# *Financial Markets This Week*

**17 OCTOBER 2025**

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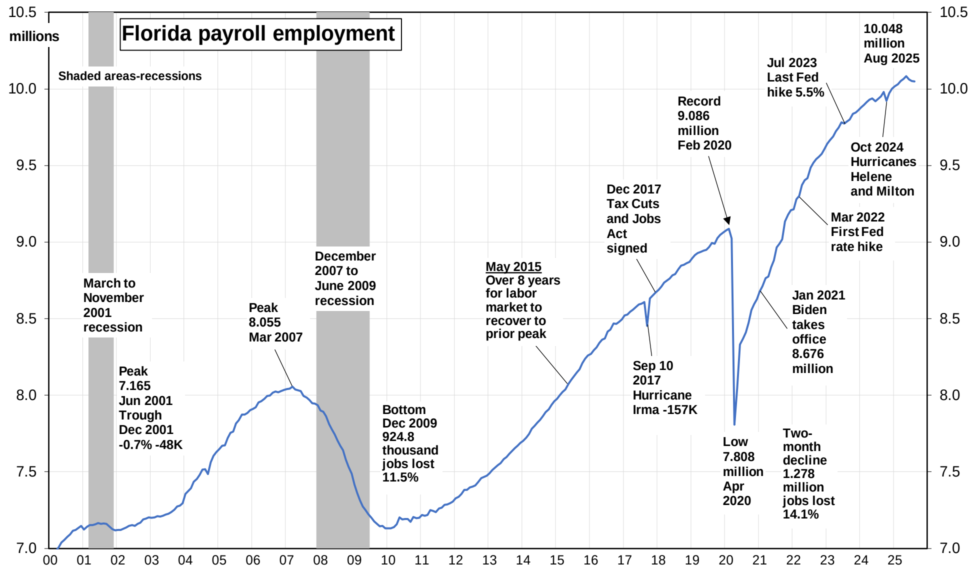
## RETIRE IN FLORIDA

