Fed Minutes Hint at Two More Rate Cuts in 2025, Sending Gold Above $4,000; Europe's Tariff Plan Jolts Industrial Stocks.

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The **U.S. and European stock markets mainly closed with gains**, stabilizing after yesterday's mild pullback as investors digested mixed global signals and a record-setting rally in gold. The N**asdaq Composite** gained 255.01 points, while the **S&P 500** rose 39.13 points and the **Dow Jones** fell 1.20 points. Confidence returned to Wall Street following the release of the **Federal Reserve's September minutes**, which reaffirmed that policymakers are **"moving carefully toward a more balanced stance,"** acknowledging slower job growth while maintaining vigilance on inflation. The tone suggested that they see **two more rate cuts in 2025, unfolding gradually and only as data confirm continued disinflation.**

In Europe, markets extended their gains, as investors weighed the broader implications of the **European Union's proposed tariff increases on imported steel**, a move that sent ripples through both the industrial and automotive sectors. The **Stoxx 600** closed **0.8% higher**, with most major bourses and sectors ending the session in positive territory.

The **European Commission's plan** to tighten its grip on steel imports drove a sharp rally among regional producers. Under the new proposal, **tariff-free quotas** on imported steel will be **reduced**, while duties on any excess shipments will **double from 25% to 50%**. The measure, aimed at combating what Brussels called "unsustainable levels of global overcapacity", seeks to shield European producers from a flood of cheap imports.

The announcement triggered substantial gains across the continent's steel sector:

- **ArcelorMittal** jumped **6.6%**.
- **SSAB** of Sweden climbed **5.3%**.
- **Thyssenkrupp** rose **4.7%**.

Despite the positive market reaction, concerns are mounting in the **U.K.**, where the country's struggling steel industry warned the new rules could deliver an "existential blow" to domestic producers already battling low margins and global competition.

While steel stocks rallied, **auto manufacturers** moved sharply in the opposite direction amid fears that higher input costs could squeeze profitability. The **auto sector** closed down **2.1%**, **with BMW** tumbling **8.3%** and **the Mercedes-Benz Group** losing **2.9%**.

Gold Breaks $4,000 Barrier

Gold prices are commanding the spotlight, surging nearly **1.5%** today to a new all-time high above **$4,000 per ounce**. The yellow metal has now advanced **54% year-to-date**, driven by escalating safe-haven demand amid growing fiscal anxieties in developed economies and renewed speculation about political interference in central bank policymaking. The rally underscores a global pivot toward tangible assets as investors brace for prolonged uncertainty on both monetary and fiscal fronts.

Meanwhile, government bonds are catching a bid — the **10-year U.S. Treasury yield** has eased slightly to **4.13%**, signaling a defensive tone. The **U.S. dollar** is modestly firmer against major peers, while **WTI crude oil** is up about **1%**, extending gains after OPEC+ unveiled smaller-than-expected production increases.

Fed Minutes Take Center Stage

Investors' attention is to the release of the **Federal Reserve's meeting minutes**, with markets overwhelmingly expecting another rate cut later this month. **Fed funds futures** imply a **95% probability** of a 25-basis-point reduction as policymakers navigate a murky data landscape caused by the ongoing government shutdown.

Federal Reserve September 2025 Minutes

As the Fed took a cautious turn toward easing at the September meeting, it marked a subtle but essential pivot. After months of holding policy steady, the FOMC **cut the federal funds rate by 25 basis points to 4.00%–4.25%**, its first move toward easing since 2023. The tone of the minutes reflected a **shift in focus from inflation containment to economic balance**, acknowledging that **"job gains have slowed"** and unemployment is edging higher.

While inflation remains above the 2% target, most participants viewed progress as steady but incomplete. **Governor Stephen Miran's dissent** for a deeper 50-basis-point cut underscored internal debate about whether the slowdown warrants a faster response.

The **Summary of Economic Projections** showed:

- GDP growth at **1.6%** for 2025,
- Unemployment at **4.5%**,
- Core PCE inflation easing from **3.1% in 2025** to **2.6% in 2026**,
- And a median policy rate of **3.6% by year-end 2025**, implying **one or two more cuts** ahead.

