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Balancing Growth and Policy: Market Outlook Amid Inflation, Labor Shifts and Rate Cuts Odds

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A Data-Driven Assessment of U.S. Growth, Inflation, and Policy as Markets Await a September 17 Fed Decision

The U.S. economy enters the final stretch of the third quarter with key indicators pointing to a measured slowdown and shifting monetary policy dynamics amid an unsettled global backdrop. **Real GDP is expanding at a 3.30% annual rate, with total output estimated at \$23 trillion.** In comparison, the Atlanta Fed's **GDPNow model projects third-quarter growth of 3.10%**, suggesting steady if slightly slower momentum. Inflation remains contained but above target: **headline CPI is 2.92%, core CPI is 3.11%**, and the overall inflation rate mirrors headline CPI at **2.92%**. Consumer sentiment, however, has become a **see-saw**, reflecting households' alternating optimism and caution. After starting the year at **71.70 in January**, when President Trump began his current term, the U.S. Index of Consumer Sentiment fell sharply to **52.20 in April and May**, rebounded to **61.70 in July**, and then slipped again to **55.40 by the end of September**, representing a **22.73 % decline since January**, highlighting persistent unease over prices and interest rates despite overall economic resilience. The volatile path underscores how quickly consumer expectations can shift as inflation headlines, labor-market reports, and policy signals evolve.

Labor market readings confirm a gradual cooling. The **unemployment rate has edged up to 4.30%**, and **nonfarm payrolls have averaged roughly 74,750 new jobs per month over the past eight months**—a marked slowdown from the robust gains of prior years. August's data showed headline and core consumer prices broadly in line with expectations, while producer prices resumed their downward trend, reinforcing the view that overall price pressures remain contained. Monetary conditions are still moderately tight, with the **effective federal funds rate at 4.33%**, yet financial markets increasingly anticipate policy easing.

Globally, uneven growth and geopolitical tensions continue to shape trade and capital flows, while at home, **fiscal stimulus and elevated government spending provide a counterweight to softer private demand.** Taken together, these developments strengthen expectations that the **Federal Reserve will prioritize its maximum-employment mandate and begin cutting interest rates at its September 17 meeting**, setting the stage for a recalibration of growth, liquidity conditions, and financial market valuations in the months ahead.



US Index of Consumer Sentiment, US CPI, US Core CPI, US Inflation Rate, US Real GDP QoQ, US Real GDP, US Inflation Rate & Effective Federal Funds Rate



Oracle Founder Larry Ellison is now the world's wealthiest Person.

Last week, **Oracle Corp. (ORCL)** continued its powerful rally, climbing to about **\$328 per share** on September 10, 2025, and while it ended the week at \$292.18, it recorded a weekly gain of **25.51%** and has a **year-to-date return of 75.34%**. The surge has prompted a wave of upward price-target revisions across Wall Street and significantly boosted the wealth of Oracle's co-founder and chairman, **Larry Ellison**. According to the **latest Bloomberg Billionaires Index (mid-September 2025)**, Ellison's net worth has soared to around **\$393 billion, surpassing Elon Musk's estimated \$385 billion** and making him **the world's richest Person**. This is a striking milestone, as Ellison's fortune has climbed by **more than \$110 billion in a single day**, reflecting both the market's renewed confidence in Oracle's long-term growth trajectory and one of the most dramatic personal wealth gains ever recorded.



Oracle (ORCL) VS Tesla (TSLA) Stock Returns Year to Date September 12, 2025



Inflation Data Arrives as Expected, but with Mixed Signals

Markets received highly anticipated updates on inflation that showed mixed readings for August.

Consumer Price Index (CPI) inflation rose to a 2.92% annual rate, right in line with expectations and up from July's 2.7%. Energy costs rose 0.7% month-over-month—driven by a 1.9% jump in gasoline—providing much of the lift. Core CPI, which excludes food and energy, held steady at 3.11%, underscoring that underlying price trends remain stable.