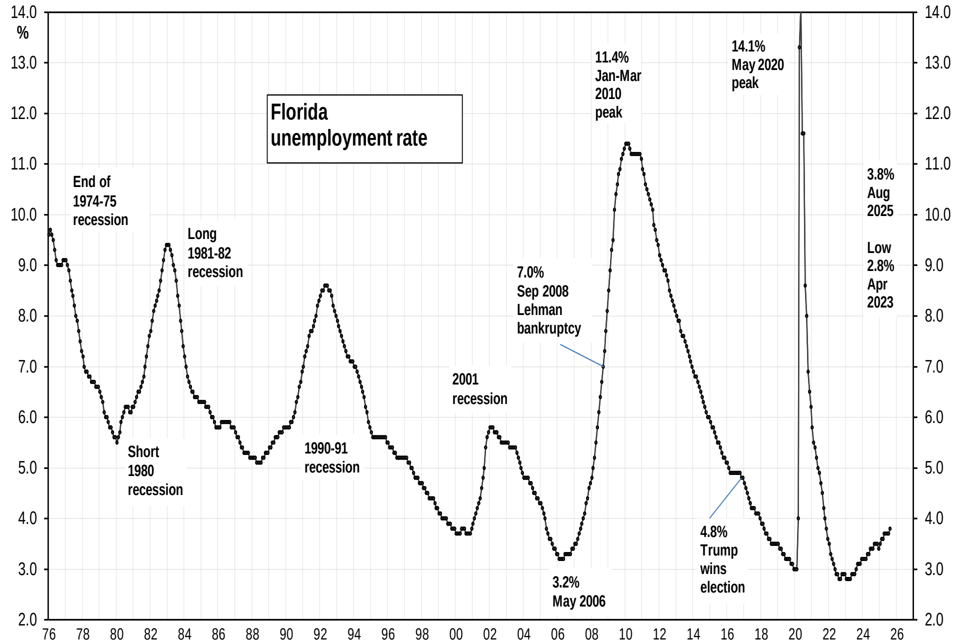



Time to retire in Florida. No jobs though. There have been so many newspaper reports of Florida real estate (condo) prices in freefall, we thought we would look at Florida economic stats this week during the Federal government shutdown where no new data have been released since September 30. Fine. The latest states release on nonfarm payroll jobs for August was September 19. It is hard to measure the labor markets with the big change in immigration policy between Administrations. But payroll employment in Florida has fallen for three consecutive months which is one indicator of recession. There has to be cumulative deterioration as Greenspan once called it to be sure. Obviously in the Great Recession job losses continued to mount in Florida with a decline of 11.5% from March 2007 to December 2009. Florida payroll jobs were in decline well before the official start to the nationwide recession in December 2007. Maybe Florida will lead the nation again.

The table here looks at job changes since January this year. Why January? That was the month when the normal annual population adjustment to the labor market stats went haywire at least on a national basis. The population adjustment this year led the population to jump 3 million for the month of January where in 2022 and 2023 the increase was just 1.1 million. The difference was largely migration and makes one wonder if the January 2026 one-month change will be minus 3 million. Anyway, the Florida stats show that the population is still rising since January with the unemployment rate up a few tenths to 3.8%.

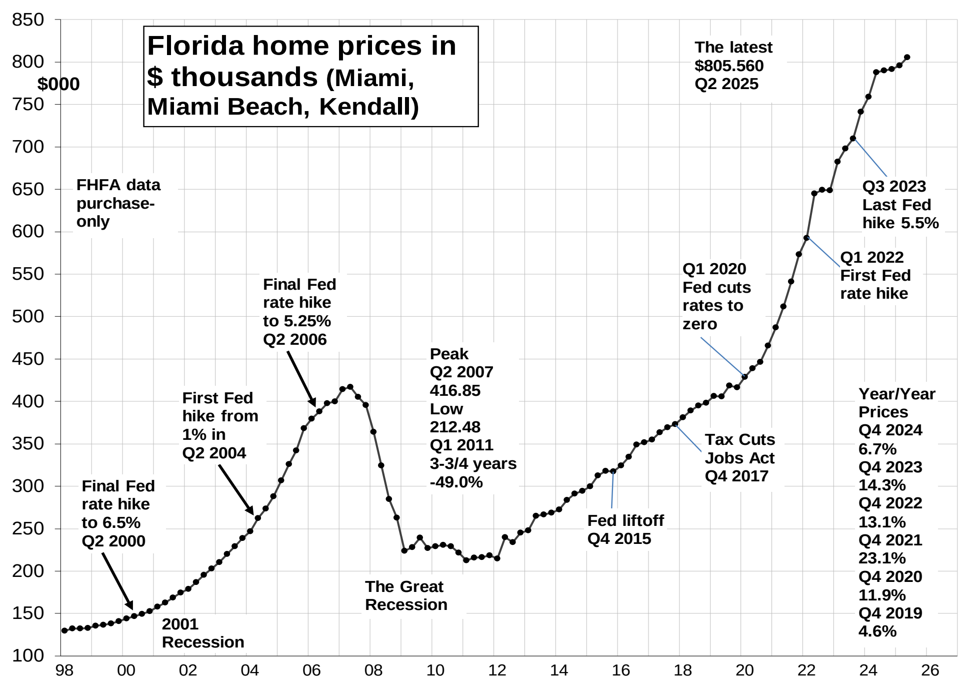
**FLA Jobs Since Jan 2025 immigration adj.**

