



## Summary

Renewed trade tensions roiled markets last week, as Chinese export controls on rare earth minerals and the Trump administration's announcement of an additional 100% tariff on Chinese goods sent equities lower. The DJIA fell 2.7%, the Nasdaq dropped 2.5%, and the S&P 500 declined 2.4% on the week. Treasury yields fell across the curve, with the 10-year and 30-year maturities each dropping 8 basis points (bps). Gold continued its unprecedented rally as investors shifted to safer assets. The preliminary University of Michigan consumer sentiment index for October checked in at 55.0, only 0.1 point lower than its final September value, and above expectations of 54.5. Sentiment still remains

historically low, as consumers continue to cite high prices and policy uncertainty as top concerns. Whether the current government shut down will cause consumer sentiment to fall further remains to be seen. Consumer credit rose \$0.4 billion in August, far below the expected \$13.1 billion increase. This near-flat growth suggests households have sharply curtailed borrowing, presumably due to growing caution over economic uncertainty. The MBA mortgage applications index for the week of October 4<sup>th</sup> fell 4.7%, continuing its downward trend, despite declining mortgage rates. The September FOMC minutes were released as scheduled and revealed that policymakers remain divided but cautious

following the Committee's 25 bps cut to 4.00–4.25%. Policymakers agreed that the cut was appropriate in light of moderating growth, slower job gains, and continued progress on disinflation, but several members stressed the need for patience before committing to additional easing. Overall, the minutes conveyed a careful balance between confidence in disinflation progress and concern about weakening labor conditions. The ongoing government shutdown has suspended the publication of several key economic reports, including the Trade Balance, Initial and Continuing Jobless Claims, Wholesale Inventories, Construction Spending, Factory Orders, and the September Employment Situation Report.

| Last Week: Indicator                                         | Number Reported        | Consensus Expectation* | Comment                             |
|--------------------------------------------------------------|------------------------|------------------------|-------------------------------------|
| Trade Balance (Aug – Tue 08:30)                              | --                     | -\$61.0B               | N/A due to government shutdown      |
| Consumer Credit (Aug – Tue 15:00)                            | \$0.4B                 | \$13.1B                |                                     |
| MBA Mortgage Applications Index (10/04 – Wed 07:00)          | -4.7%                  | NA                     |                                     |
| FOMC Minutes (Sep 16-17 – Wed 14:00)                         | --                     | NA                     |                                     |
| Initial Claims (10/04 – Thu 08:30)                           | --                     | 233K                   | N/A due to government shutdown      |
| Continuing Claims (09/27 – Thu 08:30)                        | --                     | NA                     | N/A due to government shutdown      |
| Wholesale Inventories (Aug – Thu 10:00)                      | --                     | -0.2%                  | N/A due to government shutdown      |
| U. of Michigan Consumer Sentiment - Prelim (Oct – Fri 10:00) | 55.0                   | 54.5                   |                                     |
| Treasury Budget (Sep – Fri 14:00)                            | --                     | -\$83.0B               | N/A due to government shutdown      |
| Next Week: Indicator                                         | Consensus Expectation* | Prior                  | Comment                             |
| NFIB Small Business Optimism (Sep – Mon 06:00)               | NA                     | 100.8                  |                                     |
| MBA Mortgage Applications Index (10/11 – Tue 07:00)          | NA                     | -4.7%                  |                                     |
| Empire State Manufacturing (Oct – Tue 08:30)                 | -1.8                   | -8.7                   |                                     |
| PPI (Sep – Wed 08:30)                                        | +0.3%                  | -0.1%                  | Core PPI (prior): -0.1%             |
| Retail Sales (Sep – Wed 08:30)                               | +0.4%                  | +0.6%                  | Retail Sales ex-auto (prior): +0.7% |
| Initial Claims (10/11 – Wed 08:30)                           | 227K                   | NA                     |                                     |
| Continuing Claims (10/04 – Wed 08:30)                        | NA                     | NA                     |                                     |
| Philadelphia Fed Index (Oct – Wed 08:30)                     | 9.1                    | 23.2                   |                                     |
| Business Inventories (Aug – Wed 10:00)                       | +0.1%                  | +0.2%                  |                                     |
| NAHB Housing Market Index (Oct – Wed 10:00)                  | 33                     | 32                     |                                     |
| Housing Starts (Sep – Thu 08:30)                             | 1,320K                 | 1,307K                 |                                     |
| Building Permits (Sep – Thu 08:30)                           | 1,340K                 | 1,312K                 |                                     |
| Import Prices (Sep – Thu 08:30)                              | NA                     | +0.3%                  | Import Prices ex-oil (prior): +0.4% |
| Export Prices (Sep – Thu 08:30)                              | NA                     | +0.3%                  | Export Prices ex-ag. (prior): +0.3% |
| Industrial Production (Sep – Thu 09:15)                      | +0.1%                  | +0.1%                  |                                     |
| Capacity Utilization (Sep – Thu 09:15)                       | 77.3%                  | 77.4%                  |                                     |

