



Markets Gain as Fed Rate Cut Countdown Begins: Investors Eye September Projections for Clues on Growth, Inflation, and Policy Path.

September 15, 2025

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The U.S. and European stock markets opened the week mostly higher as investors positioned for a Federal Reserve meeting widely expected to deliver the first rate cut of 2025. A clear risk-on tone emerged, with communication services and consumer discretionary stocks leading the way, while consumer staples and health care lagged. U.S. Treasury yields edged lower, with the 10-year yield near 4.05%, signaling firm demand for bonds.

Asian markets ended mixed after China's August industrial production and retail sales fell below expectations. In Europe, equities advanced, led by financial and real estate stocks. The U.S. dollar weakened against major peers, and WTI crude oil rose after Ukrainian drone strikes hit Russian refineries overnight.

Policy & Outlook

The Federal Reserve meets on September 17 amid signs of steady but moderating U.S. growth. Real GDP is expanding at an annualized 3.30%, with the Atlanta Fed's GDPNow estimate at 3.10%. Inflation remains contained but above target—headline CPI at 2.92% and core CPI at 3.11%—while consumer sentiment has fallen 22.7% year-to-date, from 71.70 in January to 55.40 in September. Labor indicators also show cooling, with unemployment at 4.30% and payroll gains averaging 74,750 per month over the past eight months.

Despite inflation exceeding the 2% target, the Fed is poised to begin a rate-cut cycle to reinforce its maximum-employment mandate. Policymakers will update quarterly projections for growth, inflation, unemployment, and the federal funds rate. June forecasts placed the rate near 3.6% by the end of 2026, but bond markets anticipate a faster decline below 3%. Investors will watch the “dot plot” closely for confirmation. Birling Capital expects one or two cuts this year, followed by additional reductions in 2026, bringing the policy rate into a 3.0%–3.5% range.

The Federal Reserve September 17–18, 2025 Projections: What to Expect and How They Compare to June

The Federal Reserve's next **Summary of Economic Projections (SEP)** will be released at the conclusion of the **September 17–18, 2025, FOMC meeting**, a critical milestone for markets and policymakers alike. These quarterly projections—covering GDP growth, unemployment, inflation, and the federal funds rate—are closely watched for their forward guidance and will follow the June 2025 projections we have analyzed in depth.

Setting the Stage

The June 2025 SEP, which we visualized in the accompanying chart, captured a U.S. economy still expanding at a moderate pace, with inflation edging closer to the Fed's 2 percent target but not yet on a stable glide path. Policymakers penciled in:

- **Real GDP growth** of **1.4% for 2025**, rising gradually to **1.8% by 2027** and holding at that level in the longer term.
- **Unemployment** is steady at around **4.5%**, drifting to **4.2%** in the longer run.
- **PCE inflation** is expected to be at **3.0% in 2025**, declining to **2.0%** over the forecast horizon.
- **Core PCE inflation** started at **3.1%** and is converging to **2.0%**.
- A **federal funds rate** of **3.9% for 2025**, easing toward **3.0% longer term**.

These numbers set the baseline for the Fed's June decision to **pause rate cuts** and maintain a data-dependent stance.

September's Crucial Update

On **September 17–18**, the FOMC will unveil its next set of projections. This update will incorporate summer economic data—consumer spending, labor market signals, and fresh inflation readings—alongside evolving global conditions. Markets are keen to see whether the Committee now envisions:

- **Faster disinflation**, which could accelerate the pace of rate cuts.
- **Stronger growth**, challenging the case for easier policy.
- **A different neutral rate**, shifting the "longer run" path for interest rates.

Why the Comparison Matters

By juxtaposing September's numbers with **June 2025 projections** (displayed in our chart), investors and policymakers can measure how much the economic narrative has changed in just one quarter. Even minor adjustments in growth or inflation forecasts can meaningfully influence market expectations for bond yields, equity valuations, and currency moves.

Fixed Income

Bond yields remain soft. The 10-year Treasury yield briefly touched 4.0% last week, matching April's lows, helping U.S. investment-grade bonds deliver 6.4% year-to-date total returns, well above their 4.9% starting yield. With Fed cuts likely, short-term Treasury yields should drift lower, while a gradual steepening of the yield curve could offset some of those declines. Birling Capital expects the 10-year yield to remain within a 4.0%–4.5% band, with inflation risks and fiscal deficits capping further downside, but Fed easing limiting sharp upward spikes.

Economic Data:

- **Canada Manufacturing Shipments:** rose to 70.32 billion, up from 68.60 billion last month, down 2.51%.
- **Canada Manufacturing Shipments MoM:** rose to 2.51%, compared to 0.30% last month.
- **Canada Wholesale Sales MoM:** fell to 1.27%, compared to 3.45% last month.