At the same time, **producer price inflation** resumed its trend lower, slipping to **2.6%** annualized, well below estimates of 3.3%. Trade services prices fell 1.7% on the month, while core PPI cooled to 2.8%, reinforcing the broader pattern of uneven but gradual disinflation. Together, these data show that inflation is elevated but generally contained, though tariffs could still create near-term price pressures as higher import costs ripple through supply chains.

Labor Market Shows More Cooling

Employment data pointed to a continued softening of labor conditions. The Bureau of Labor Statistics' quarterly census showed 911,000 fewer jobs for the year through March 2025 than previously reported—a deeper downward revision than expected. **Initial jobless claims climbed to 263,000**, the highest in four years and well above projections of 231,000, while continuing claims held at 1.94 million.

The unemployment rate stands at 4.3%, still well below the long-run average of 5.7%, but the labor force participation rate edged down to 62.3% from 62.7% a year ago. **Analysts attribute the decline to tighter immigration enforcement** and demographic factors such as an aging workforce. These shifts mean fewer new jobs are needed to maintain balance, yet the Fed is keen to prevent the slowdown from tipping into a recession.

Fed Poised to Cut Rates at September Meeting

Despite inflation still above its 2% target, the Federal Reserve is widely expected to cut rates at its September 17 meeting to support its maximum-employment mandate. Investors will watch closely for the updated "dot plot," which will reveal the Fed's latest outlook for interest rates, unemployment, and growth. Currently, markets are pricing in a faster pace of easing than the Fed's own projections, signaling expectations of deeper cuts ahead. Bond markets are already reflecting this: **the 10-year Treasury yield**

briefly touched 4.0%, matching April's low, as investors anticipate easier policy.

Lower borrowing costs would support both households and businesses, helping sustain consumer demand and corporate profits. Lower discount rates also tend to buoy equity valuations, a key factor with major stock indexes near record highs.

Strategy and Portfolio Positioning

We expect the **economy to stabilize and possibly reaccelerate late this year**,

supported by fiscal stimulus, deregulation, and easier monetary policy.

While market volatility is possible given elevated equity valuations, we view any pullbacks as opportunities to add quality holdings or rebalance portfolios.

We favor U.S. large- and mid-cap equities, particularly quality and cyclical companies that stand to benefit if market leadership broadens beyond mega-cap technology. The strong U.S. dollar and relatively higher U.S. rates reinforce an underweight stance on international large caps. From a sector perspective, **we remain overweight consumer discretionary, financials, and health care**, which combine resilient fundamentals with **attractive valuations**.

In fixed income, U.S. investment-grade bonds remain compelling, with year-to-date returns of 6.5% and yields that outpace many global peers. Even as the Fed likely cuts rates, we expect the 10-year Treasury to remain in a 4.0%–4.5% range, as inflation and fiscal concerns cap the downside.

The latest economic data confirm that the United States is **transitioning to a slower but still durable growth path**. Inflation is **largely contained**, employment is **cooling but stable**, and monetary policy is **pivoting toward support** rather than restraint. As the Federal Reserve prepares for a likely September 17 rate cut, markets face a **new phase defined by lower borrowing costs, shifting sector leadership, and selective opportunities across both equities and bonds**.

For investors and business leaders, the implication is clear: **adapt portfolios and capital plans to a lower-rate, moderate-growth environment**.