Chair Jerome Powell described the move as a **"risk-management adjustment"** rather than the start of a broad easing cycle, emphasizing a **meeting-by-meeting, data-driven approach**. The Committee remains cautious, acknowledging softer labor conditions but unwilling to declare inflation defeated. Markets interpreted the decision as the **first step in a slow, deliberate normalization**, pricing in additional cuts through early 2026. The overall message is that **policy is shifting gently toward support, rather than stimulus**.

In essence, the September minutes signal a **measured pivot**—the Fed's way of saying that the tightening era is ending, but confidence in victory over inflation is not yet complete.

The absence of **Bureau of Labor Statistics (BLS)** and **Census Bureau** reports — including the delayed September **payrolls**, **inflation**, and **retail sales** data — complicates the Fed's policy calculus. FOMC members remain divided: **Minneapolis Fed President Neel Kashkari** has cautioned against overly aggressive cuts that could rekindle inflation, while new board member **Adriana Miran** advocates for a faster easing cycle to protect growth. With the Fed having already trimmed rates in September, another cut could be the path of least resistance as officials operate with limited visibility.

Government Shutdown Enters Second Week

The **federal government shutdown** has now entered its second week with little progress toward a resolution. A failed Senate vote on Monday dashed hopes for a short-term funding bill that would have extended operations through late November. Over **250,000 federal employees** are expected to miss their paychecks this week, with the total number projected to exceed **2 million** if the stalemate persists into a third week.

A leaked **Office of Management and Budget (OMB)** memo has raised new concerns over whether affected workers will receive back pay — a departure from previous shutdown norms that could deepen economic strain and uncertainty. While a brief shutdown may deliver only a modest hit to GDP, a prolonged impasse could slow consumer spending, delay key data releases, and amplify risks to the broader recovery.

- **Read The Policy Ripple Report on the Government Shutdown:** https://birlingcapital.com/publications/ThePolicyRipple.FacingtheFederalGovernmentShutdownEverythingPR.pdf

Birling Capital Outlook

Markets remain resilient but vulnerable to policy uncertainty. The record surge in gold, coupled with falling yields, underscores a defensive repositioning by global investors. With Washington gridlocked and central banks operating without crucial data, volatility is likely to rise. Birling Capital expects that a short-term resolution to the shutdown, combined with a moderate Fed cut, could provide temporary relief; however, fiscal credibility and political cohesion will remain critical determinants of sentiment heading into year-end.

GDPNow Update:

- The GDPNow for the third quarter of 2025 was updated on October 7 and is unchanged at **3.80%.**

Economic Data:

- **U.S. Crude Oil Stocks WoW:** rose to 1.792M, up from -607.00K last week.
- **Germany Industrial Production Index MoM:** fell -4.30%, compared to 1.30% last month.

Eurozone Summary:

- **Stoxx 600:** Closed at 573.79, up 4.52 points or 0.79%.
- **FTSE 100:** Closed at 9,548.87, up 65.29 or 0.69%.
- **DAX Index:** Closed at 24,597.13, up 211.35 points or 0.87%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 46,601.78, down 1.20 points or 0.00%.
- **S&P 500:** closed at 6,753.72, up 39.13 points or 0.58%.
- **Nasdaq Composite:** closed at 23,043.38, up 255.01 points or 1.12%.
- **Birling Capital Puerto Rico Stock Index:** closed at 4,101.74, down 54.12 points or 1.30%.
- **Birling Capital U.S. Bank Index:** closed at 8,118.23, down 36.12 points or 0.44%.
- **U.S. Treasury 10-year note:** closed at 4.13%.
- **U.S. Treasury 2-year note:** closed at 3.58%.

