

### Stocks gain on in-line PCE with Dollar paring some recent strength

- **SNAPSHOT:** Equities up, Treasuries steepen, Crude up, Dollar down.
- **REAR VIEW:** US PCE matches expectations, while Personal Income & Consumption top consensus; Trump announces tariffs on semiconductors, pharma, heavy trucks, and home improvement, albeit with many exemptions; Britain reportedly to face 100% tariffs on US pharma, while EU & Japan's level would remain at 15%; Fed's Bowman argues for proactive forward-looking approach; Fed's Barkin sees monthly breakeven jobs rate between 0-50k; Softer-than-expected Japanese CPI; Better-than-expected Canadian GDP growth in July. EA nears ~\$50B deal to go private.
- **COMING UP: Data:** Spanish CPI Flash (Sep), EZ Sentiment (Sep). **Events:** Bank of Israel Announcement; Labour Party Conference (29th Sept - 1st Oct). **Speakers:** BoJ's Noguchi; ECB's Cipollone, Muller, Kazaks, Cipollone, Schnabel, Lane; BoE's Ramsden; Fed's Waller, Hammack, Musalem, Williams, Bostic; UK Chancellor Reeves. **Earnings:** Jefferies, Carnival.
- **WEEK AHEAD:** Highlights include US jobs data, ISM surveys, Eurozone inflation, RBA policy announcement. [Click here for the full report.](#)
- **CENTRAL BANK WEEKLY:** Previewing RBA and RBI policy announcements; Reviewing PBOC, SNB, RIKSBANK, Banxico. [Click here for the full report.](#)
- **WEEKLY US EARNINGS ESTIMATES:** Light earnings schedule with NKE & JEF the highlights. [Click here for the full report.](#)

### MARKET WRAP

US indices closed the final session of the week in the green, and saw strength in wake of the US PCE report for August, which saw all the major metrics print in line. Treasuries saw two-way action on PCE, while the Dollar sold off. In the FX space, the Greenback saw weakness and pared some of the notable strength seen on Wednesday and Thursday. As has been the case for the last couple of days, G10 FX peers have been at the whim of the Dollar and as such were firmer across the board with little currency-specific newsflow. The crude complex extended on weekly gains, as geopolitics has dominated the slate, with the latest update via the WSJ noting Trump told Zelensky he was open to lifting restrictions on Ukraine's use of American-made long-range weapons to strike inside Russia, but he didn't commit to doing so during a meeting on Tuesday. Sectors were almost exclusively in the green, with only Consumer Staples in the red and weighed by Costco (-2.5%) after SSS missed. Consumer Discretionary and Utilities outperform. Aside from PCE on Friday, overnight announced tariffs on heavy trucks, pharma, and some home improvement products as of Oct 1st, 2025. On pharma, a 100% tariff will be imposed on any branded or patented pharmaceutical product unless the company is building its pharmaceutical manufacturing plant in America. CNBC later reported that the White House will honour a 15% cap on pharma tariffs as part of trade deals with the EU and Japan, while Reuters said Britain would face 100% tariffs on US pharma. Precious metals (XAU, XAG) both firmed, with spot silver outperforming its counterpart.

### US

**PCE:** PCE was largely as expected. Personal Income & Consumption were the exception, rising 0.4% (exp. 0.3%, prev. 0.4%) and 0.6% (exp. 0.5%, prev. 0.5%), respectively. Core rose 0.2% M/M (exp. 0.2%) after the downwardly revised July figure of 0.2% (prev. 0.3%). Core Y/Y printed 2.9% (exp. 2.9%, prev. 2.9%). Headline M/M rose 0.3% (exp. 0.3%, prev. 0.2%) and Y/Y rose 2.7% (exp. 2.7%, prev. 2.6%). Personal Consumption on a real basis rose 0.3% (prev. 0.3%, rev. 0.4%). The PCE supercore measure rose 0.33% M/M (prev. 0.4%) and 3.4% Y/Y. The report resulted in some USD selling, but quite a muted reaction in T-Notes, with October rate cut bets seeing a slightly dovish move by end of day. NFP next Friday is more likely to have a greater impact on the trajectory of the FFR in the current environment, whereby downside risks towards the labour market have gained more significance in the Fed's decision-making. Ahead, Pantheon Macroeconomics expect real after-tax income to remain stagnant through the end of this year, "given that employment intentions remain weak and only about one-third of the tariff-related uplift to consumer prices has fed through". The firm continues to expect core PCE inflation to peak at about 3.25% early next year and then to rise at an annualised pace of just 2% from Q2.