\*Sources: [www.briefing.com](http://www.briefing.com) and [www.federalreserve.gov](http://www.federalreserve.gov)

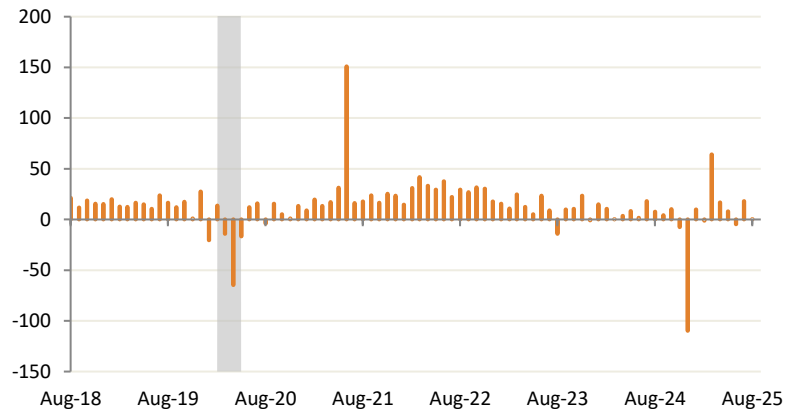


## Economic Review

**CONSUMER CREDIT** stalled in August, growing only \$0.4 billion, significantly below expectations of \$13.1 billion increase. Revolving credit, which primarily consists of credit card debt fell \$6.0 billion. This category often reflects consumers' day-to-day spending capacity and confidence as it measures borrowing that can be quickly repaid and reused. The decline suggests households are pulling back on discretionary purchases as consumer caution grows in regard to the state of the economy. In contrast, nonrevolving credit (which covers longer-term borrowing) rose \$6.3 billion, showing steadier demand for installment-based financing. Overall, total credit expanded at an annualized pace of just 0.1%, with revolving balances contracting at a 5.5% rate and non-revolving credit increasing at an annual rate of 2.0%.

The preliminary **UNIVERSITY OF MICHIGAN CONSUMER SENTIMENT** index held steady in early October, with the headline index registering at 55.0. The measure, relatively unchanged from September's final reading of 55.1, shows stability in consumer sentiments, despite the government shut down that began October 1<sup>st</sup>. The current economic conditions index rose to 61.0 from 60.4 in September, showing improvement in how consumers view current conditions; during the same period a year ago, the index stood at 64.9. The index of consumer expectations fell further in October, registering at 51.2, down from 51.7 in September. In the same period a year ago, the index stood at 71.1. Inflation expectations offered little relief. The one-year outlook slipped only slightly to 4.6% from 4.7%, and long-run expectations held at 3.7%, suggesting consumers still anticipate inflation to remain above pre-pandemic norms. Overall, households remain cautious, neither seeing significant improvement in prices nor employment prospects. This subdued confidence, coupled with stubborn inflation expectations, could weigh on discretionary spending heading into the upcoming holiday season.

Consumer Credit Monthly Change (\$blns)



University of Michigan Consumer Sentiment Index





## Fed Speeches

At the Economic Club of Minnesota in Golden Valley, Federal Reserve Governor Michael S. Barr outlined his outlook for the U.S. economy and explained his reasoning for supporting the Committee's September rate cut. Barr noted that the economy is facing risks to both sides of the dual mandate, with inflation persistently staying above 2% and job growth rapidly slowing. He attributed much of the recent uptick in inflation to new tariffs, which have pushed up goods prices and complicated the disinflation process. Although he described monetary policy as "modestly restrictive," Barr emphasized that recent data reinforce the need for balance and caution as the FOMC weighs future adjustments.

