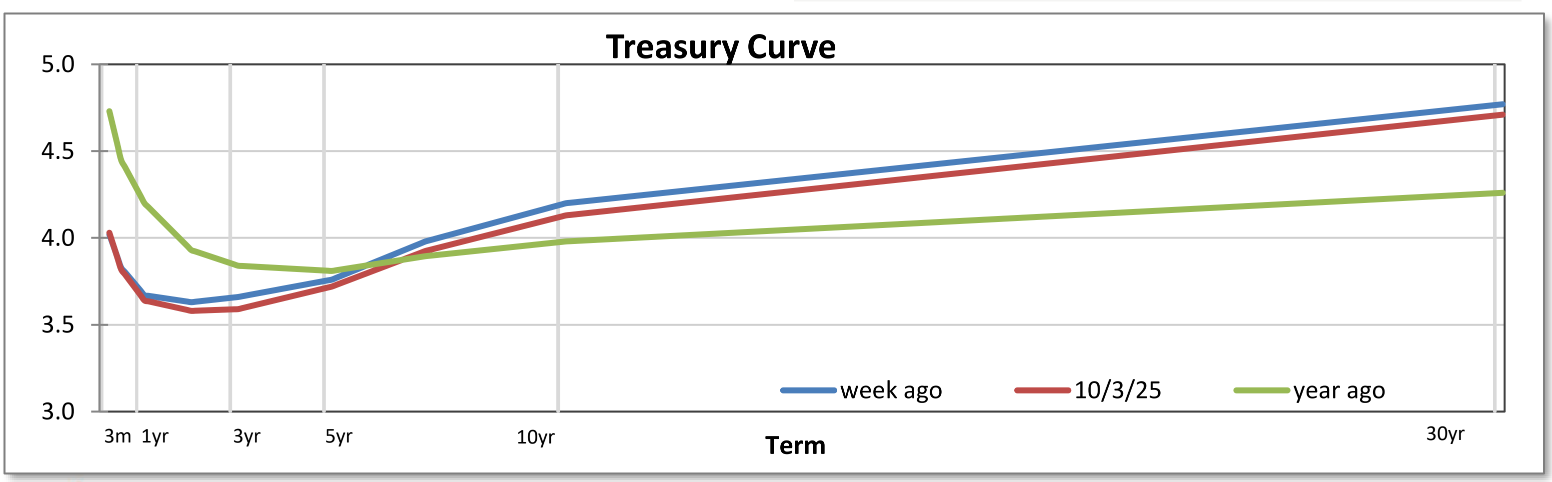
> *"The changes… were a logical progression, not a change in course, grounded in our ever-evolving understanding of our economy."*

Turning to the U.S. outlook, Jefferson noted that growth has slowed, employment gains have weakened, and the unemployment rate has edged higher, even as tariff-related price increases are keeping inflation somewhat above target. In light of these risks—downside pressures on employment and upside pressures on inflation—Jefferson supported the Committee's decision to cut rates by 25 basis points at its most recent meeting, moving policy closer to neutral while maintaining balance between the Fed's two objectives.

Financial Markets

Equity markets advanced last week, with the NASDAQ increasing 1.3% and the DJIA and S&P 500 both rising 1.1% from the previous week. Treasury yields declined across the curve, with the exception of the three-month maturity, which rose slightly by one basis point. This small increase, in tandem with the drop in the one- and two-year yields indicates investors are pricing in an additional rate cut this year. The 10- and 30-year yields had the most dramatic weekly decrease, falling 7 and 6 basis points respectively, indicating investors are weighing the risks of slowing growth and political uncertainty. The 30-year conventional mortgage rate increased slightly to 6.34% but remains 33 bps below the rate 13 weeks ago. The price of oil fell sharply (-7.4%), continuing to slide due to an expected increase in supply and continued concerns about global demand. The price of oil has stayed subdued for the entire summer and the price per barrel is 7.1% lower than the value 13 weeks ago. Gold, in contrast, surged another 3.4% from the previous week, now 16.8% higher than its value 13 weeks ago.





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
4th Qtr '25	7.05	3.93	3.94	3.74	3.43	3.98	4.52	6.16
1st Qtr	6.75	3.63	3.63	3.58	3.40	3.88	4.30	6.02
2nd Qtr	6.59	3.46	3.47	3.49	3.39	3.81	4.23	5.93
3rd Qtr	6.42	3.29	3.30	3.36	3.36	3.74	4.17	5.84
4th 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 10/03/2025	As of 9/26/2025	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)	4.20	4.18	2	(21)	(20)
Fed Funds (Wed close)	4.09	4.09	0	(24)	(24)
TREASURIES (BE) (Changes in BPs)					
3 Months	4.03	4.02	1	(4)	(39)
6 Months	3.82	3.83	(1)	(3)	(52)
1 Year	3.64	3.67	(3)	(1)	(43)
2 Years	3.58	3.63	(5)	7	(30)
5 Years	3.72	3.76	(4)	13	(22)
10 Years	4.13	4.20	(7)	3	(22)
30 Years	4.71	4.77	(6)	(7)	(15)
MUNICIPALS- AAA G.O. & Mortgage (Changes in BPs)					
2-Year Muni	2.27	2.26	1	12	(31)
5-Year Muni	2.30	2.30	0	3	(38)
10-Year Muni	2.90	2.93	(3)	63	(31)
30-Year Muni	4.27	4.31	(4)	(22)	(29)
30-Year Conventional Mortgage	6.34	6.30	4	(16)	(33)
MARKET INDICATORS (Changes in %)					
DJIA	46,758.28	46,247.29	1.1	3.0	4.3
S&P 500	6,715.79	6,643.70	1.1	3.6	7.0
NASDAQ	22,780.51	22,484.07	1.3	5.0	10.6
CRB Futures	371.77	378.53	(1.8)	0.8	0.9
Oil (WTI Crude)	60.88	65.72	(7.4)	(4.9)	(7.1)
Gold	3,886.54	3,759.98	3.4	8.4	16.8
Yen / Dollar	147.47	149.49	(1.4)	0.3	1.9
Dollar / Euro	1.17	1.17	0.3	0.2	(0.1)