Fed Delivers Quarter-Point Cut and Projects Gradual Path to Neutral Rates as Growth Cools and Inflation Eases; Markets React Mixed Across Wall Street.

September 17, 2025

by Francisco Rodríguez-Castro
frc@birlingcapital.com

The U.S. and European stock markets closed with mixed results, as investors adjusted their positions following the Federal Reserve's policy decision that delivered a **25 basis point rate cut**. The Fed acknowledged a cooling in the job market in its latest statement, pointing out that **"job gains have slowed, and the unemployment rate has edged up but remains low."** What **unsettled traders**, however, was **Chair Jerome Powell's** explanation during the post-meeting press conference. He framed the **decision as a strategic "risk-management cut,"** signaling that the central bank's move was designed less as a response to current weakness and more as an insurance policy should growth falter sharply. **"There are no risk-free paths now. It's not incredibly obvious what to do",** Powell said. The Fed also presented updated economic projections pointing to slower but steady growth, and we discussed them in detail below.

The markets reacted with the **Dow Jones** rising **260.42** points, the **S&P 500** falling **6.41** points, and the **Nasdaq Composite** losing **72.63** points.

Fixed Income

U.S. Treasuries held firm, with the **10-year yield closing up at 4.06%.** Futures imply additional easing into 2026.

Commodities

WTI crude slips, giving back part of recent gains that followed reports of Ukrainian drone strikes on Russian energy assets.

International Equities

Europe closed mostly higher, led by technology shares after large U.S. tech companies announced new **U.K. investments during President Trump's visit**. Gains were strongest in London and Frankfurt, where semiconductors, cloud-services, and renewable-energy names drew steady buying. Investors also responded positively to signs of stabilizing eurozone inflation and better-than-expected German ZEW sentiment data, which helped offset lingering concerns about energy costs.

Asian markets closed mixed. Japan's Nikkei advanced on solid machinery orders growth and a weaker yen that boosted exporters, while Hong Kong and mainland Chinese benchmarks slipped as property-sector stress and sluggish credit growth weighed on sentiment.

Policy & Outlook

The **Fed lowered** its rates today **by 25 basis points.** In its determination, the Fed stated that a moderation in **economic growth** was expected during the first half of the year. **Payroll expansion** has slowed, and the **unemployment rate** has inched higher, though it remains low. At the same time, **inflation has firmed** somewhat and continues to run **above the Fed's 2% target**.

Accordingly, the target range for the federal funds rate has been lowered by 25 basis points, bringing it to **4.00 to 4.25%**.

Summary of Economic Projections

The Federal Reserve's September 17, 2025, **Summary of Economic Projections**, including its closely watched **"dot-plot,"** sketches a careful glide path toward a more neutral policy stance while acknowledging persistent uncertainties in the U.S. and global economy.

- **Growth and Labor Market Outlook**

Participants now see U.S. real GDP expanding only modestly—about **1.6 percent in 2025**, edging a bit higher to the **1.8–1.9 percent** range through 2028. The median projection keeps the economy out of recession but firmly in a slower-growth lane.

Unemployment, meanwhile, is expected to **rise slightly to 4.5 percent in 2025** and drift down only gradually to **around 4.2 percent by 2028**. This points to a gently cooling labor market rather than a sharp downturn.

- **Inflation Path**

Both headline and core personal consumption expenditures (PCE) Inflation are projected to **ease steadily toward the 2 percent goal**, falling from about **3.0 percent in 2025 to roughly 2.0 percent by 2028**. Policymakers acknowledge, however, that the range of individual forecasts remains wide, reflecting uncertainty about how quickly price pressures will abate.

- **Interest-Rate Projections**

The dot-plot—the collection of individual policymakers' rate forecasts—signals **gradual policy easing**. After this meeting's quarter-point cut to a **4.0–4.25 percent target range**, the median participant expects the federal funds rate to **decline toward roughly 3.6 percent by year-end 2025**, then step down to around **3.4 percent in 2026** and **about 3.1 percent by 2027–2028**. The longer-run "neutral" rate is placed near **3.0 percent**. This path envisions monetary policy staying somewhat restrictive for now but converging toward neutrality over time.

- **Risks and Uncertainty**

Fed officials emphasize that these projections are **not commitments**, but contingent on incoming data. Many see **downside risks to growth and employment** as greater than upside risks, while inflation risks are described as more balanced but still significant. Global factors, energy prices, and financial-market volatility remain potential swing variables.