Barr warned that the inflation outlook remains uncertain, highlighting the risk that

persistent tariff-related cost pressures could feed expectations of higher inflation if businesses and consumers begin to treat price increases as permanent. He also acknowledged softer labor market conditions could help contain wage pressures and keep inflation from accelerating further. Weighing these competing forces, he stressed that gradual, deliberate adjustments are appropriate until clearer data emerge.

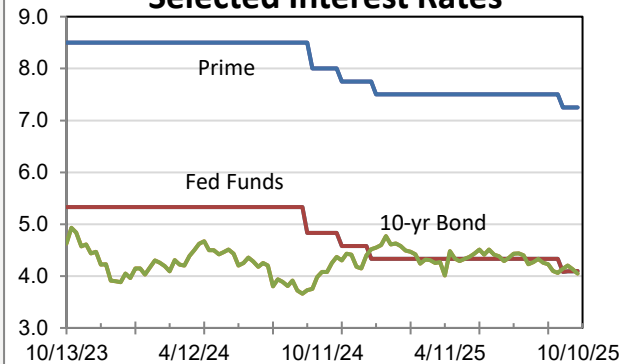
In discussing the broader environment, Barr noted that the ongoing federal government shutdown has delayed key labor market reports, further clouding policymakers' visibility into economic conditions. He referenced the Brainard principle, saying:

*"Common sense would indicate that when there is a lot of uncertainty, one should move cautiously."*

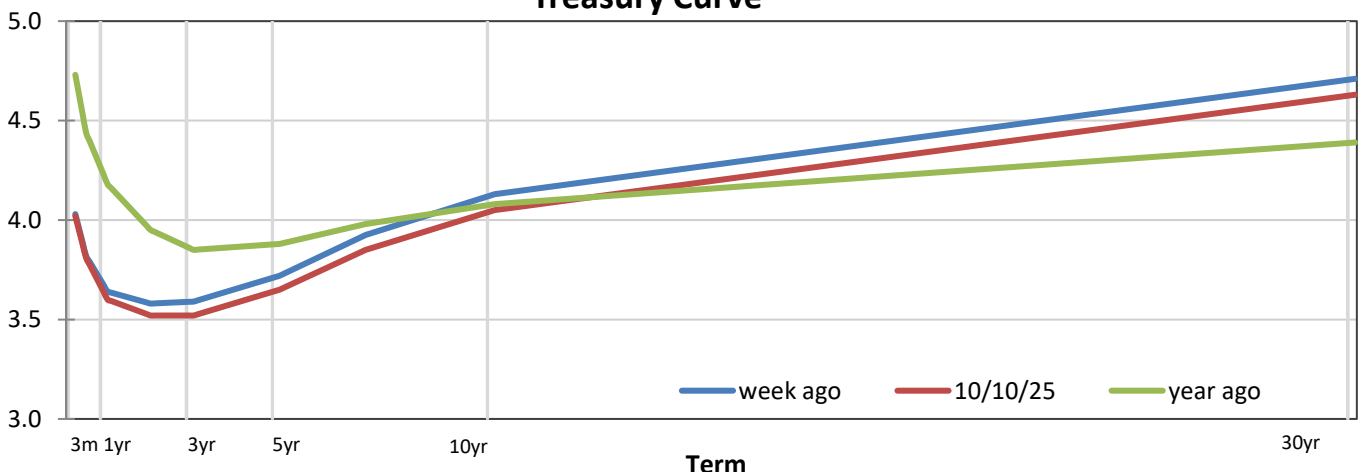
## Financial Markets

Equity markets declined last week, as renewed trade tensions between the US and China added to pressures related to the government shutdown and concerning private-source data on growth and the labor market. The DJIA declined 2.7%, followed by the NASDAQ (down 2.5%) and the S&P 500 (down 2.4%). Treasury yields fell across the curve, with the largest drops among longer maturity bonds. The unified decline across maturities suggests markets are increasingly pricing in a weaker economic outlook, and investors are shifting towards safe-haven assets as they seek stability amid heightened uncertainty. The mortgage rate continued to decline, now at 6.30% and 42 basis points lower than its value 13 weeks ago. The price of oil continued its decline, down 3.4% from the previous week and down 12.2% from its price 13 weeks ago, underscoring persistent concerns over global demand. Gold continued its meteoric climb, increasing another 3.2% from historically high prices to \$4,011.03 per t oz.

