

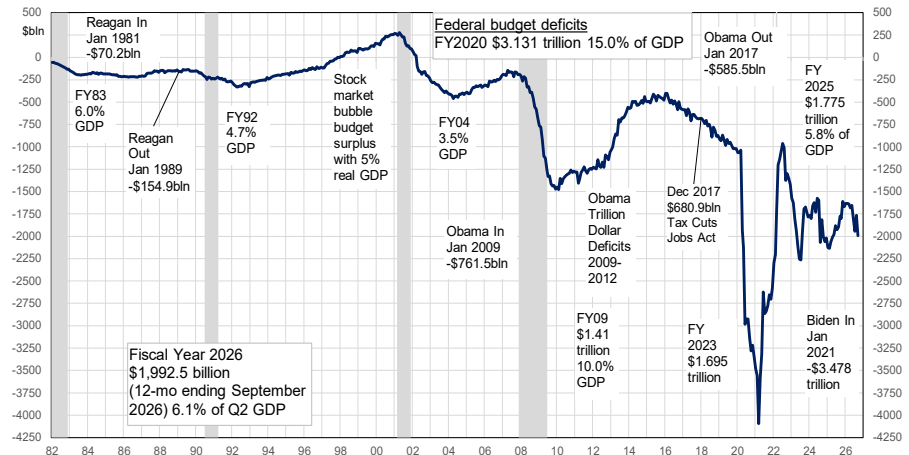
Financial Markets This Week

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FY26 FEDERAL BUDGET

Full year budget deficit results released at 2pm ET Friday to little fanfare where the market is more interested in counting private data center debt. Trump 2.0 took office in January 2025 with the deficit at \$2.124 trillion on a 12-month trailing sum basis and FY2026 released today is \$1.992 trillion.



Close enough for government work. The IMF meeting this week is warning governments that they have too much debt. The US Treasury secretary says we can inflate our way out of the national debt crisis. Nominal GDP has a lot of tariff and war-related energy inflation in it right now and is growing 6.3% from last year in Q2 2026. This means the “\$40 trillion” national debt can grow 6.3% or \$2.5 trillion, the Federal budget deficit can each year, and the same debt to GDP burden on society will remain the same. National debt to GDP was 121.2% in Q2 2026 which seems manageable unless you are running for public office. Total budget receipts rose 3.2% this year to \$5.403 trillion. By the way, income tax refunds of \$341.3 billion were not that much different than \$327.3 billion last year. Corporation income taxes keep falling in this Administration, explaining much of the slowdown in revenues this year, and are now collecting almost \$150 billion less than in FY2024. Another new policy out of Washington is import tariffs. \$173.2 billion this year down from \$194.9 billion last year, and pre-Trump customs duties of \$77.0 billion in FY 2024. Collections held down by \$144.6 billion of refunds this year versus \$7.5 billion of refunds in FY2025. Is there any money for social security? That’s right, the trust fund is already out of cash and that means benefits are partially paid out of general tax collections. FY2026 social security receipts were \$1.146 trillion and payments of \$1.494 trillion left a shortfall of \$347 billion. Why this cannot continue on indefinitely, we do not know.

Social Security In/Out

\$ bln	Receipts	Payments	Red/Black
FY2019	770.282	888.080	-117.798
FY2020	825.307	940.221	-114.914
FY2021	814.034	982.673	-168.639
FY2022	911.191	1,063.897	-152.706
FY2023	1,020.442	1,192.149	-171.707
FY2024	1,076.984	1,293.782	-216.798
FY2025	1,097.382	1,411.167	-313.785
FY2026	1,146.866	1,494.559	-347.693

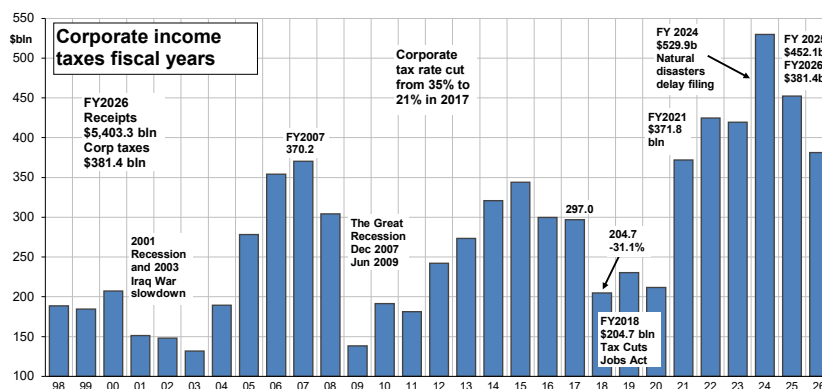
Federal Government: Where's the Money Coming From?