Eurozone Summary:

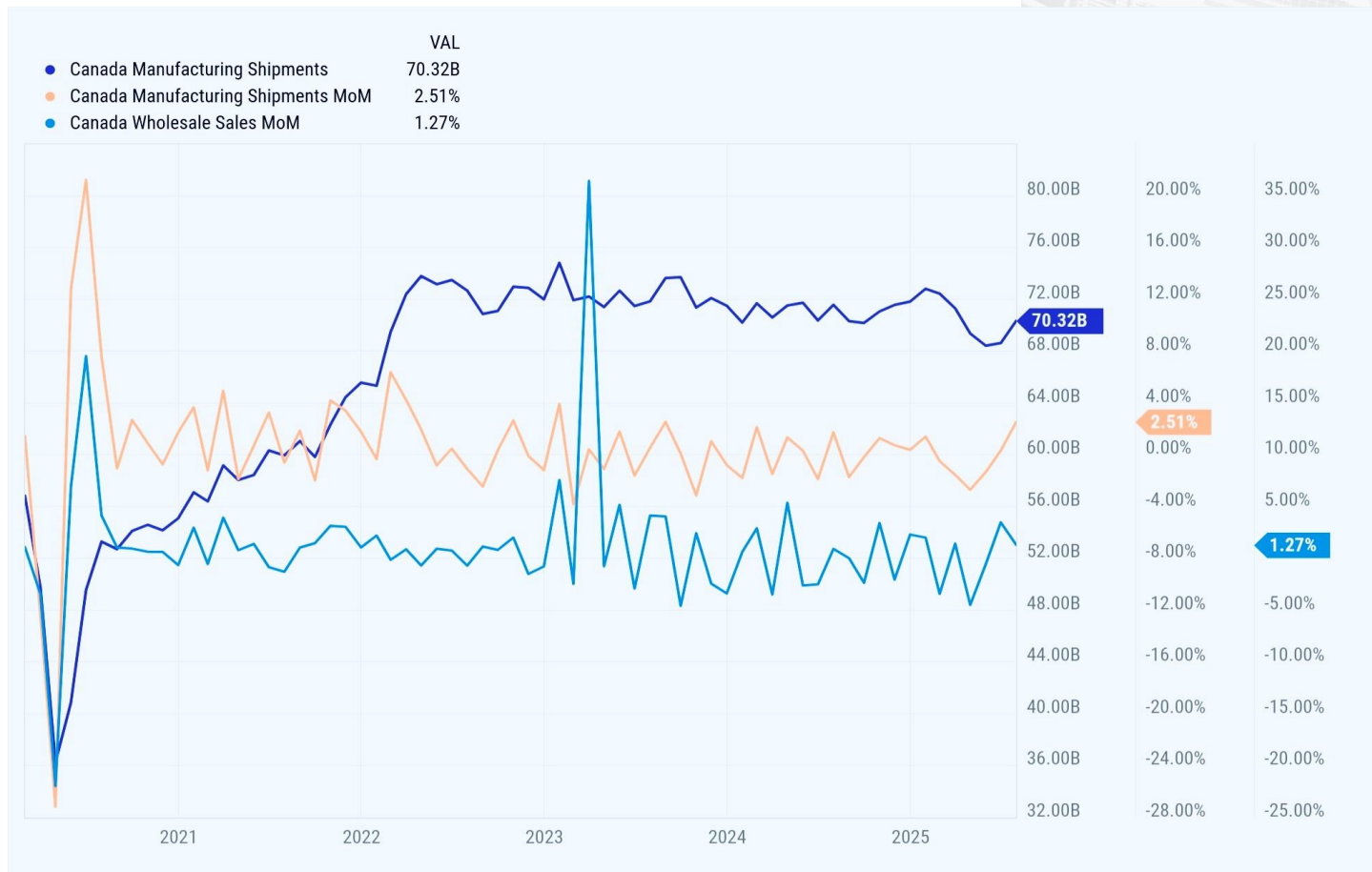
- **Stoxx 600:** Closed at 557.16, up 2.32 points or 0.42%.
- **FTSE 100:** Closed at 9,277.03, down 6.26 or 0.07%.
- **DAX Index:** Closed at 23,748.86, up 50.71 points or 0.21%.

