



Global Markets Rally as Fed Cuts Loom, Gold Hits Records, and Political Shifts Roil Europe and Japan.

September 8, 2025

by Francisco Rodríguez-Castro
frc@birlingcapital.com

The U.S. equity markets opened the week with solid gains, buoyed by falling interest rates and momentum from overseas. Japanese stocks surged after Prime Minister Ishiba's surprise resignation set the stage for political change. At the same time, European equities traded higher as investors reacted to the collapse of the French Government following the critical loss of confidence vote of Prime Minister Francois Bayrou in France.

With no major U.S. data releases scheduled today, market participants are firmly focused on this week's inflation reports. The expectation of a September Federal Reserve rate cut is fully embedded in markets. However, August inflation numbers may determine how much policy space remains for the Fed to reinforce a weakening labor market.

Treasury yields extended their decline, with the 10-year note slipping to **4.05%**, the lowest since April. The U.S. dollar remained under pressure, reflecting a softer outlook for growth and rates. In commodities, **oil prices edged higher following** OPEC+'s agreement to a modest production increase, while **gold surged to another record**, underscoring persistent demand for safe-haven assets.

Payroll revisions could sharpen pressure for Fed easing.

The Bureau of Labor Statistics will release its annual benchmark payroll revisions tomorrow, a data point that could reshape the narrative around U.S. job growth. The revisions—drawn from unemployment insurance tax records through March—are widely expected to show that job creation was weaker than previously reported.

Some economists forecast as many as **800,000 fewer jobs**, a monthly shortfall averaging **67,000 positions**. Such a downgrade would build on last Friday's weak employment report, which marked the first monthly job loss since 2020 and confirmed a sharp four-month slowdown. For policymakers, softer labor data adds urgency.

Spotlight shifts to inflation: CPI and PPI in focus.

The week's most pivotal release comes Wednesday and Thursday, when the Consumer Price Index (CPI) and Producer Price Index (PPI) provide the final inflation reads before the September 17 FOMC meeting.

- **Headline CPI** is projected at **2.84%**, up from 2.7% in July, the highest since January. Much of this acceleration reflects a **base effect** from last August, which will make year-over-year comparisons appear stronger.
- **Core CPI** is expected to hold steady at **3.05%**, suggesting services inflation remains sticky.
- **Tariff-related pressures** loom larger for the months ahead, but their impact on August figures may be modest. Many companies have absorbed costs to date, though more are signaling plans to pass higher input costs onto consumers.

With **services making up nearly 75% of core CPI**, the Fed's challenge lies less in goods inflation and more in wage-driven price stickiness. This dynamic will be central to policymakers as they weigh the balance between labor market support and price stability.

The Fed: Not if, but how far and how fast?

The central question has shifted; it is no longer whether the Federal Reserve will cut rates, but **how fast, how deep, and how often** the Fed delivers those cuts. Following last Friday's weak jobs report, the CME FedWatch tool now assigns a **100% probability** to a September rate cut, with markets pricing in a nearly **12% chance of a larger 0.50% move** instead of the more conventional 0.25%. Looking further ahead, markets anticipate as many as **six cuts in total**, bringing the fed funds rate down to roughly **3.0% by 2026**.

In our assessment, a more measured path is likely. We expect the Fed to trim rates **one or two times this year and again in 2026**, guiding policy closer to a **3.5% neutral range**. Such a trajectory would offer the economy meaningful support while avoiding the signal of outright distress. Historically, when rate cuts occur in the absence of an imminent recession—as appears to be the case today—equities have responded favorably.

Bond markets have already started to reprice this outlook. The **2-year Treasury yield**—most sensitive to Fed policy expectations—dropped to its lowest level of the year, to **3.49%**, reflecting softer growth and inflation assumptions. Importantly, the **yield curve steepened**, with the spread between the 10-year and 2-year yields widening. For banks and other lenders, this dynamic is constructive, as it improves net interest margins by making short-term borrowing and long-term lending more profitable.

Economic Data:

- **Germany Trade Balance:** fell to 14.70 billion, down from 14.90 billion last month, decreasing by 1.34%.
- **Germany Exports MoM:** fell -0.60%, compared to 1.10% last month.
- **Germany Industrial Production Index MoM:** rose to 1.30%, compared to -0.10% last month.
- **China Trade Balance:** rose to 102.33 billion, up from 98.24 billion last month, decreasing 4.16%.
- **China Exports YoY:** fell to 4.34%, compared to 7.13% last month.
- **China Imports YoY:** fell 1.04%, compared to 3.82% last month.