Fiscal Years \$billions	Sep 2026	%	Sep 2025	%	Sep 2024	%	Sep 2023	%	Sep 2022	%	Sep 2021	%	Sep 2020	%	Sep 2019
Budget Receipts	5,403.3	3.2	5,234.6	6.4	4,918.1	10.8	4,439.3	-9.3	\$4896.1	21.0	\$4046.0	18.3	\$3420.0	-1.2	\$3462.2
Income taxes	2,845.5	7.1	2,656.0	9.5	2,426.1	11.5	2,176.5	-17.3	2,632.1	28.8	2,044.4	27.1	1,608.7	-6.4	1,717.9
Corporation taxes	381.4	-15.6	452.1	-14.7	529.9	26.3	419.6	-1.2	424.9	14.3	371.8	75.5	211.8	-8.0	230.2
Social Security/Medicare	1,754.3	4.1	1,685.6	2.0	1,653.0	6.1	1,558.1	10.4	1,410.7	12.7	1,251.9	-0.8	1,261.7	5.4	1,197.4
Unemployment insurance	49.1	-9.2	54.0	12.7	48.0	-2.9	49.4	-25.7	66.5	17.5	56.6	31.3	43.1	5.4	40.9
Excise taxes	106.0	0.1	105.9	4.4	101.4	33.8	75.8	-13.6	87.7	16.5	75.3	-13.3	86.8	-12.3	98.9
Estate and Gift Taxes	38.7	31.4	29.5	-6.8	31.6	-6.1	33.7	3.4	32.6	19.9	27.1	54.0	17.6	5.5	16.7
Customs Duties	173.2	--	194.9	--	77.0	-4.1	80.3	-19.6	99.9	24.9	80.0	16.7	68.6	-3.2	70.8
Miscellaneous	46.7	-2.6	47.9	11.0	43.2	10.8	39.0	-71.2	135.4	1.6	133.3	14.4	116.5	37.8	84.6

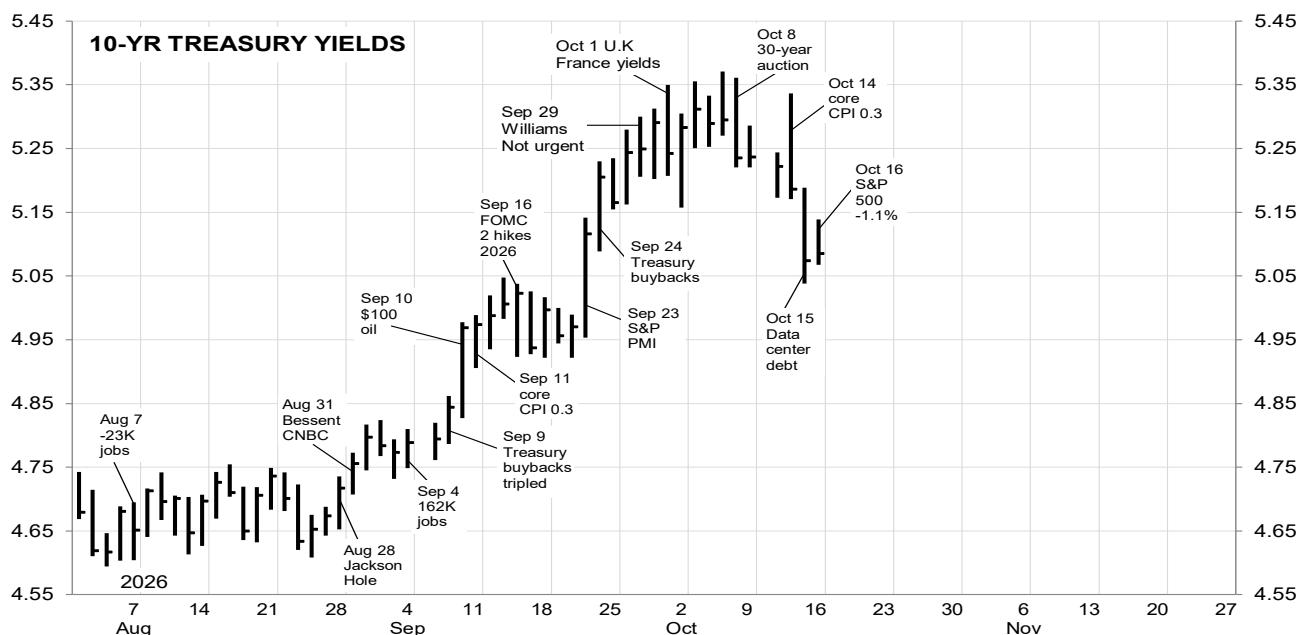
Too much Federal government spending rose 5.5% to \$7.395 trillion this year. Interest on the public debt is always a worry for markets and this grew \$144 billion to \$1.360 trillion for an 18.4% share of budget outlays. There is some funny money nonmarketable debt in there so the net interest total is actually lower at \$1.051 trillion if that matters. Talk of budget cuts in Washington in this administration runs into the normal wall of programs that cannot be cut. Medicare and Medicaid both rose over 8% this year. Social security benefits increased 5.9%. Defense spending outlays only increased 5.6% or 48.4 billion despite the war in the Middle East starting the last day of February. Other spending programs in the news this year were Homeland Security. No storms and disaster relief fell to \$31.8 billion from \$51.9 billion the year before. ICE increased from \$21.1 billion to \$28.9 billion however. The Commerce Department saw a \$12.3 billion drop in the National Institute of Standards and Technology to \$4.0 billion this year, which was due to the wind down of the CHIPS Act. EPA outlays are normalizing after \$20 billion of State and Tribal Assistance Grants were spent in the final months of the Biden administration. Stay tuned. There is a lack of clarity on where the FY27 Federal deficit will end up. Government spending has not been slashed as much as the early rhetoric would have suggested. State Department cuts have stabilized. International Assistance Programs rose to \$20.4 billion, even if the Military Sales Program increased \$8.8 billion, while the Agency for International