**MICHIGAN:** UoM final Sentiment for September was revised lower to 55.1 from 55.4, against expectations for an unrevised print, whilst Expectations and Sentiment were revised down to 51.7 (prev. 51.8) and 60.4 (prev. 61.2), respectively. Inflation expectations ticked lower, with 1yr at 4.7% (prev. 4.8%) and the longer-term 5yr at 3.7% from 3.9%. Surveys of Consumers Director Joanne Hsu said, "Although September's decline was relatively modest, it was still seen across a broad swath of the population, across age groups, income, and education", although Hsu adds "a key exception: sentiment for consumers with larger stock holdings held steady, while for those with smaller or no holdings, sentiment decreased." Hsu added that consumers continue to express frustration over the persistence of high prices, which printed the highest reading in a year. September interviews highlighted the fact that consumers feel pressure both from the prospect of higher inflation as well as the risk of weaker labour markets.

**FED'S BOWMAN (Voter):** The Vice Chair of Supervision stood firm in the dove camp, arguing recent data, including benchmark payrolls revisions, show they are at serious risk of already being behind the curve; Should these conditions continue, concerned will need to adjust policy at a faster pace and to a larger degree going forward. Bowman adds that recent data show a materially more fragile labour market, inflation ex-tariffs hovering not far above target. As such, Bowman views now as the time for the FOMC to act decisively and proactively to address decreasing labour market dynamism and emerging signs of fragility. She expects inflation to return to 2% target after one-time adjustment from tariffs. Surprisingly, Bowman argued against the usual data-dependent approach

advocated by many central bankers across the globe. "Inflexible, dogmatic view of data dependence gives a backwards-looking view of the economy, guarantees we remain behind the curve". Fed should consider shifting focus from overweighting the latest data points to a proactive forward-looking approach, Bowman contended. On the balance sheet, she believes that if tilted towards shorter-dated securities, it would offer more flexibility. Bowman prefers the smallest balance sheet possible with reserves closer to scarce than ample. She strongly supports holding only treasuries. Meanwhile, Bowman sees slower population growth and an ageing population as more prominent factors in pulling down the neutral rate.

**FED'S BARKIN** (2027 voter): Barkin spoke extensively and wants to see what happens on the employment side and on the inflation side. The Richmond Fed President said both inflation and unemployment are moving in the wrong direction, but the downside is limited. Barkin said the Fed is now focused on the balance between its goals, reiterated data dependency and said the incoming data will determine if the Fed should cut more. Barkin sees the monthly breakeven jobs rate in the 0-50k range, which is the same as Chair Powell.

## FIXED INCOME

### T-NOTE FUTURES (Z5) SETTLED 2 TICKS LOWER AT 112-08+

**T-Notes steepen in choppy trade after PCE matches expectations.** At settlement, 2-year +2.1bps at 3.554%, 3-year +2.2bps at 3.506%, 5-year +2.2bps at 3.604%, 7-year +2.3bps at 3.791%, 10-year +2.1bps at 4.053%, 20-year +2.2bps at 4.649%, 30-year +2.2bps at 4.699%.

**INFLATION BREAKEVENS:** 1-year BEI -0.6bps at 3.219%, 3-year BEI -0.2bps at 2.723%, 5-year BEI +0.1bps at 2.441%, 10-year BEI +0.0bps at 2.337%, 30-year BEI +0.2bps at 2.229%.

