

SEPTEMBER 2, 2025

Paige Wilhelm

Senior Vice President

Senior Portfolio Manager

Federated Investment Counseling

Just the data, please

How about this for a change: talking only about the economic and monetary policy aspect of the Federal Reserve and not the political. From this viewpoint, the major news of the week was that the Personal Consumption Expenditures Index (PCE) was essentially flat for July. Headline PCE grew at a slightly lower pace of 0.2% compared to June's 0.3%. Core PCE, which factors out volatile elements such as food and gasoline prices, grew at the same pace of 0.3%. The annualized numbers are now 2.6% and 2.9%, respectively.

PCE is the Fed's preferred measure of inflation. Policymakers would like to see it hit 2% year-over-year. But with a slowing economy and an apparently softening employment situation, the markets are expecting them to restart the easing process. They are betting that will arrive with a 25 basis-point cut at the Federal Open Market Committee meeting ending Sept. 17. We think so, too, though it is possible that the jobs report for August coming this week and the August Consumer Price Index soon after will sway policymakers against it.

Views are as of the date above and are subject to change based on market conditions and other factors. These views should not be construed as a recommendation for any specific security or sector.

Federated Investment Counseling

G40461-19 (9/25)