	Marketable	Sep Treasuries	Average
2026	\$trillion		Rate %
Bills	7.117		3.87
Notes	16.277		3.38
Bonds	5.538		3.46
TOTAL	28.932		

Federal Government Spending (\$bln)	4 Qtrs FY26		4 Qtrs FY25		Fiscal	Fiscal
	Q4 25-Q3 26		Q4 24-Q3 25		Year	Year
Where to cut?					Changes	% chg
TOTAL BUDGET OUTLAYS	7,395.800	7,009.986	385.814	5.5		
Legislative	7.049	7.227	-0.178	-2.5		
Judicial	9.985	9.759	0.226	2.3		
Agriculture	216.670	227.452	-10.782	-4.7		
Fed Crop Insurance fund	15.465	13.825	1.640	11.9		
Food Stamps	95.393	106.335	-10.942	-10.3		
Child Nutrition	33.344	33.375	-0.031	-0.1		
Commerce	14.837	29.712	-14.875	-50.1		
Defense	916.836	868.412	48.424	5.6		
Military Personnel	223.252	206.529	16.723	8.1		
Operation Maintenance	336.408	342.398	-5.990	-1.7		
Procurement	176.675	161.960	14.715	9.1		
Research Development	161.095	141.429	19.666	13.9		
Military Construction	14.321	13.152	1.169	8.9		
Education	75.226	34.718	40.508	116.7		
Office of Federal Student Aid	92.904	111.227	-18.323	-16.5		
Energy	52.001	52.292	-0.291	-0.6		
Health Human Services (HHS)	2003.813	1884.277	119.536	6.3		
Medicare	1287.420	1189.041	98.379	8.3		
Medicaid States Grants	722.977	668.139	54.838	8.2		
Homeland Security	109.528	115.306	-5.778	-5.0		
Housing Urban Development	68.263	50.533	17.730	35.1		
Interior	15.567	22.402	-6.835	-30.5		
Justice	45.336	44.948	0.388	0.9		
Labor	55.184	50.383	4.801	9.5		
State Unemployment Benefits	36.438	38.023	-1.585	-4.2		
State	28.828	28.362	0.466	1.6		
Transportation	124.271	127.583	-3.312	-2.6		
FAA	25.616	24.806	0.810	3.3		
Federal Highway Admin.	65.951	65.003	0.948	1.5		
Treasury	1580.964	1458.910	122.054	8.4		
IRS	280.977	290.958	-9.981	-3.4		
Premium Tax Credit HHS	149.157	151.080	-1.923	-1.3		
Earned Income Credit	68.492	66.007	2.485	3.8		
Child Tax Credit	28.610	26.567	2.043	7.7		
Interest on Public Debt	1359.953	1215.614	144.339	11.9		
Veterans Affairs	415.575	376.591	38.984	10.4		
Corps of Engineers	10.784	12.124	-1.340	-11.1		
Other Defense Civil Programs	65.484	76.488	-11.004	-14.4		
Environmental Protection (EPA)	17.365	36.976	-19.611	-53.0		
Exec. Office of President (EOP)	-1.234	-0.508	--	--		
International Assistance	20.388	17.294	3.094	17.9		
NASA	23.357	24.576	-1.219	-5.0		
National Science Foundation	8.877	9.949	-1.072	-10.8		
Personnel Management	135.809	128.239	7.570	5.9		
Small Business Admin.	11.827	0.837	10.990	--		
Social Security Admin.	1733.853	1646.515	87.338	5.3		
Retirement Benefits	1494.559	1411.167	83.392	5.9		
Federal Disability Payments	159.903	157.436	2.467	1.6		
Other Independent Agencies	3.028	6.788	-3.760	--		



INTEREST RATES



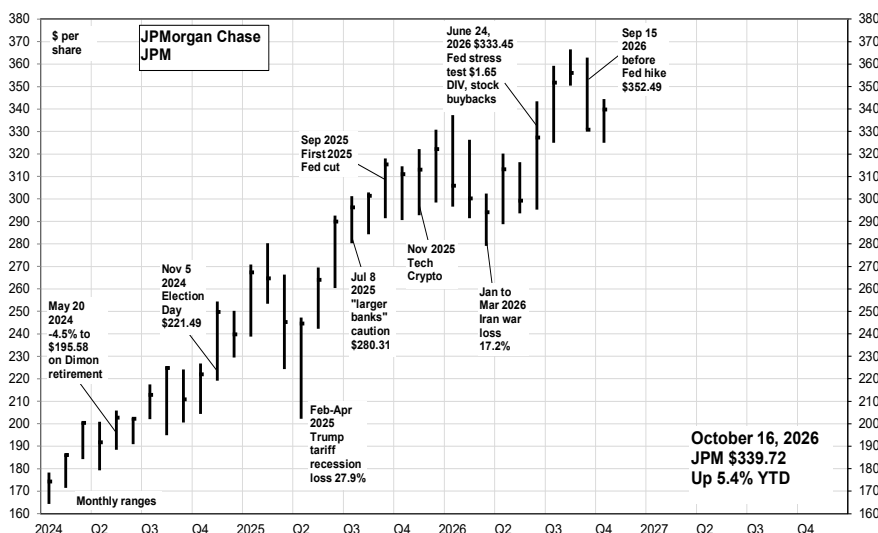
A surprising rally after a 5.33% 10-yr yield high was hit Wednesday on 0.3% (0.335 almost 0.4) hot core CPI. Bond yields came down with stocks shortly thereafter with safe-haven buying trying to avoid data center debt perhaps. But market commentaries had to use the words “safe-haven” a lot this week. A Fed hike on October 28 never really got put back fully on the table after CPI, as much as 15 bps of a hike was discounted, but the Warsh IMF comments or lack thereof Thursday night brought the odds down a final few basis points to where there is little chance now. For stocks it has been a quick turnaround from record October 6 close, up 14.2% YTD, to the loss from those highs of 2.7% at the worst point on Friday. Maybe there are some other debt concerns beyond tech and data-centers given 5%-plus 10-yr yields, but GOOGL and MSFT earnings are October 28 after Fed announcement.

