Market Pulse 2 Brief

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The September FOMC meeting marked the Fed's first rate cut in four years, a 50 bps reduction that signals a more accommodative stance amid moderating inflation and a stable labor market. US economic data showed mixed signals: retail sales rose 0.1% MoM, building permits jumped 4.9%, but existing home sales unexpectedly fell, and weekly jobless claims remained near three-month lows. Inflation trends appear contained, with the Fed projecting core inflation toward 2% and unemployment around 4.4% by year-end, supporting expectations for two additional 25 bps cuts. The bond market reacted positively, with yields on short-term Treasuries falling below longer-term yields, reversing the earlier yield curve inversion and reducing recession concerns. Globally, the Bank of England and Bank of Japan held rates steady, while China's industrial output and employment underperformed, reflecting sluggish domestic demand. Lower rates in the US are likely to support growth-sensitive sectors, including housing, consumer discretionary, and growth-oriented equities, while the bond and mortgage markets benefit from increased demand. Overall, the macro environment is characterized by modest US growth, contained inflation, a supportive Fed, and mixed international signals, creating a cautiously optimistic backdrop for markets in the near term.