

CAPITAL MARKETS REPORT - OCTOBER 6, 2025



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SERVICE BEYOND COMPARISON

- **Powell Cautions on Fragile Economy as Labor Market Weakens**
- **Inflation Cools Further, Reinforcing Case for Continued Fed Easing**
- **Trump Pressures Fed as Global Markets Rally and Ukraine Tensions Rise**

Federal Reserve Chair Jerome Powell struck a cautious tone in the aftermath of the central bank's recent rate cut, emphasizing that the US economy remains fragile and the labor market continues to weaken. Jobless claims remain elevated, hiring has slowed, and wage growth has cooled to its lowest level in two years, signaling softer labor demand. While Powell reiterated that the Fed stands ready to adjust policy as needed, he warned against moving too aggressively and underscored the need to maintain credibility as inflation slowly trends lower.

Inflation data confirmed the cooling trend, with the Fed's preferred PCE gauge showing core prices up just 2.6% from a year earlier — the slowest pace since 2021. Goods deflation and easing rent pressures helped offset stubbornly high service-sector prices, keeping the Fed's 2% target within sight. The moderation in inflation, coupled with a weaker job market, has reinforced expectations for further easing throughout the remainder of '25, while investors continue to bet on a soft landing scenario.

Political and global developments added to the uncertain backdrop. President Trump intensified public pressure on the Fed, calling for deeper and faster rate cuts while preparing to nominate new governors more aligned with his political stance, renewing concerns about central bank independence. Abroad, global markets extended gains in response to the Fed's dovish tone, with risk assets rising across Europe and Asia. However, geopolitical tensions deepened as Russia escalated attacks on Ukraine, prompting new Western sanctions and renewed debate over long-term military support and diplomatic strategies.

Market Last Week

	9/26/2025 Close	10/3/2025 Close	Weekly Change In Bps
2 yr. Note	3.64%	3.58%	-6
5 yr. Note	3.77%	3.72%	-5
10 yr. Note	4.18%	4.12%	-6
30 yr. Bond	4.75%	4.71%	-4
SOFR Rate	4.16340%	4.10159%	-6.181

Data This Week

Date/Time (ET)	Economic Data	Market Estimate	Prior Report
10/9/2025 8:30 AM	Initial Jobless Claims (Oct 4)	228k	--
10/10/2025 10:00 AM	U. of Mich. Sentiment (Oct P)	54.00	55.10
10/8/2025 7:00 AM	MBA Mortgage Apps (Oct 3)	--	-12.70%
10/7/2025 8:30 AM	Trade Balance (Aug)	-\$61.0b	-\$78.3b
10/9/2025 10:00 AM	Whsle Inventories MoM (Aug F)	-0.20%	-0.20%
10/10/2025 2:00 PM	Federal Budget Balance (Sep)	\$50.0b	-\$344.8b
10/9/2025 8:30 AM	Continuing Claims (Sep 27)	1925k	--
10/8/2025 2:00 PM	FOMC Meeting Minutes (Sep 17)	--	--
10/7/2025 3:00 PM	Consumer Credit (Aug)	\$14.000b	\$16.010b
10/10/2025 10:00 AM	U. of Mich. 1 Yr Inflation (Oct P)	--	4.70%
10/10/2025 10:00 AM	U. of Mich. 5-10 Yr Inflation (Oct P)	3.70%	3.70%
10/10/2025 10:00 AM	U. of Mich. Expectations (Oct P)	51.40	51.70

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