JPMorgan Chase (JPM) up 5.4 YTD

Earnings before the bell on Tuesday, stock closing \$334.30 Monday, 3.0% rally as high as \$344.36 before closing lower. The record is \$366.50 on August 13. There was a good sized 3.4% drop on September 22, along with other financials explained by AI competition fears perhaps (Meta Muse rally 11.3% Sep 21), but the loss was a day before 10-yr Treasury yields soared above 5%. Back to Q3 stock earnings, Dimon called it another quarter of strong results, investors saw the earnings results as missing expectations, and there was a loss on investment securities.

JPM results (billions)

Quarter	Net Income	Provision for Credit Losses	Stock price Qtr end
9.30.2026	15.305	2.743	330.83
6.30.2026	21.155	2.515	327.33
3.31.2026	16.494	2.507	294.16
12.31.2025	13.025	4.655	322.22
9.30.2025	14.393	3.403	315.43
6.30.2025	14.987	2.849	289.91
3.31.2025	14.643	3.305	245.30
12.31.2024	14.005	2.631	239.71
9.30.2024	12.898	3.111	210.86

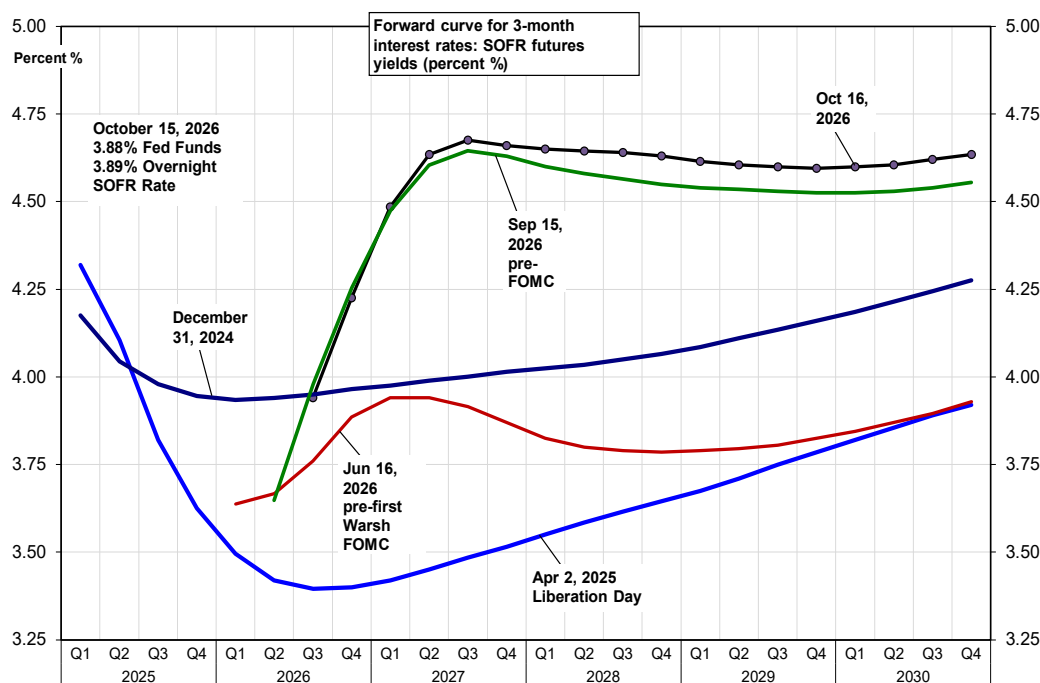


FEDERAL RESERVE POLICY

The Fed meets October 27-28, 2026 to consider its monetary policy. We will have to wait and see how urgent it is for Fed officials to move rates higher again in a couple of weeks. [Warsh spoke in a fireside chat](#) with IMF Managing Director Georgieva at the meeting in Bangkok around 1130pm ET Thursday night. He said the recent economic data had broadly conformed to the FOMC's expectations at the September meeting. He says there is a new investment surge in America. It does appear that real investment in equipment in the GDP accounts will be one percentage point in Q3 2026 released on October 29. There is software investment as well, but equipment investment has not been this strong since the late 90s (ignores technical bounce in 2010 following the Great Recession). It would seem a central banker might want to have higher interest rates given the strength in the economy, especially if there is already too-high inflation that is exacerbated by higher energy prices. September core PCE inflation could be 0.4%, the day after the Fed's October decision. Stay tuned.

