Economic Update Report 10.30.2025

The Future of the Fed Funds Rate is Uncertain due to Data Delays
Global Implications of Rare Earths Trade Policy

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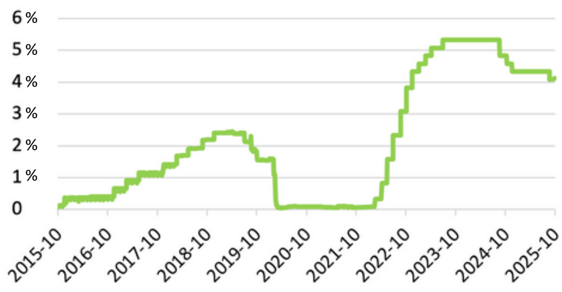
Future of Fed Funds Rate

On Wednesday, by a vote of 10-2, the Central Bank cut the federal funds rate to a range of 3.75-4%. This rate has major implications for mortgage rates, credit cards, corporate loans, bond yields, etc. So, what does it mean when the Fed lowers the rate? Decreases in the fed funds rate trigger a chain reaction of positive stimulus within the economy. Banks now have lower borrowing costs for consumers and businesses, resulting in increased spending and investment, which accelerates economic growth. The Fed chose to make this cut amidst the release of data that signalled slower job creation, weaker consumer spending, and liquidity concerns from quantitative tightening. However, Jerome Powell cautioned against the assumption of a further rate cut, stating, “A further reduction in the policy rate at the December meeting is not a foregone conclusion. Far from it.”



Data from Federal Reserve a/o 10/1/2025

So, what does this mean for the financial markets? As for the bond markets, yields on short-term treasuries known as T-Bills fall quickly, resulting in rises in the price of existing bonds. This same phenomenon can occur with long-term treasuries if further cuts are expected. Concerning the stock market, lower fed funds rates correlate to lower discount rates, making future earnings more valuable. Enhanced company valuations partnered with support for business-wide growth can positively impact investor sentiment. The future of rate cuts is still uncertain.

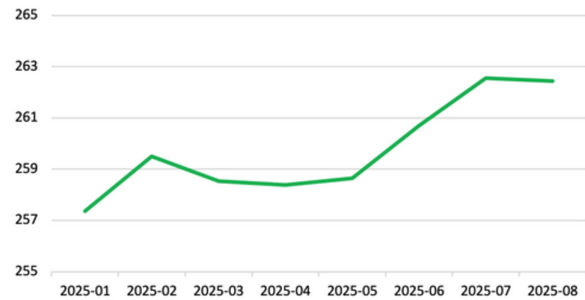
S&P 500 YTD Performance

Data from Federal Reserve a/o 10/30/2025

Rare Earth Trade Policy

Rare earth minerals have become a focal point of global trade policy, leading to volatility in commodity markets and stock markets. In recent months, the United States and China, have engaged in high-level talks over export restrictions as President Trump's administration seeks to diversify rare earth resources through alliances with countries such as Australia. A temporary easing of trade tensions has allayed immediate concerns about supply but reinforced the problem of Western economies' heavy reliance on China's dominance in rare earth processing. This serves as a powerful leverage point for China that carries economic and geopolitical weight.

Commodity Prices YTD



Data from Federal Reserve a/o 10/1/2025

For financial markets and the wider economy, rare earth trade policy serves as a bellwether for global industrial security and inflation expectations. Policy changes that limit supply or encourage remanufacturing can increase input costs, worsen manufacturing margins, and influence inflation data. In turn, it affects central bank decisions and investors' risk appetite. Furthermore, in the long run, diversification efforts and investments in domestic refining capacity may stabilize prices and reduce geopolitical exposure, but they also point to a more fragmented and expensive global economy to which investors and policymakers must adapt.

US Stock Index Performances

Key Indices	YTD %	Monthly %	Weekly %
S&P 500	16.25%	2.00%	0.74%
Nasdaq	22.30%	1.89%	1.57%
Dow Jones	12.10%	1.52%	0.23%

Data from Yahoo Finance a/o 10/30/2025

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