**THE DAY:** T-Notes once again saw quiet trade through the APAC and EU sessions, trading within a narrow 112-07 to 112-13+ band ahead of US PCE. Upon the releases, T-Notes broke above 112-13+, hitting highs of 112-15+ before gradually moving to fresh lows of 112-06. PCE metrics were very much expected, with Core rising 0.2% M/M and Headline rising 0.3% while Personal Income & Consumption topped expectations. The release had little sway over Fed pricing by year-end, with a ~88% chance of a 25bps rate cut being priced (was ~90% pre-GDP on Thursday). At the Fed, Bowman (voter) and Barkin (2027 voter) spoke. Bowman reiterated her dove stance, "Recent data, including benchmark payrolls revisions, show we are at serious risk of already being behind the curve". On the balance sheet, Bowman prefers the smallest balance sheet possible with reserves closer to scarce than ample. Additionally, she argues the Fed should hold only Treasuries. Elsewhere, UoM unveiled a downward revision to the headline, expectations, conditions, and 1- and 5-year inflation expectations. Similar to the last few months of UoM reports, Treasuries were unfazed.

### STIRS/OPERATIONS

- **Market Implied Fed Rate Cut Pricing:** Oct 22bps (prev. 21bps), Dec 40bps (prev. 38bps), January 48bps (prev. 47bps).
- NY Fed RRP op demand at USD 48bln (prev. 25bln) across 23 counterparties (prev. 21).
- EFRF at 4.09% (prev. 4.09%), volumes at USD 92bln (prev. 88bln) on September 25th.
- SOFR at 4.18% (prev. 4.13%), volumes at USD 2.965tln (prev. 2.852tln) on September 25th.

## CRUDE

### WTI (X5) SETTLED USD 0.74 HIGHER AT 65.72/BBL; BRENT (X5) SETTLED USD 0.71 HIGHER AT 70.13/BBL

The crude complex extended on weekly gains on Friday, albeit in light energy-specific newsflow. Geopolitics has dominated the slate, and US President Trump's posture on Russia seemingly changed earlier in the week following his meeting with Zelensky at the UN Assembly Meeting. Back to today, benchmarks ground higher following US participants entering for the day, although little move was seen after the US PCE (Aug), which was in line across all the main metrics. Baker Hughes rig count saw oil rise 6 to 424, natgas fall 1 to 417, leaving the total up 7 to 549. WTI traded between USD 64.66-66.42/bbl and Brent 69.11-70.76 as participants await any geopolitical developments over the weekend.

## EQUITIES

**CLOSES:** SPX +0.59% at 6,644, NDX +0.44% at 24,504, DJI +0.65% at 46,247, RUT +0.97% at 2,434.

**SECTORS:** Consumer Staples -0.11%, Communication Services +0.13%, Technology +0.21%, Financials +0.71%, Industrials +0.87%, Energy +0.97%, Health +0.98%, Materials +1.05%, Real Estate +1.05%, Consumer Discretionary +1.45%, Utilities +1.59%.

**EUROPEAN CLOSES:** Euro Stoxx 50 +0.97% at 5,498, Dax 40 +0.84% at 23,733, FTSE 100 +0.77% at 9,285, CAC 40 +0.97% at 7,871, FTSE MIB +0.96% at 42,646, IBEX 35 +1.28% at 15,348, PSI +0.49% at 7,953, SMI +0.38% at 11,921, AEX +0.43% at 938

### STOCK SPECIFICS:

- **Heavy Trucks:** 25% tariff on all "Heavy Trucks" made in other parts of the world; of note for PACCAR (PCAR), Miller Industries (MLR), Daimler Truck (DTRUY), Volvo (VLVLY), Isuzu Motors (ISUZY).
- **Home Improvement:** 50% tariff on all kitchen cabinets, bathroom vanities, associated products & 30% tariff on upholstered furniture; of note for Hooker Furnishings (HOFT), La-Z-Boy (LZB), Bassett Furniture (BSET), Ethan Allen (ETD), Haverty Furniture (HVT), Home Depot (HD), RH (RH), Wayfair (W), Williams-Sonoma (WSM).
- **Pharma Products:** 100% tariff on any branded or patented pharmaceutical product unless Co. is building its pharmaceutical manufacturing plant in America; of note for Eli Lilly (LLY), AbbVie (ABBV), Amgen (AMGN), Merck (MRK), Bristol Myers Squibb (BMY), Gilead (GILD), Pfizer (PFE), Johnson & Johnson (JNJ), Novartis (NVS), Roche (RHHBY), Bayer (BAYRY), Novo Nordisk (NVO).