Selected Fed assets and liabilities						Change from 3/11/20 to Oct 14
Fed H.4.1 statistical release	14-Oct	7-Oct	30-Sep	23-Sep	3/11/20*	
billions, Wednesday data						
Factors adding reserves						
U.S. Treasury securities	4570.552	4566.384	4564.161	4558.332	2523.031	2047.521
Federal agency debt securities	2.347	2.347	2.347	2.347	2.347	0.000
Mortgage-backed securities (MBS)	1898.160	1898.089	1898.089	1910.409	1371.846	526.314
Repurchase agreements	0.001	0.002	1.200	0.001	242.375	-242.374
Primary credit (Discount Window)	11.044	9.965	8.738	6.235	0.011	11.033
Bank Term Funding Program	0.000	0.000	0.000	0.000		
FDIC Loans to banks via Fed	0.000	0.000	0.000	0.000		
Paycheck Protection Facility	0.007	0.007	0.007	0.015		
Main Street Lending Program	0.873	0.873	0.872	0.872		
Term Asset-Backed Facility (TALF II)	0.000	0.000	0.000	0.000		
Gold stock	11.041	11.041	11.041	11.041	11.041	0.000
Central bank liquidity swaps	0.205	0.207	0.207	0.072	0.058	0.147
Federal Reserve Total Assets	6807.5	6799.4	6794.9	6799.5	4360.0	2447.427
3-month Libor-% SOFR %	3.88	3.88	3.90	3.87	1.15	2.730
Factors draining reserves						
Currency in circulation	2488.818	2486.120	2482.756	2482.383	1818.957	669.861
Term Deposit Facility	0.000	0.000	0.000	0.000	0.000	0.000
U.S. Treasury Account at Fed	885.823	885.783	984.046	947.317	372.337	513.486
Treasury credit facilities contribution	0.000	0.000	0.000	0.000		
Reverse repurchases w/others	0.201	2.338	11.539	0.461	1.325	-1.124
Federal Reserve Liabilities	3776.599	3777.324	3913.200	3829.614	2580.036	1196.563
Reserve Balances (Net Liquidity)	3030.854	3022.066	2881.686	2969.922	1779.990	1250.864
Treasuries within 15 days	106.926	102.162	107.411	131.913	21.427	85.499
Treasuries 16 to 90 days	390.845	394.160	372.603	368.918	221.961	168.884
Treasuries 91 days to 1 year	529.071	526.600	540.933	531.946	378.403	150.668
Treasuries over 1-yr to 5 years	1436.242	1436.121	1436.000	1426.912	915.101	521.141
Treasuries over 5-yr to 10 years	482.152	482.130	482.108	473.532	327.906	154.246
Treasuries over 10-years	1625.316	1625.211	1625.107	1625.110	658.232	967.084
Note: QT starts June 1, 2022	Change 10/14/2026	6/1/2022				
U.S. Treasury securities	-1200.227	4570.552	5770.779			
Mortgage-backed securities (MBS)	-809.286	1898.160	2707.446			
**March 11, 2020 start of coronavirus lockdown of country						

Fed Policy-key variables					Long Term
	2026	2027	2028	2029	
Fed funds	4.1	4.1	3.9	3.6	3.2
PCE inflation	3.7	2.3	2.1	2.0	2.0
Core inflation	3.4	2.5	2.2	2.0	
Unemployed	4.1	4.1	4.1	4.1	4.2
GDP	2.3	2.4	2.2	2.1	2.0
September 2026 median Fed forecasts					



Just 4 bps of a 25 bps rate hike is discounted at the October meeting.

Fed funds futures call Fed policy

Current target: Oct 16 -- 4.00%

Rate+0.12 Contract	Fed decision dates
4.040 Nov 2026	Oct 28
4.270 Jan 2027	Adds Dec 9*
4.355 Feb 2027	Adds Jan 27
4.525 Apr 2027	Adds Mar 17*
*Jan 2027 could be 4 days at a new rate	
*Apr 2027 could be 2 days at a new rate	

Next up: September PCE inflation Thursday, October 29 830am ET

Monthly	2026								2025				2025		
% Changes	Sep	Aug	Jul	Jun	May	Apr	Mar	Feb	Jan	Dec	Nov	Oct	Sep	Aug	Jul
Core CPI inflation	0.3	0.3	0.2	0.0	0.2	0.4	0.2	0.2	0.3	0.2	na	na	0.2	0.3	0.3
Core PCE inflation		0.2	0.1	0.1	0.3	0.3	0.3	0.3	0.4	0.3	0.2	0.2	0.2	0.2	0.2
Core PCE YOY		3.0	3.0	3.0	3.2	3.1	3.1	3.0	2.9	2.9	2.7	2.7	2.8	2.9	2.8
Core CPI YOY	2.6	2.4	2.5	2.6	2.9	2.8	2.6	2.5	2.5	2.6	2.6	na	3.0	3.1	3.1