### 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 <sup>th</sup> Qtr '25 | 7.05  | 3.93      | 3.94 | 3.74         | 3.43       | 3.98            | 4.52       | 6.16           |
| 1 <sup>st</sup> Qtr     | 6.75  | 3.63      | 3.63 | 3.58         | 3.40       | 3.88            | 4.30       | 6.02           |
| 2 <sup>nd</sup> Qtr     | 6.59  | 3.46      | 3.47 | 3.49         | 3.39       | 3.81            | 4.23       | 5.93           |
| 3 <sup>rd</sup> Qtr     | 6.42  | 3.29      | 3.30 | 3.36         | 3.36       | 3.74            | 4.17       | 5.84           |
| 4 <sup>th</sup> 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<br>10/10/2025 | As of<br>10/03/2025 | Weekly<br>Change | 4-Week<br>Change | 13-Week<br>Change |
|-------------------------------------------------------------|---------------------|---------------------|------------------|------------------|-------------------|
| <b>MONEY MARKETS (Changes in BPs)</b>                       |                     |                     |                  |                  |                   |
| Prime                                                       | 7.25                | 7.25                | 0                | (25)             | (25)              |
| Secured Overnight Financing Rate (SOFR)                     | 4.13                | 4.20                | (7)              | (28)             | (18)              |
| Fed Funds (Wed close)                                       | 4.10                | 4.09                | 1                | (23)             | (23)              |
| <b>TREASURIES (BE) (Changes in BPs)</b>                     |                     |                     |                  |                  |                   |
| 3 Months                                                    | 4.02                | 4.03                | (1)              | (6)              | (39)              |
| 6 Months                                                    | 3.81                | 3.82                | (1)              | (2)              | (50)              |
| 1 Year                                                      | 3.60                | 3.64                | (4)              | (6)              | (49)              |
| 2 Years                                                     | 3.52                | 3.58                | (6)              | (4)              | (38)              |
| 5 Years                                                     | 3.65                | 3.72                | (7)              | 2                | (34)              |
| 10 Years                                                    | 4.05                | 4.13                | (8)              | (1)              | (38)              |
| 30 Years                                                    | 4.63                | 4.71                | (8)              | (5)              | (33)              |
| <b>MUNICIPALS- AAA G.O. &amp; Mortgage (Changes in BPs)</b> |                     |                     |                  |                  |                   |
| 2-Year Muni                                                 | 2.32                | 2.27                | 5                | 30               | (20)              |
| 5-Year Muni                                                 | 2.29                | 2.30                | (1)              | 15               | (34)              |
| 10-Year Muni                                                | 2.85                | 2.90                | (5)              | 71               | (33)              |
| 30-Year Muni                                                | 4.22                | 4.27                | (5)              | (4)              | (38)              |
| 30-Year Conventional Mortgage                               | 6.30                | 6.34                | (4)              | (5)              | (42)              |
| <b>MARKET INDICATORS (Changes in %)</b>                     |                     |                     |                  |                  |                   |
| DJIA                                                        | 45,479.60           | 46,758.28           | (2.7)            | (0.8)            | 2.5               |
| S&P 500                                                     | 6,552.51            | 6,715.79            | (2.4)            | (0.5)            | 4.7               |
| NASDAQ                                                      | 22,204.43           | 22,780.51           | (2.5)            | 0.3              | 7.9               |
| CRB Futures                                                 | 363.85              | 371.77              | (2.1)            | (2.7)            | (2.5)             |
| Oil (WTI Crude)                                             | 58.81               | 60.88               | (3.4)            | (4.9)            | (12.2)            |
| Gold                                                        | 4,011.03            | 3,886.54            | 3.2              | 10.1             | 19.5              |
| Yen / Dollar                                                | 151.19              | 147.47              | 2.5              | 2.6              | 4.3               |
| Dollar / Euro                                               | 1.16                | 1.17                | (1.0)            | (0.9)            | (0.5)             |



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