- **Semiconductors:** Trump admin weighing a new plan to dramatically reduce the US' reliance on semiconductors made overseas; of note for GlobalFoundries (GFS), Intel (INTC), AMD (AMD), TSMC (TSM), ASML (ASML), Nvidia (NVDA), Broadcom (AVGO), Qualcomm (QCOM).
- **Concentrix (CNXC):** EPS light with weak next quarter & FY profit guidance.
- **Costco (COST):** Beat on EPS & revenue but SSS was light
- **Microsoft (MSFT):** Named 'Top Pick' at Morgan Stanley; price target raised to USD 625 from USD 582.
- **Kenvue (KVUE):** Upgraded to 'Buy' from 'Neutral' at Rothschild & Redburn.
- **Riot Platforms (RIOT):** Upgraded to 'Overweight' from 'Neutral' at JPMorgan and upgraded at Citi to 'Buy' from 'Neutral'.
- **Electronic Arts (EA):** Near a roughly USD 50bln deal to go private, WSJ reports.
- US FTC approves final order to settle FTC charges that **Omnicom's (OMC)** USD 13.5bln acquisition of **Interpublic Group of Companies (IPG)** would violate antitrust laws.
- US FAA is reportedly to begin easing restrictions on the delivery of **Boeing (BA)** craft, via WSJ citing sources; FAA expected to grant Boeing with the authority to perform final safety checks on its craft. Could be announced on Friday.

## FX

**The Dollar** was weaker on Friday and took a breather from the recent rally. The Wednesday strength left desks scratching their heads, but Thursday's ascent higher was driven by US data; Q2 GDP topped expectations, initial claims fell much more than expected, and durable goods soared. Nonetheless, some of this was unwound, and a bulk of it was seen after US PCE for August, with all major metrics in line with consensus. Overnight, Trump announced numerous new tariffs, but little action was seen on them. As a reminder, Barclays' month-end model has moderate USD selling. Attention now resides around NFP on Friday, whereby consensus looks for 39k jobs added to the economy; as the Fed pivots its attention onto labour market weakness, analysts will be closely watching whether the headline figure is above or below the estimated breakeven rate, which Fed Chair Powell estimates is between 0-50k.

As has been the case for the last couple of days, G10 FX action has been dominated by the broader Dollar moves, as opposed to much currency-specific newsflow, and it remained the case on Friday. As such, broad-based strength was seen with GBP outperforming and attempting to reclaim some recent losses. Cable traded between 1.3330-3412, and trades off MTD troughs of 1.3323. EUR and CHF were the next best performers, although the single-currency Euro saw little move after 1yr and 5yr inflation forecasts rose in the ECB SCE. EUR/USD was within a narrow range of 1.1659-1704.

**Antipodeans** and **JPY** saw similar gains. CAD was flat. For the Yen, it saw mild weakness overnight following cooler-than-expected Japanese CPI Tokyo Ex fresh food Y/Y, whereby USD/JPY topped out just shy of 150 at 149.95. AUD/USD and NZD/USD were within very tight parameters, with high-to-lows within 30 pips of each other. Looking to next week, the RBA is on Tuesday, whereby they are widely expected to keep the Cash Rate unchanged at 3.60%, with money markets pricing a 93% chance of such an outcome and a 7% likelihood of a cut.

**EMFX** was mixed. For the INR, US trade negotiators in talks with Indian counterparts made clear that the Russia issue being resolved is crucial to a US-India trade deal, via Bloomberg, citing sources; added, negotiations were positive, but no significant breakthrough. RBI is on deck next Wednesday, where they are expected to keep their Repo Rate unchanged at 5.50%, with a Reuters poll showing 45 of 61 economists forecast a hold, while 16 look for a 25bps cut.

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