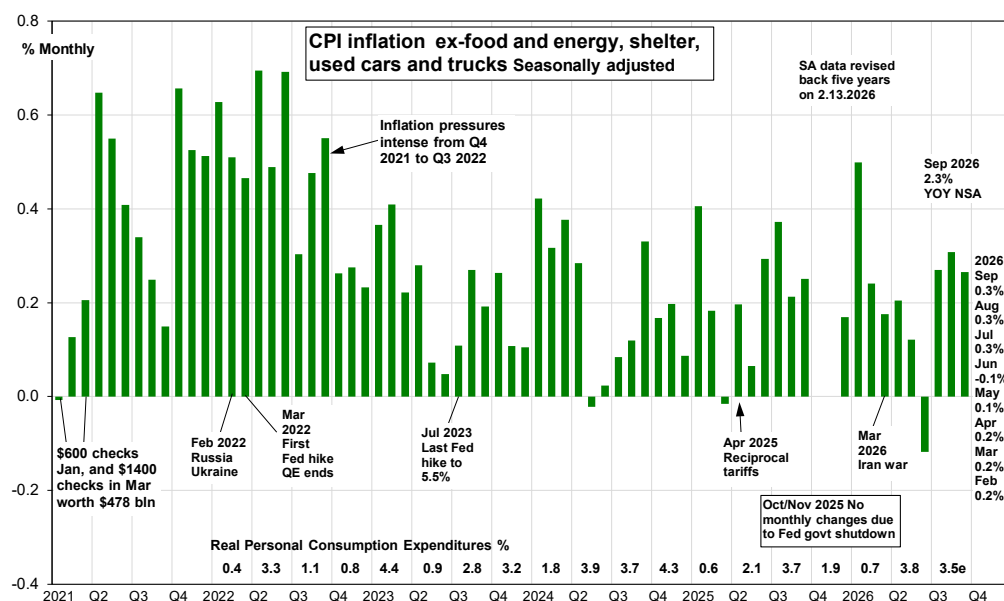
OTHER ECONOMIC NEWS

Another hot CPI report (Wednesday)

Breaking economy news. September CPI bounced with higher Middle East energy prices. Energy prices increased 5.2% in September, the most since March which was the first month of the Iran war. Headline CPI rose 0.6% and is 3.7% higher than a year ago. Core CPI rose 0.3% and is 2.6% higher than last year. Core commodities rose 0.3% and a quick look shows newspapers/magazines, toys, jewelry, computers and stationery, gift wrap are higher. Greenspan's old favorite CPI minus food, energy, shelter, and used cars and trucks rose 0.3% for a third consecutive month. Looks like the Fed has more work to do despite many Fed officials saying another rate hike in a couple of weeks is not urgent. Real rates do not look restrictive with a Fed rate of 4.0% and headline CPI 3.7% year-on-year.

Dec 25	Weight	CPI inflation	Monthly Percent Changes			YOY %
			Jul 2026	Aug 2026	Sep 2026	Sep 2026
100.0	Total		0.1	0.4	0.6	3.7
13.698	Food		0.1	0.1	0.0	2.5
8.325	Food at home		-0.1	0.0	-0.1	1.8
5.373	Food away from home		0.3	0.3	0.2	3.5
6.383	Energy		-1.5	2.1	5.2	20.4
2.895	Gasoline		-2.9	3.9	9.1	34.2
79.919	Ex-food & energy		0.2	0.3	0.3	2.6
3.838	New vehicles		0.1	0.3	0.2	0.6
2.759	Used cars/trucks		0.4	0.4	0.7	-1.5
2.368	Clothing		0.1	0.0	0.3	3.4
1.489	Medical care goods		-0.6	-0.2	-0.7	-3.3
35.625	Shelter		0.1	0.3	0.4	3.1
26.204	Owner equiv. rent		0.3	0.2	0.3	3.3
6.315	Transportation		0.3	0.5	0.6	2.7
6.935	Medical care services		0.6	-0.2	0.3	2.5
Special: Where inflation might come back down to						
60.744	Services ex-energy		0.2	0.3	0.4	3.1
19.176	Commodities (core)		0.2	0.1	0.3	0.7

Net, net, there is increasing evidence that the energy price shock caused by the war in the Middle East is starting to produce price increases in other core goods and services. Core CPI inflation has jumped 0.3% in each of the last two months after cooler readings in June and July when energy prices fell initially when it looked as if peace in the Middle East