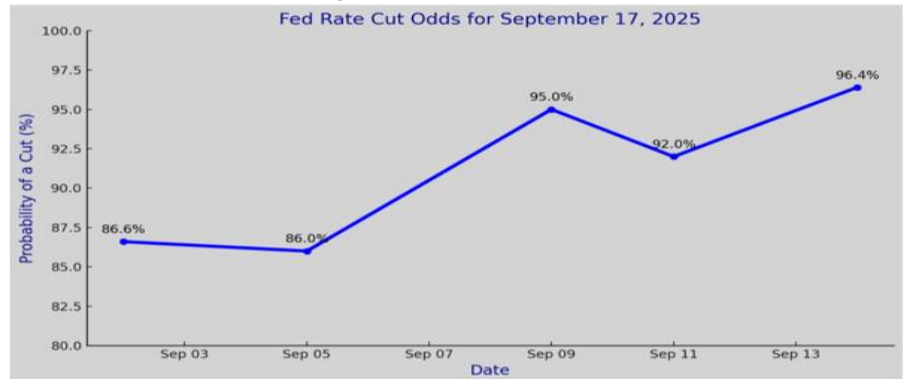
This means focusing on quality companies with strong cash flows, maintaining balanced exposure to cyclical sectors poised to benefit from easier credit, and locking in attractive fixed-income yields while they last.

The Year to Date returns from the five indexes we follow are at record or near record levels:

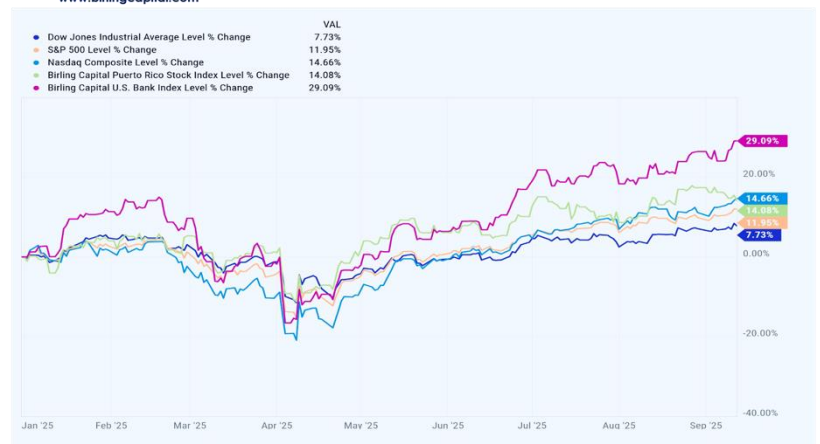
- **Dow Jones** YTD return of **7.73%**
- **S&P 500** YTD return of **11.95%**
- **Nasdaq Composite** YTD return of **14.66%**
- **Birling PR Stock Index** YTD return of **14.08%**
- **Birling U.S. Bank Index** YTD return of **29.09%**



Federal Open Markets Committee Meeting Rate Cuts Odds for September 17, 2025



Dow Jones, S&P 500, Nasdaq Composite, Birling Puerto Rico Stock Index & Birling US Bank Index YTD Returns 9.12.25



We hope for a strong finish of 2025 as the economy's resilience—evident in **3.30 % GDP growth, solid corporate earnings**, and **measured optimism is warranted**.

The Final Word: Charlie Kirk: Influence, Impact, and a Tragic End

Charlie Kirk emerged in American politics as a powerful and polarizing voice. Born in 1993 in Illinois, he co-founded *Turning Point USA* at just 18, turning it into one of the most visible conservative youth movements in the United States. Through his daily radio show, campus speaking tours, and sharp social-media presence, Kirk energized a new generation of conservative activists. Supporters credit him with giving young people a sense of agency in national debates, promoting free-market principles, and defending religious freedom at a time of intense cultural change.

Yet Kirk's style and rhetoric also attracted criticism. He was accused of spreading misinformation on issues such as election integrity and COVID-19, and of heightening political polarization through confrontational tactics and initiatives like the "Professor Watchlist." Many detractors saw his messaging as too combative, at times veering into personal attacks that deepened national divisions.

On September 10, 2025, Kirk's life was cut short when he was shot and killed during a public event in Utah. His death shocked both supporters and critics, prompting widespread calls to reject violence as a political tool.

As a pragmatist, I often learn a lot from people whose views differ from mine. Charlie Kirk's life and work embody the complicated intersection of youthful activism, free speech, and the deep ideological rifts in modern America. **It does not matter how much we agree or disagree with someone's points of view; no one has the right to take a person's life because of their opinions.**



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