Eurozone Summary:

- **Stoxx 600:** Closed at 552.04, up 2.83 points or 0.52%.
- **FTSE 100:** Closed at 9,221.44, up 13.23 or 0.14%.
- **DAX Index:** Closed at 23,807.13, up 210.15 points or 0.89%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 45,514.95, up 114.09 points or 0.25%.
- **S&P 500:** closed at 6,495.15, up 13.65 points or 0.21%.
- **Nasdaq Composite:** closed at 21,798.69, up 98.31 points or 0.45%.
- **Birling Capital Puerto Rico Stock Index:** closed at 4,226.71, down 45.65 points or 1.07%.
- **Birling Capital U.S. Bank Index:** closed at 7,810.92, down 166.44 points or 2.09%.
- **U.S. Treasury 10-year note:** closed at 4.05%.
- **U.S. Treasury 2-year note:** closed at 3.49%.



BIRLING
CAPITAL ADVISORS, LLC

Inflation Nowcasting CPI & Core CPI

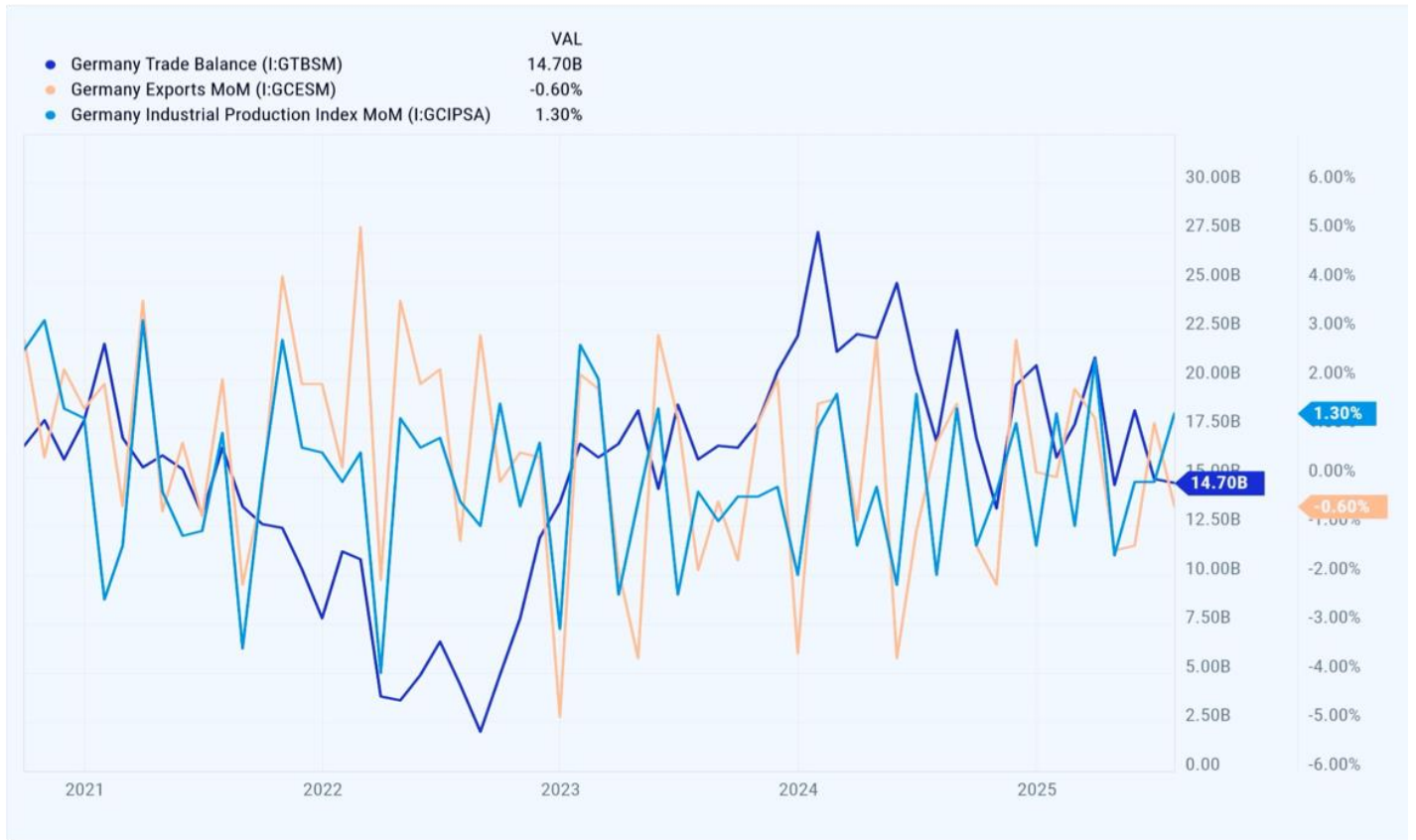
| Inflation Nowcasting | CPI Forecast | Core CPI Forecast |
|---------------------------------|-------------------------|------------------------------|
|---------------------------------|-------------------------|------------------------------|

