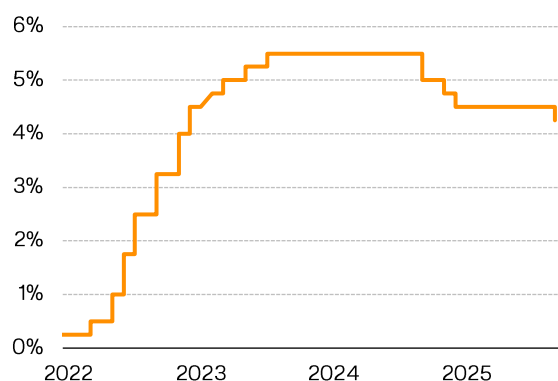


*Market Monitor – United States***US government shutdown, while the Fed resumed easing**

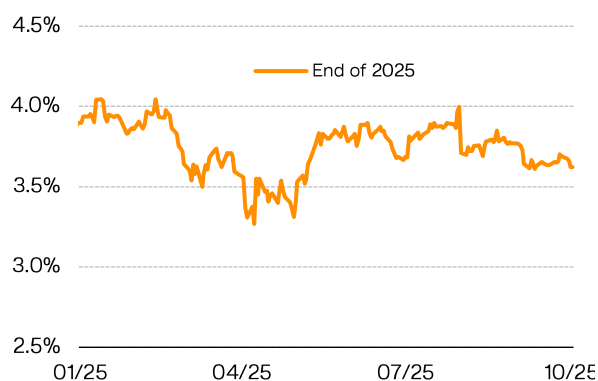
- The US government went into shutdown on 1st October, after Congress failed to pass funding legislation.
- The Fed cut rates by 25 bps in September, signalling additional easing ahead.
- Inflation edged up in August, accompanied by further signs of softening in the labour market.

The Fed resumed its easing cycle

The Fed cut rates again after a 9-month pause. The FOMC reduced the federal funds rate by 25 basis points (bps) to 4.00-4.25% in September. The decision was not unanimous, as one Fed governor dissented in favour of a 50-bps cut. The post-meeting statement highlighted additional downside risks to the labour market as a key reason for the cut. Besides, updated economic projections indicated that the officials expected two more 25 bps rate cuts by the end of 2025, bringing the target range to 3.50-3.75%. The dot plot also revealed a shift in expectations, with 10 FOMC members projecting at least 3 total rate cuts in 2025 compared to 2 at June's meeting. Projections for 2026 and 2027 suggested one 25-bps cut in each of those years. Additionally, GDP growth forecasts were generally upgraded, the projections for unemployment rate were slightly revised down, and inflation projections were little changed except for an upward revision for 2026.

US Fed Funds Rate (Upper)


Source: Bloomberg

US Rate Expectations


Source: Bloomberg, data as of 02/10/2025

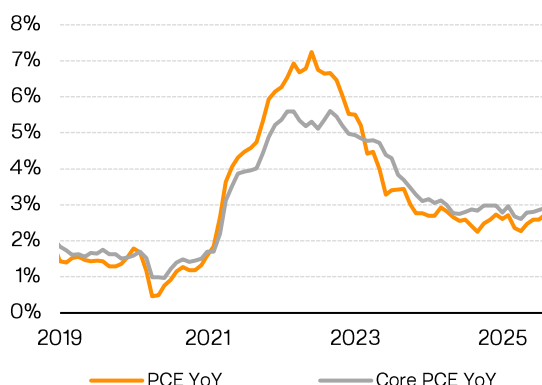
Congressional impasse triggered government shutdown

The US Government shut down for the first time in almost seven years. The US government entered a shutdown on 1st October, after Congress failed to pass funding legislation amid a partisan gridlock, marking the first shutdown since the 35-day closure spanning December 2018 to January 2019, during Trump's first term. The Congressional Budget Office (CBO) estimated that the 2018-2019 shutdown reduced economic output by USD 11 billion and that the current shutdown could lead to around 750,000 employees being furloughed each day. In the meantime, the White House projected a weekly economic loss of around USD 15 billion a week during the shutdown.

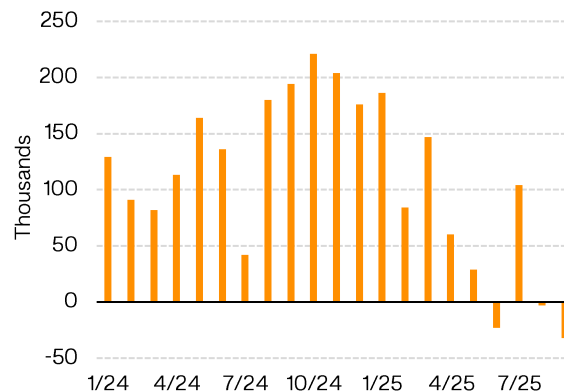
The Trump administration imposed additional tariff measures. The administration implemented new tariffs effective 14th October, imposing 10% duties on softwood lumber and a 25% tariff on kitchen cabinets, vanities and certain furniture. However, the EU, UK and Japan enjoy more favourable duties due to the nature of their trade deals. Meanwhile, US Treasury Secretary Scott Bessent expressed optimism regarding US-China trade negotiations, commenting that a "big breakthrough" could be coming in the next round of talks.

Inflation edged up, while further signs of labour market softening emerged

US PCE inflation rose slightly in August. Headline PCE inflation climbed to 2.7% year-on-year (YoY) in August, up from 2.6% in July, while core PCE inflation, which excludes food and energy, remained steady at 2.9% YoY. On a monthly basis, headline PCE increased 0.3% month-on-month (MoM) in August, 0.1 percentage points (ppts) faster than July, while core PCE grew at the same pace at 0.2%. Despite the uptick, market expectations continued to price in two more Fed rate cuts by year-end.

US PCE Inflation


Source: Bloomberg, data as of 30/09/2025

Change in Private Sector Employment


Source: CEIC

Consumer spending remained resilient. Consumer spending rose 0.6% MoM in August after rising by 0.5% in July. Meanwhile, personal income grew by 0.4% MoM in August, the same pace as in July. These figures signal solid household demand despite persistent policy uncertainty. Similarly, economic growth in Q2 was revised up by 0.5 ppts to 3.8% (seasonally adjusted annual rate), reflecting unexpectedly strong consumer spending.

Further signs of labour market softening emerged. Due to the government shutdown delaying the release of September's jobs report, the latest ADP report, an independent measure of non-farm private employment, represents an updated glimpse of the labour market. According to ADP data, private sector employment fell by 32,000 in September, after declining by 5,000 in August. Besides, employment sub-indices from the ISM manufacturing and services PMI reports indicated continued contraction in both sectors. While official labour market figures remain unavailable, these alternative data sources suggest that labour market conditions likely remained soft.

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