| Thousands | Jan 25 | Aug 25 | Change | % Chg |
|---|---|---|---|---|
| Population | 19,254 | 19,408 | 154 | 0.8 |
| Not in Labor Force | 8,067 | 8,212 | 145 | 1.8 |
| Employment | 10,798 | 10,772 | -26 | -0.2 |
| Unemployed | 390 | 424 | 34 | 8.8 |
| Rate | 3.5 | 3.8 | 0.3 | --- |
| Payroll employment | 10,017 | 10,048 | 32 | 0.3 |
| Construction | 655.1 | 658.6 | 3.5 | 0.5 |
| Manufacturing | 430.6 | 430.9 | 0.3 | 0.1 |
| Trade/Trans/Utilities | 2,011.2 | 2,015.4 | 4.2 | 0.2 |
| Information | 157.7 | 158.5 | 0.8 | 0.5 |
| Financial activities | 688.5 | 692.4 | 3.9 | 0.6 |
| Professional/Business | 1,617.2 | 1,625.0 | 7.8 | 0.5 |
| Education/Health | 1,560.9 | 1,579.2 | 18.3 | 1.2 |
| Leisure/Hospitality | 1,334.9 | 1,322.9 | -12.0 | -0.9 |
| Other Services | 385.8 | 387.1 | 1.3 | 0.3 |
| Government | 1,169.2 | 1,172.9 | 3.7 | 0.3 |

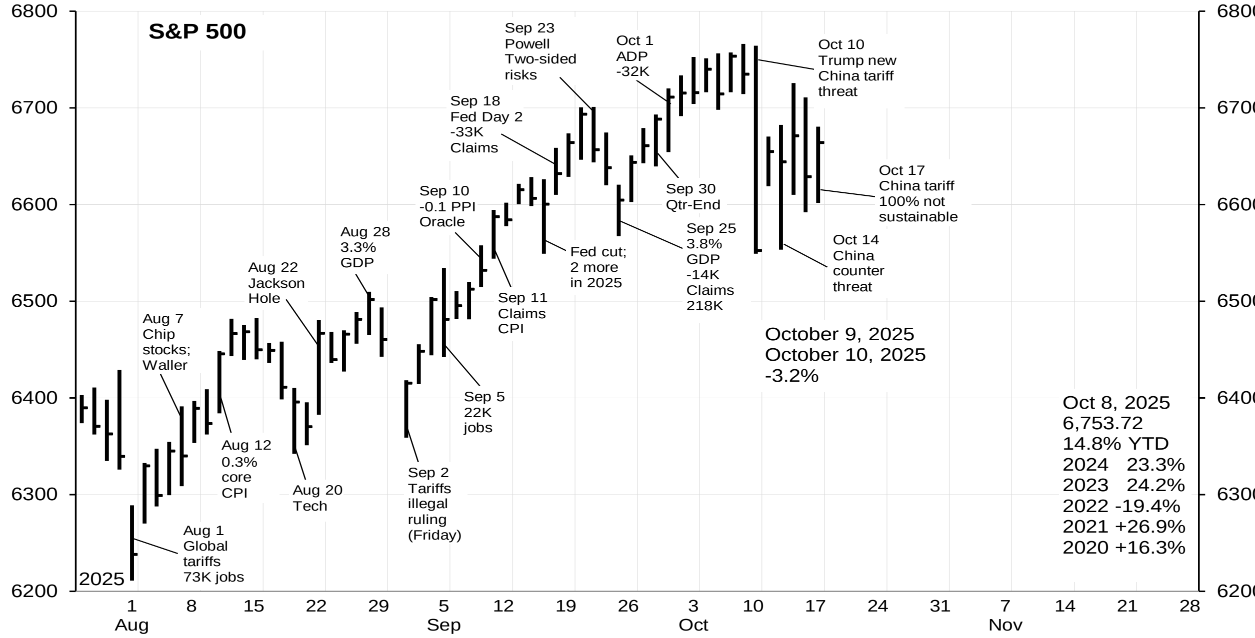



This is the Household Survey and respondents (would you take a call?) mostly said they had dropped out of the labor force and were no longer looking for work, as the employment count from the survey fell 0.2% since January as opposed to the employment count from the establishment survey of companies that showed employment was up 0.3%. Not too far off. Where are the jobs in Florida? The biggest percentage increases since January was Education/Health up 1.2%, Financial activities (crypto, subprime lending) up 0.6%. Construction and Professional/Business jobs were up 0.5%, and forget about Disneyland as jobs in that sector tumbled 0.9%.