August

2.84%

3.05%

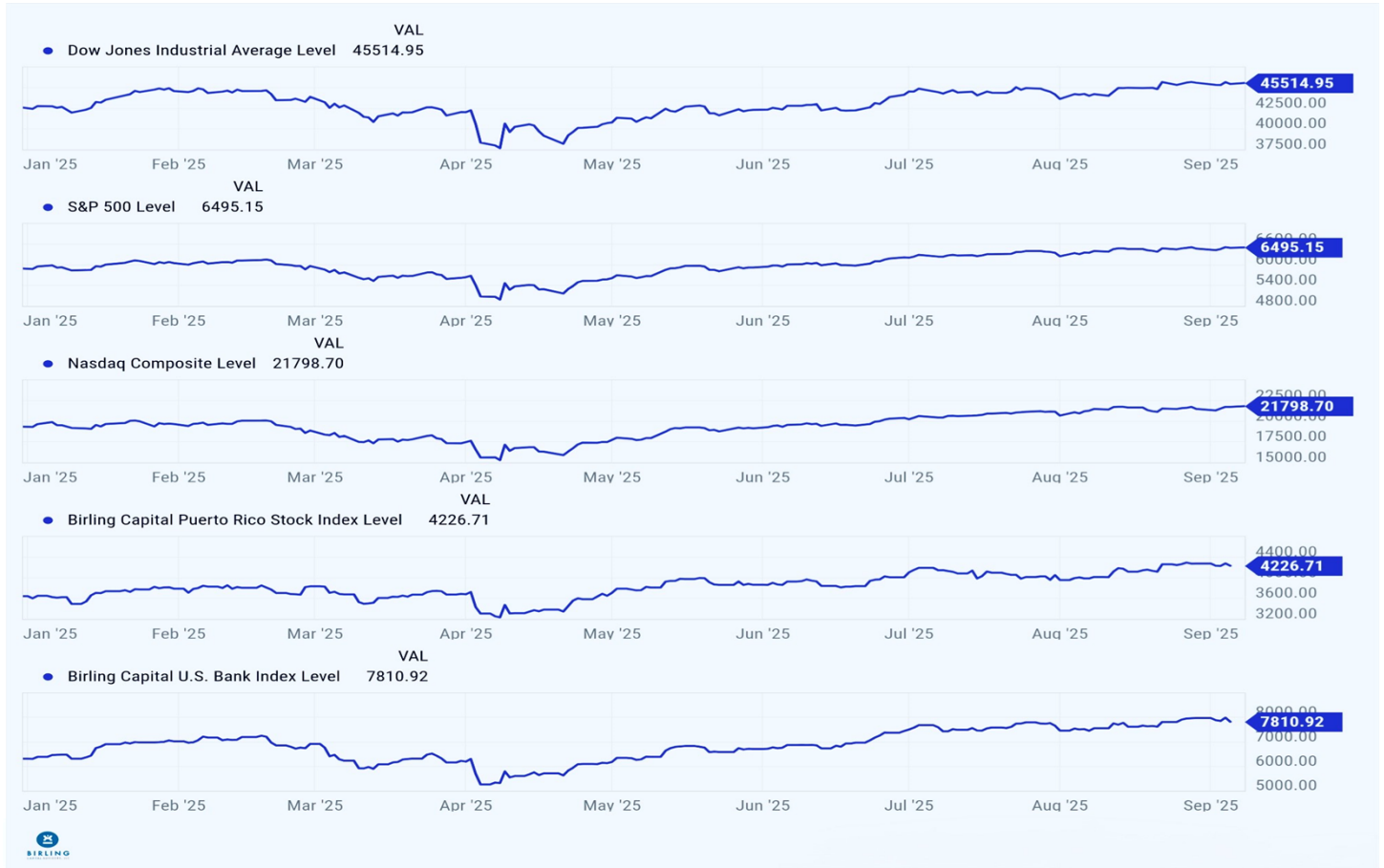
Germany Trade Balance, Germany Exports & Germany Industrial Production



China Trade Balance, China Imports & China Exports



Wall Street Recap September 8, 2025



Global Market Square © es una publicación preparada por Birling Capital LLC y resume los recientes desarrollos geopolíticos, económicos, de mercado y otros que pueden ser de interés para los clientes de Birling Capital LLC. Este informe está destinado únicamente a fines de información general, no es un resumen completo de los asuntos a los que se hace referencia y no representa asesoramiento de inversión, legal, regulatorio o fiscal. Se advierte a los destinatarios de este informe que busquen un abogado profesional adecuado con respecto a cualquiera de los asuntos discutidos en este informe teniendo en cuenta la situación de los destinatarios. Birling Capital no se compromete a mantener a los destinatarios de este informe informados sobre la evolución futura o los cambios en cualquiera de los asuntos discutidos en este informe. Birling Capital. El símbolo de registro y Birling Capital se encuentran entre las marcas registradas de Birling Capital. Todos los derechos reservados.