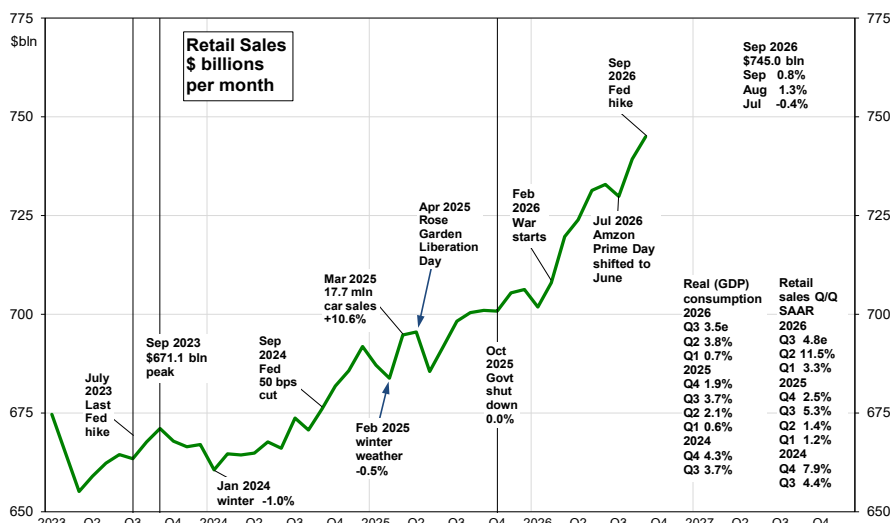
was at hand. It is clear that as long as geopolitical risks lead to higher energy costs, there will be cost pressures on many businesses that force them to pass the inflation hot potato on to other consumers and companies. Inflation remains sticky and that means Fed officials may need to raise interest rates higher and keep them there for longer in 2027. It is especially alarming that shelter prices have bounced back after minimal increases in June and July that ended up being a false victory. Inflation is not dead, it is very much alive, the consumer knows it and that is why the cost of living crisis has shattered their confidence. The bond bulls have turned around and are running the other way as 10-year yields have shot higher after today's shocking inflation report. Inflation is alive and the only way the Warsh Fed knows how to kill it is with another dose of higher rates.

Consumers spend before producer inflation hits (Thursday)

Breaking economy news. Retail sales and PPI data for September. Retail sales rose 0.8% in September after a 1.3% jump in August. Sales in September were less, up only 0.2%, if we take out the spending on higher gasoline prices caused by the ongoing Iran war. There were revisions over the last several years, back to January 2023 in the graph here certainly. It does look like real consumption will be big again in the Q3 2026 real GDP report on Thursday, October 29. Retail sales have continued climbing since the Iran war started at the end of February except for a drop in July when the Amazon prime day normally in July was pulled forward to June this year.

Producer prices rose 1.3% in September almost double the 0.6% consensus call. When peace was at hand energy prices dropped in June/July and was consistent with softer 0.2 prints for old-fashioned PPI, but that trend is now over. Transportation and warehousing is probably getting a lift from \$6-plus diesel fuel prices.

Net, net, retail sales saw a moderate increase in September but only because consumers paid those higher prices for gas at the pump last month. One positive note in the retail sales report is services-related spending at bars and restaurants were strong in August with a 1.4% increase, and another splurge of 1.1% in September dining out sales. We can only think that the consumer seems to be drowning their sorrows away with a night or two out on the town, given the downbeat measures of consumer confidence and overall sentiment. We will see if consumer spending holds up in the months ahead as producers are seeing the worst inflation outbreak in years with a 1.3% jump in September, the most since 1.7% in March 2022, so consumers can bet that producers will be passing on their higher prices along to them without delay. Stay tuned. Growth looks solid for the third quarter, but inflation pressures are building, and sooner or later, the cost of living crisis could make consumers reconsider those trips to the mall. Wages are lagging behind inflation and eventually, the consumer will have to cut back.



Monthly % SA Total final demand	Final demand goods				Final demand services				
	Total	Foods	Energy	**Less foods and energy	Total	Trade	transportation and warehousing	Other	
Jan	0.6	-0.1	-1.3	-1.7	0.7	0.9	2.0	1.0	0.3
Feb	0.5	1.0	2.3	2.0	0.4	0.3	-0.3	0.8	0.5
Mar	0.8	2.0	-0.6	10.5	0.4	0.3	0.5	2.2	0.0
Apr	1.1	1.9	0.3	7.1	0.7	0.8	1.5	3.7	0.1
May	0.5	2.2	0.6	8.2	0.7	-0.2	-2.7	2.1	0.7
Jun	-0.1	-1.4	-0.6	-6.8	0.2	0.5	1.3	-0.3	0.2
Jul	0.2	-0.4	-1.0	-1.7	0.2	0.3	-0.2	-1.1	0.7
Aug	0.5	1.1	-0.3	4.5	0.4	0.2	0.2	2.2	0.0
Sep	1.3	2.6	1.2	10.8	0.3	0.8	1.4	3.4	0.3
	**Final demand goods, less foods and energy is old-fashioned PPI								

**Final demand goods, less foods and energy is old-fashioned PPI

Retail spending, actual dollars, each month

	\$million	% to	Percent Changes %		
			Sep	Aug	Year/year
Total Retail Sales	745,021	100.0	0.8	1.3	6.3
Motor vehicles/parts	139,833	18.8	0.2	0.7	2.5
Furniture/furnishings	10,696	1.4	1.3	0.2	4.9
Electronics/appliances	7,853	1.1	0.6	2.1	9.4
Building materials/garden	44,077	5.9	-0.6	0.2	4.5
Food & beverage	85,056	11.4	0.4	0.2	0.9
Health/personal care	39,535	5.3	0.7	1.2	-1.2
Gasoline stations	68,021	9.1	6.4	4.0	28.1
Clothing/accessories	26,478	3.6	0.0	0.6	5.0
Sporting goods, books	8,681	1.2	-0.5	1.0	9.6
General merchandise	81,776	11.0	-0.1	0.8	4.2
Department stores	4,028	0.5	1.6	-0.6	6.4
Miscellaneous retailers	15,826	2.1	-3.0	3.6	10.9
Nonstore retailers (internet)	124,283	16.7	0.3	2.0	8.2
Eating & drinking places	92,906	12.5	1.1	1.4	7.0
[Total ex-autos/gas]	537,167	72.1	0.2	1.1	5.0