Wall Street Summary:

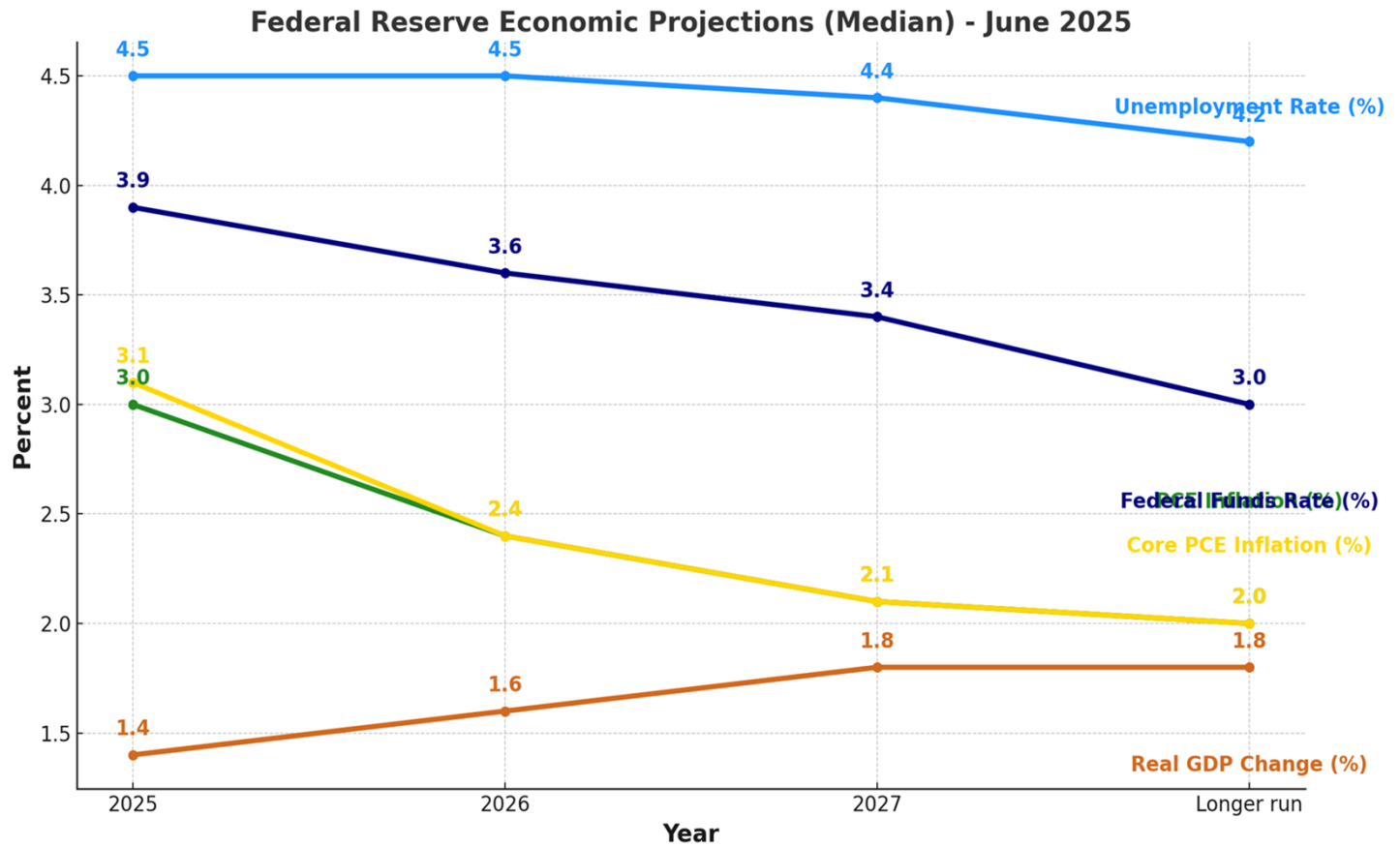
- **Dow Jones Industrial Average:** closed at 45,883.45, up 49.23 points or 0.11%.
- **S&P 500:** closed at 6,615.28, up 30.99 points or 0.47%.
- **Nasdaq Composite:** closed at 22,348.75, up 207.54 points or 0.94%.

- **Birling Capital Puerto Rico Stock Index:** closed at 4,150.73, down 48.63 points or 1.16%.
- **Birling Capital U.S. Bank Index:** closed at 8,130.96, up 4.27 points or 0.05%.
- **U.S. Treasury 10-year note:** closed at 4.05%.
- **U.S. Treasury 2-year note:** closed at 3.54%.

Canada Manufacturing Shipments Canada Manufacturing Shipments MoM & Canada Wholesale Sales MoM



Federal Reserve Bank Updated US Economy Projections 6/18/25





Wall Street Recap

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