- **Policy Implications**

Taken together, the projections portray an economy **slowing but not stalling**, with inflation on a **gradual disinflation trajectory**. The Fed appears prepared to **trim rates carefully** over the next several years, maintaining enough restraint to ensure inflation's return to target while cushioning the labor market against sharper weakness.

In short, the new dot-plot outlines a **measured and data-dependent path to normalization**, underscoring that future moves will hinge on how growth, jobs, and prices actually evolve.

GDPNow:

- The GDPNow for the third quarter was updated today to **3.30%,** down from 3.40%, representing a -2.94% decrease.

Economic Data:

- **U.S. Housing Starts:** fell to 1.307 million, down from 1.429 million last month, a decrease of -8.54%
- **U.S. Building Permits:** fell to 1.312 million, down from 1.362 million last month, a decrease of -3.67%.
- **Eurozone Inflation Rate:** Excluding Energy, Food, Alcohol, and Tobacco: is unchanged at 2.30%, compared to 2.30% last month.
- **U.K. Consumer Price Index YoY:** is unchanged at 3.80%, compared to 3.80% last month.
- **U.K. Core Consumer Price Index YoY:** fell to 3.57%, compared to 3.74% last month.
- **Japan Machinery Orders YoY:** rose to 7.56%, compared to 6.16% last month.

Eurozone Summary:

- **Stoxx 600:** Closed at 550.63, down 0.16 points or 0.03%.
- **FTSE 100:** Closed at 9,208.37, up 12.71 or 0.14%.
- **DAX Index:** Closed at 23,359.18, up 29.94 points or 0.13%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 46,018.32, up 260.42 points or 0.51%.
- **S&P 500:** closed at 6,600.35, down 6.41 points or 0.10%.
- **Nasdaq Composite:** closed at 22,261.33, down 72.63 points or 0.33%.
- **Birling Capital Puerto Rico Stock Index:** closed at 4,127.12, down 10.29 points or 0.25%.
- **Birling Capital U.S. Bank Index:** closed at 8,163.09, up 4.97 points or 0.06%.
- **U.S. Treasury 10-year note:** closed at 4.06%.
- **U.S. Treasury 2-year note:** closed at 3.52%.

Federal Reserve Bank Summary of Economic Projections 9/17/25

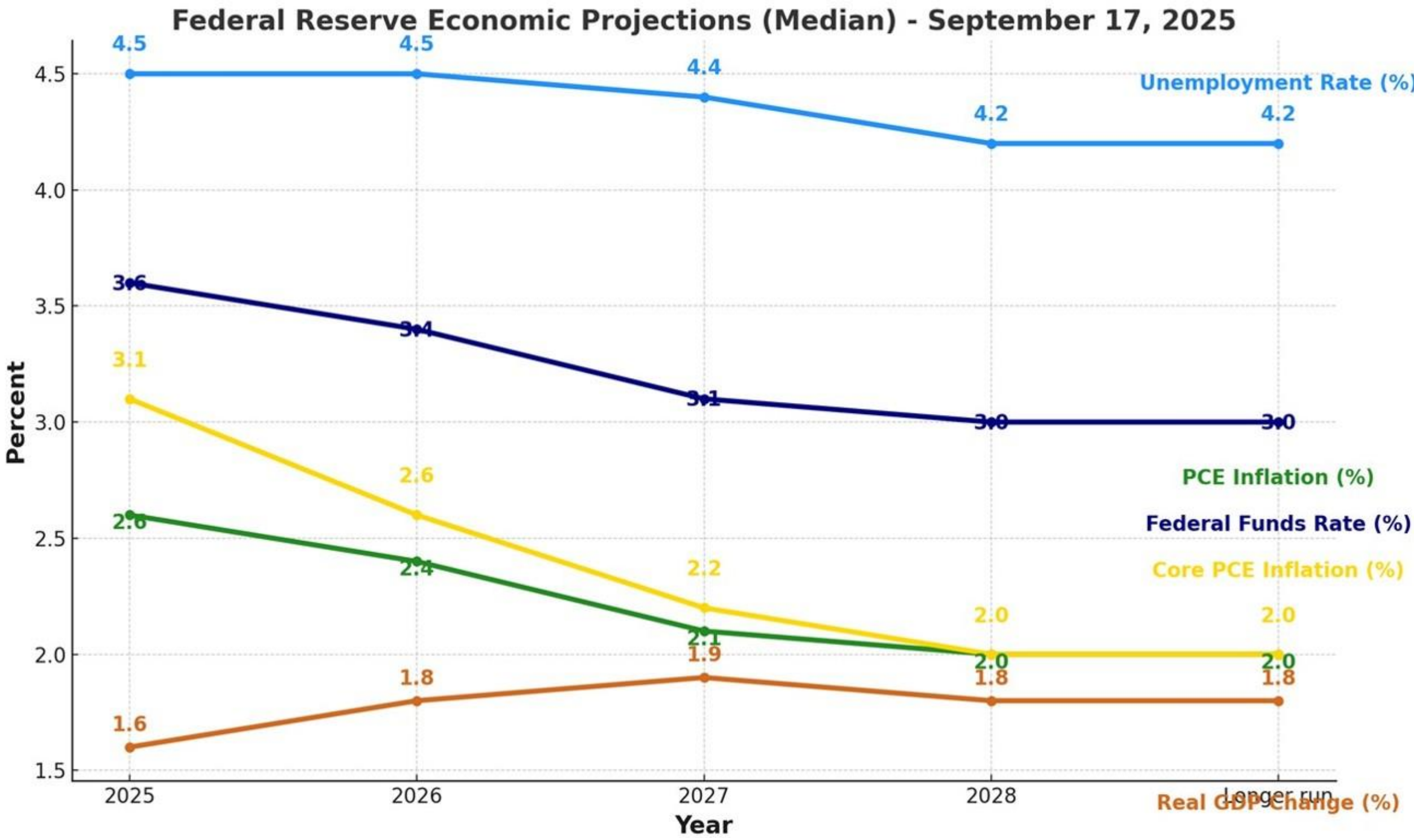
For release at 2:00 p.m., EDT, September 17, 2025