Import price inflation and factory output (Friday)

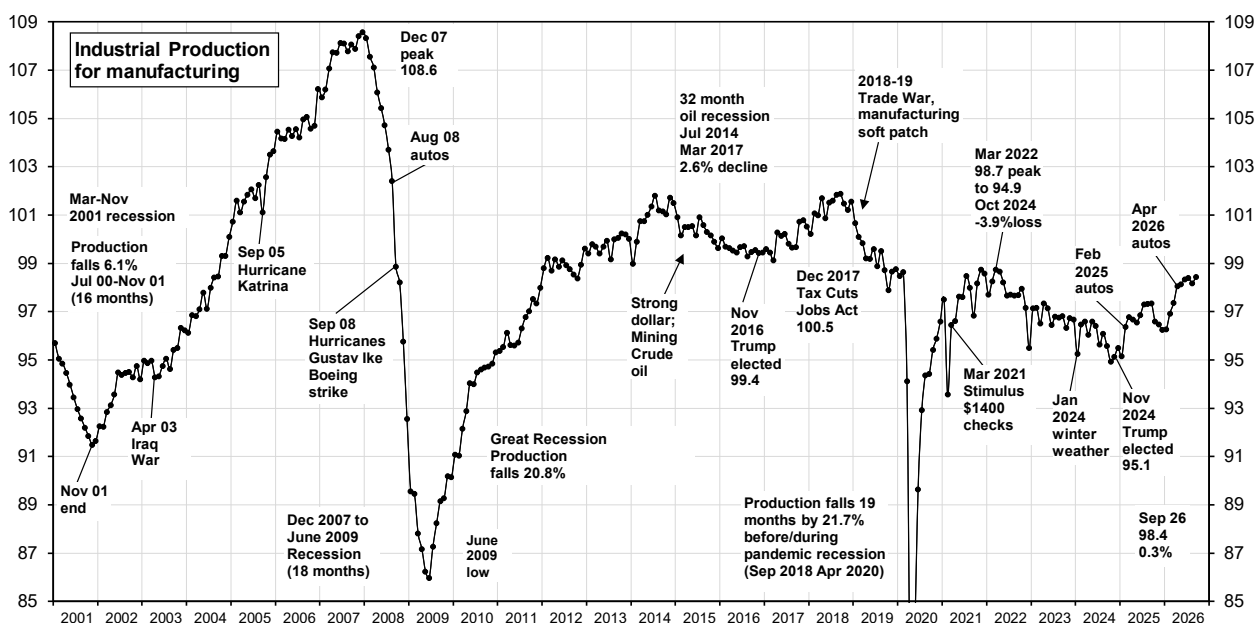
Breaking economy news. Today it's import prices that are going up. Americans face an inflation threat literally on every front and everywhere they turn they have to reach in their pocketbooks and pay a little bit more for the same goods that were cheaper just a few months ago. And no one down in Washington has a clue on what to do about it.

Nonfuel Imports prices-- Monthly Percent Changes NSA September 2026 6.0% YOY												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2023	0.2	0.4	-0.5	-0.1	0.0	-0.3	-0.1	-0.2	-0.2	-0.2	0.1	0.1
2024	0.6	0.1	0.2	0.6	-0.2	0.2	0.2	0.0	0.2	0.2	0.1	0.0
2025	0.0	0.2	-0.1	0.3	-0.1	-0.3	0.2	-0.2	0.0	Govt shutdown		0.2
2026	0.7	0.8	0.2	0.9	0.7	0.1	0.3	0.6	0.7			

Importers are paying more for goods once they dock even before they get slapped with a tariff at customs. There was no import goods inflation before Trump 2.0 economic policies started to roll out in January 2025, but this year it is everywhere. Nonfuel import prices rose 0.7% in September and are an astounding 6.0% higher than a year ago. Everywhere the consumer looks, inflation is hitting them straight on with no hope of relief anytime soon. The cost-of-living crisis is alive and well.

Import prices were at 830am ET, and now at 915am ET it is the Fed's industrial production index. Factory output has stalled with a small increase in September offsetting a modest August decline. The driver of industrial production's 0.7% gain in September was utility output. Business equipment has been a key driver of industrial production with huge monthly increases in the second quarter of 2026 that extended into July, but there has been no net change in business equipment output in August and September. Every investment period in economic history has an endpoint, and it is looking like the AI equipment investment boom could be closer to the end than the beginning looking at the tentative results in business equipment factory output the last two months. Semiconductor and related electronic components was a huge driver of investment in the third quarter, helping to push real GDP growth over 3 percent, but time will tell whether this production can continue to see double-digit growth going forward.

Percent changes			Industrial Production Sep 2026	
Jul	Aug	Sep	YOY	Weight
0.2	0.1	0.7	2.2 <u>Total Index</u>	100.0
0.1	-0.2	0.3	1.1 Manufacturing	75.9
0.4	0.5	0.2	2.8 Mining	11.7
1.1	1.5	3.5	8.7 Utilities	12.4
			Manufacturing payroll jobs 12.6 million +40K YOY 9.3% of Private Payroll Jobs	



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