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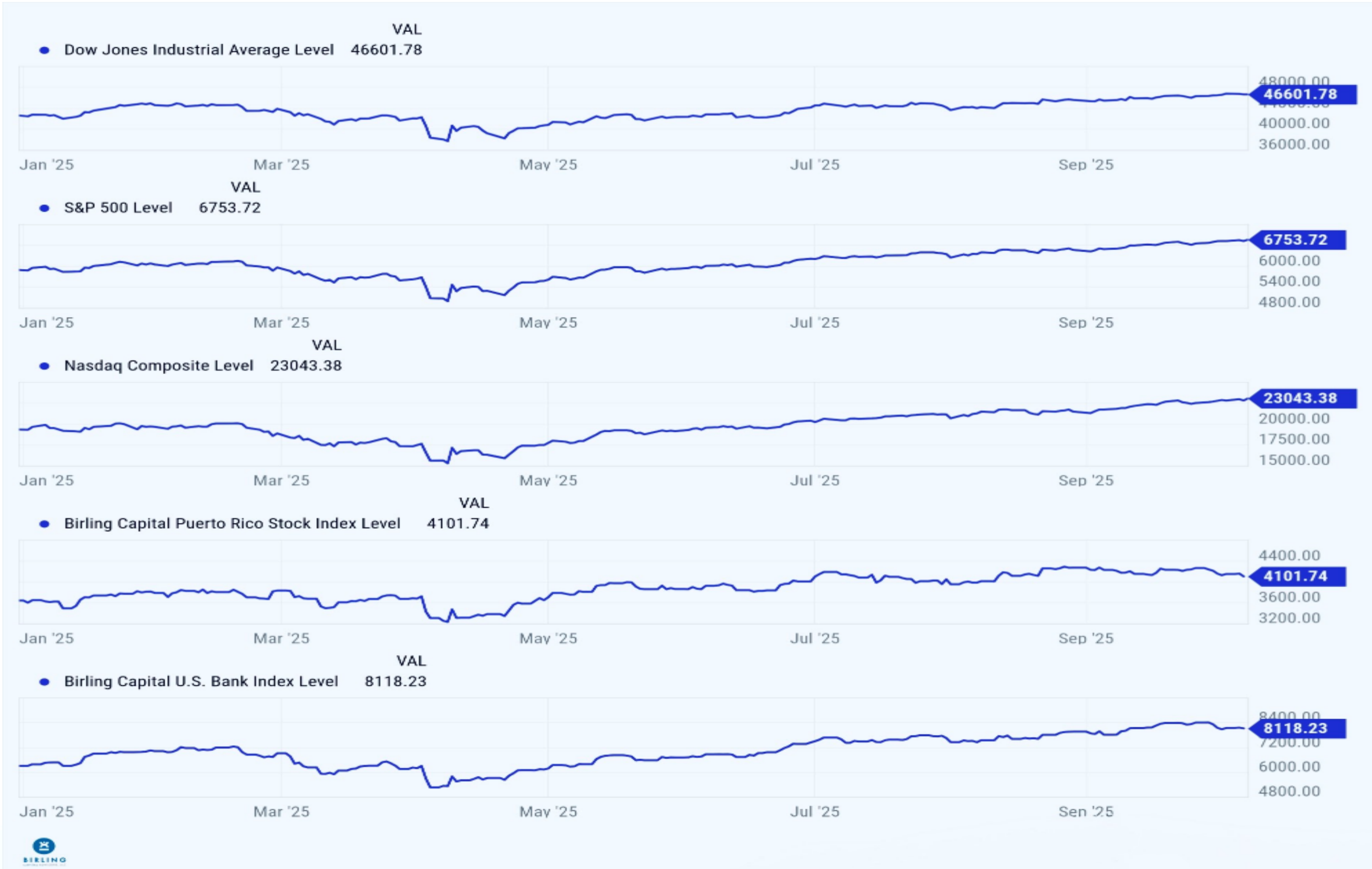
GDPNow

Third Quarter 2025

Date	GDPNow 3Q25	Change
7/31/2025	2.30%	Initial Forecast
8/1/2025	2.10%	-8.70%
8/5/2025	2.50%	19.05%
8/7/2025	2.50%	19.05%
8/15/2025	2.50%	0.00%
8/19/2025	2.30%	-8.00%
8/26/2025	2.20%	-4.35%
8/29/2025	3.50%	59.09%
9/2/2025	3.00%	-14.29%
9/4/2025	3.00%	0.00%
9/10/2025	3.10%	3.33%
9/16/2025	3.40%	9.68%
9/17/2025	3.30%	-2.94%
9/26/2025	3.90%	18.18%
10/1/2025	3.80%	-2.56%
10/7/2025	3.80%	0.00%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May '25
Jul '25
Sep '25
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Birling Capital U.S. Bank Index Level 8118.23
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