Table 1. Economic projections of Federal Reserve Board members and Federal Reserve Bank presidents, under their individual assumptions of projected appropriate monetary policy, September 2025

Percent

Variable	Median[1]					Central Tendency[2]					Range[3]				
	2025	2026	2027	2028	Longer run	2025	2026	2027	2028	Longer run	2025	2026	2027	2028	Longer run
Change in real GDP	1.6	1.8	1.9	1.8	1.8	1.4–1.7	1.7–2.1	1.8–2.0	1.7–2.0	1.7–2.0	1.3–2.0	1.5–2.6	1.7–2.7	1.6–2.6	1.7–2.5
June projection	1.4	1.6	1.8		1.8	1.2–1.5	1.5–1.8	1.7–2.0		1.7–2.0	1.1–2.1	0.6–2.5	0.6–2.5		1.5–2.5
Unemployment rate	4.5	4.4	4.3	4.2	4.2	4.4–4.5	4.4–4.5	4.2–4.4	4.0–4.3	4.0–4.3	4.2–4.6	4.0–4.6	4.0–4.5	4.0–4.5	3.8–4.5
June projection	4.5	4.5	4.4		4.2	4.4–4.5	4.3–4.6	4.2–4.6		4.0–4.3	4.3–4.6	4.3–4.7	4.0–4.7		3.5–4.5
PCE inflation	3.0	2.6	2.1	2.0	2.0	2.9–3.0	2.4–2.7	2.0–2.2	2.0	2.0	2.5–3.2	2.2–2.8	2.0–2.4	2.0	2.0
June projection	3.0	2.4	2.1		2.0	2.8–3.2	2.3–2.6	2.0–2.2		2.0	2.5–3.3	2.1–3.1	2.0–2.8		2.0
Core PCE inflation[4]	3.1	2.6	2.1	2.0		3.0–3.2	2.5–2.7	2.0–2.2	2.0		2.7–3.4	2.2–2.9	2.0–2.4	2.0–2.2	
June projection	3.1	2.4	2.1			2.9–3.4	2.3–2.7	2.0–2.2			2.5–3.5	2.1–3.2	2.0–2.9		
Memo: Projected appropriate policy path															
Federal funds rate	3.6	3.4	3.1	3.1	3.0	3.6–4.1	2.9–3.6	2.9–3.6	2.8–3.6	2.8–3.5	2.9–4.4	2.6–3.9	2.4–3.9	2.6–3.9	2.6–3.9
June projection	3.9	3.6	3.4		3.0	3.9–4.4	3.1–3.9	2.9–3.6		2.6–3.6	3.6–4.4	2.6–4.1	2.6–3.9		2.5–3.9

Federal Reserve Bank Chart
Summary of Economic Projections



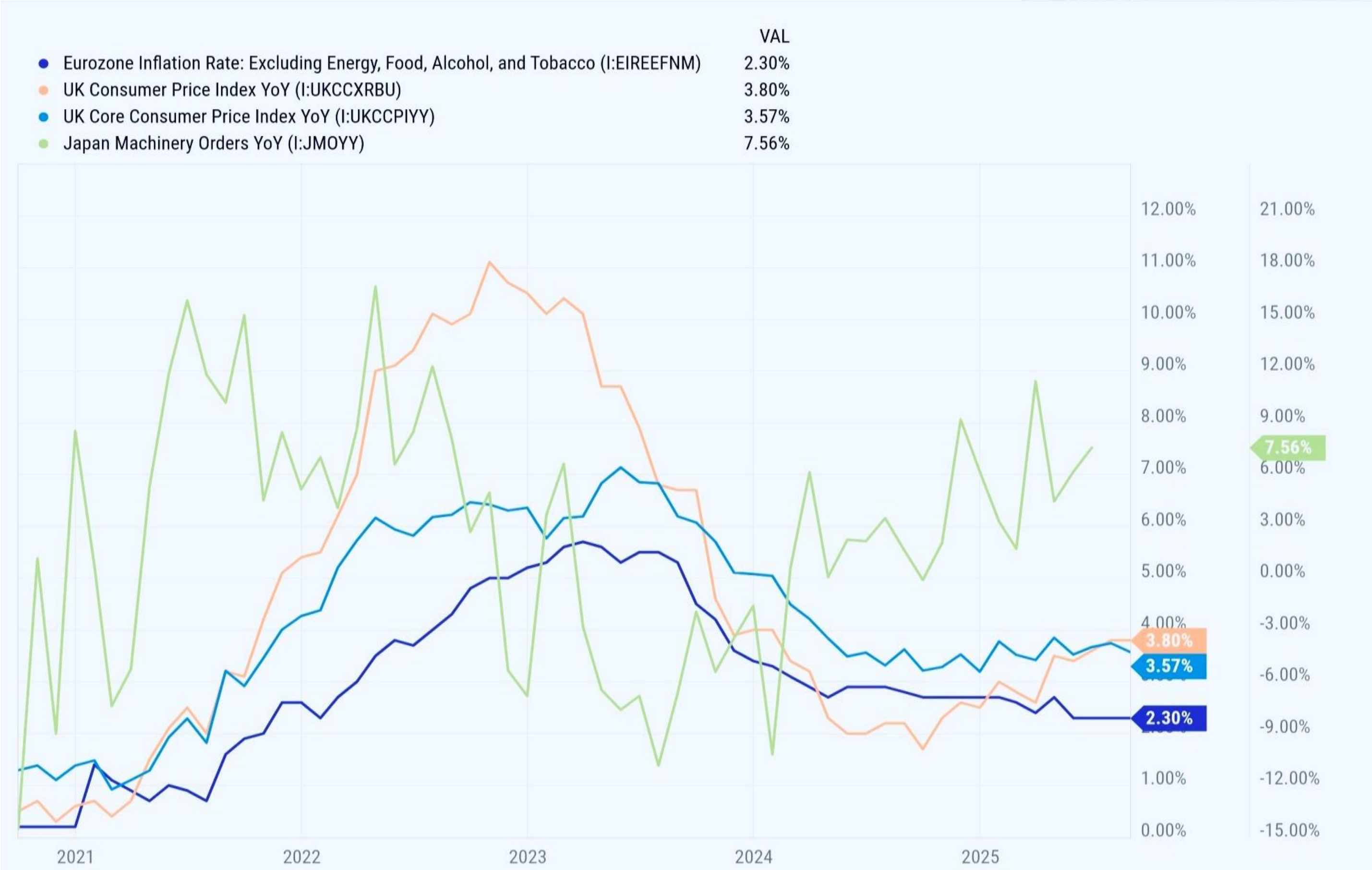
BIRLING CAPITAL ADVISORS, LLC

GDPNow

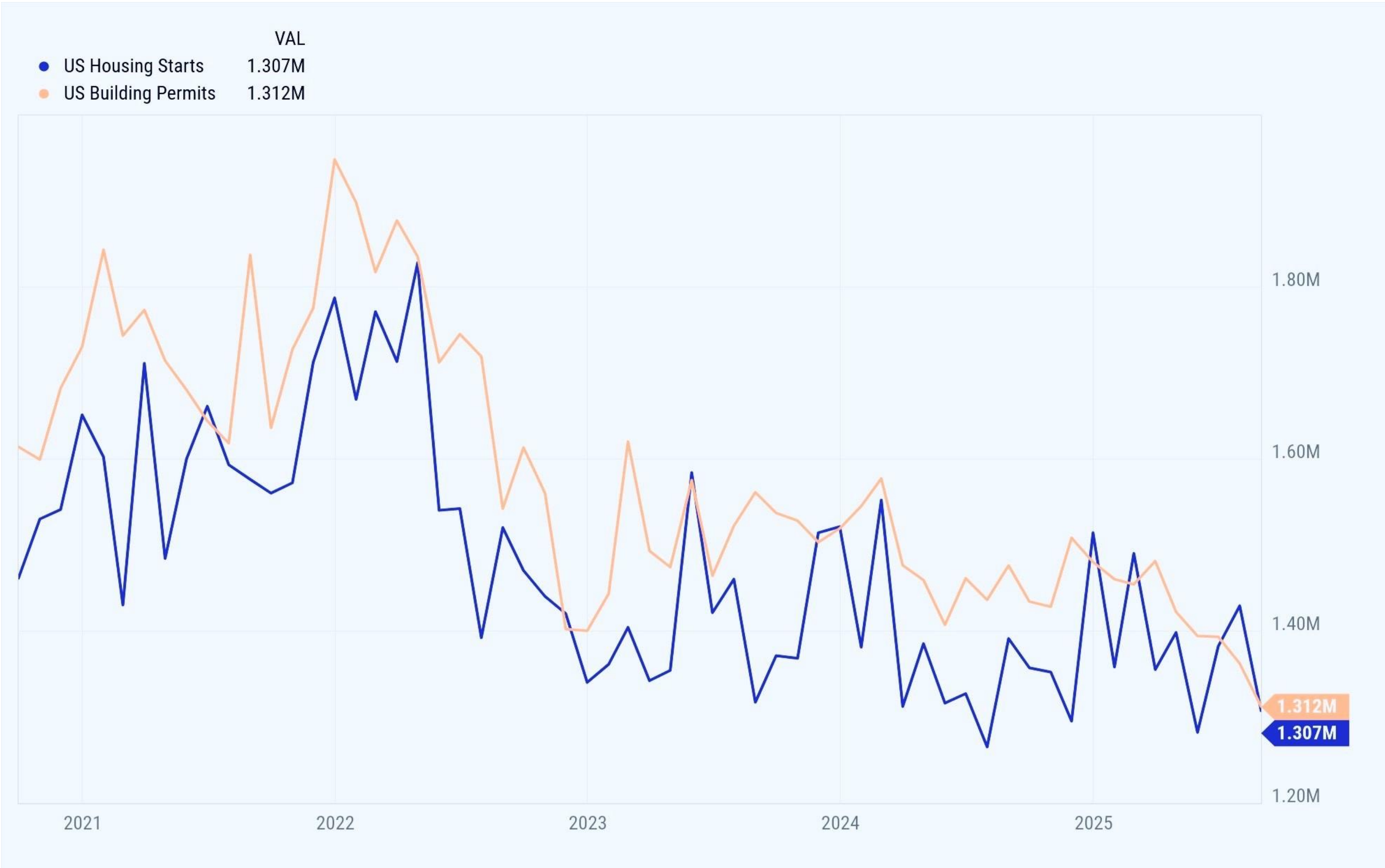
Third Quarter 2025

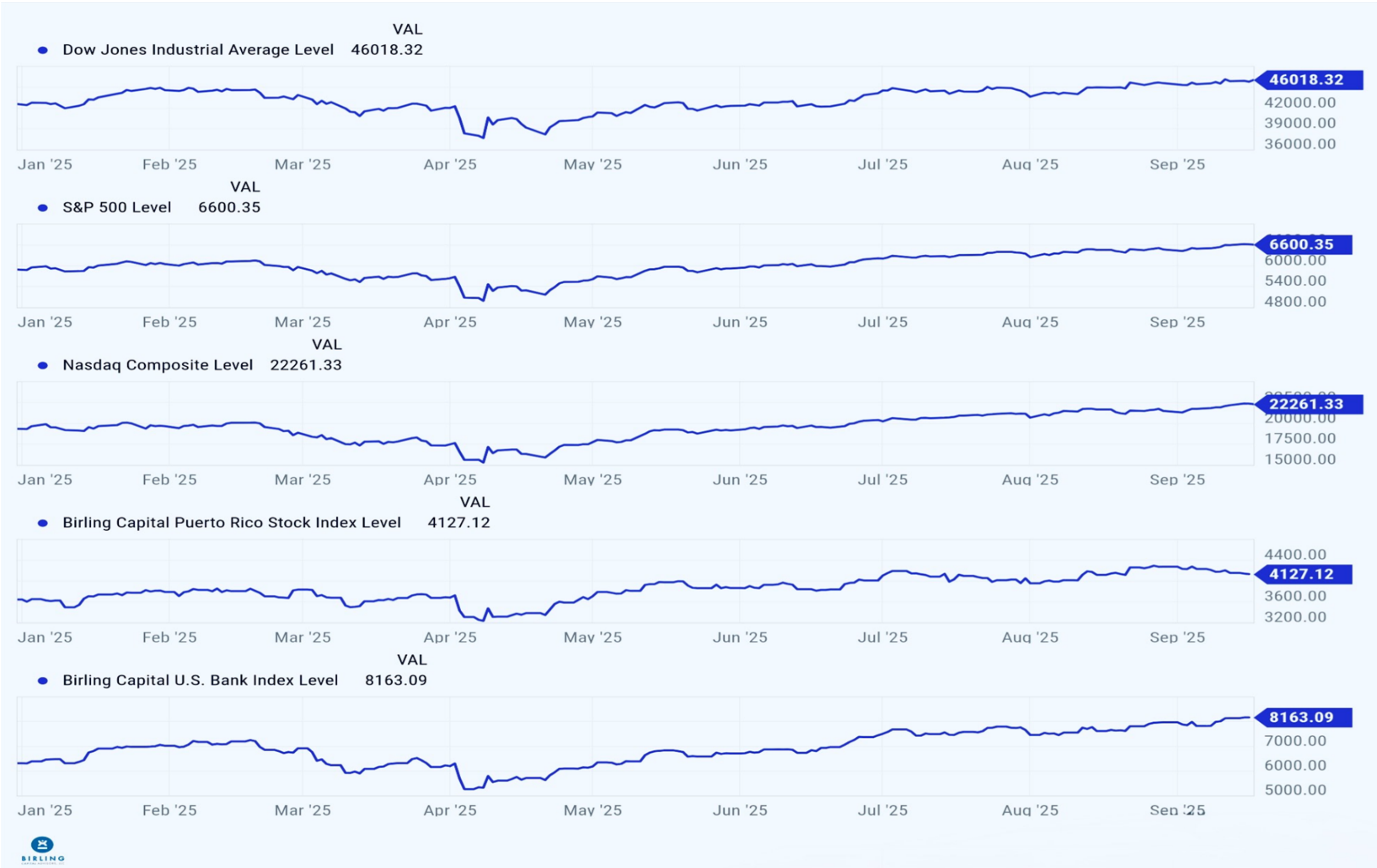
Date	GDPNow 3Q25	Change
7/31/2025	2.30%	Initial Forecast
8/1/2025	2.10%	-8.70%
8/5/2025	2.50%	19.05%
8/7/2025	2.50%	19.05%
8/15/2025	2.50%	0.00%
8/19/2025	2.30%	-8.00%
8/26/2025	2.20%	-4.35%
8/29/2025	3.50%	59.09%
9/2/2025	3.00%	-14.29%
9/4/2025	3.00%	0.00%
9/10/2025	3.10%	3.33%
9/16/2025	3.40%	9.68%
9/17/2025	3.30%	-2.94%

Eurozone Inflation Rate: Excluding Energy, Food, Alcohol and Tobacco; UK Consumer Price Index YoY; UK Core Consumer Price Index YoY & Japan Machinery Orders YoY



US Housing Starts & US Building Permits





VAL
Dow Jones Industrial Average Level 46018.32
46018.32
42000.00
39000.00
36000.00
VAL
S&P 500 Level 6600.35
6600.35
6000.00
5400.00
4800.00
VAL
Nasdaq Composite Level 22261.33
22261.33
20000.00
17500.00
15000.00
VAL
Birling Capital Puerto Rico Stock Index Level 4127.12
4400.00
4127.12
3600.00
3200.00
VAL
Birling Capital U.S. Bank Index Level 8163.09
8163.09
7000.00
6000.00
5000.00
Jan '25
Feb '25
Mar '25
Apr '25
May '25
Jun '25
Jul '25
Aug '25
Sep '25