The housing bubble has not burst in the Miami area. Home price appreciation has slowed to 6.7% in 2024 after huge double-digit gains after the Fed's emergency rate cuts to zero in Q1 2020 during the pandemic. (All the cuts were done between meetings without sitting down to discuss it.) A mixed picture for Fed interest rates and their effect on home prices looking at Miami. The 6.5% rate peak in Q2 2000 did nothing to home prices. Home prices collapsed 49% in the Great Recession shortly after peak Fed rates of 5.25% under Bernanke in Q2 2006. Powell's catchup rate hikes to 5.5% in Q3 2023 did nothing to slow home price appreciation in Miami. Makes one wonder what exactly cutting rates under Powell or the next Chair would do if the Committee signs off on rate cuts from 4.25% currently to 3.0% neutral in the next year. A 125 bps adjustment does what in the grand scheme of things? Anyone, anyone? Maybe they hoisted the sail and dropped it too often in the last few decades and now the Federal Reserve's chief monetary policy tool is broken and policymakers can no longer steer a rudderless economic ship.



## INTEREST RATES



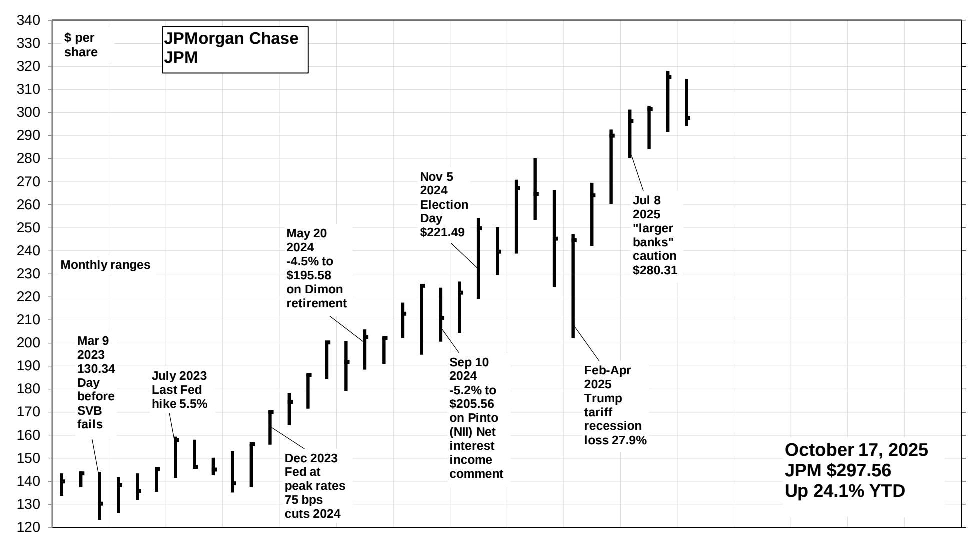

Hard week to characterize if you are among those who have to actually write out what happened in print for AI to scrape and recycle. Bond market rallied through 4.0% maybe technical, maybe on Philly Fed second thought weakness (dropped 36 points to -12.8 in October), and Miran ringing the bell (that's not going to stop) for faster Fed rate cuts to neutral, which will be the interest the bank pays on your savings account soon enough. There was a credit quality scare as well on Thursday from bank loans where the KRE Regional Bank ETF fell 6.2%. What happened to last Friday's Trump tariff threat against China is what investors want to know. Markets will finally get some real data in the form of September CPI on Friday, October 24. Somehow Thursday, Bessent sent out the FY 2025 budget deficit $1.775 trillion versus $1.816 trillion in FY 2024. 10-yr yield closed Friday at 4.01%. Stay tuned.

## JPMorgan Chase (JPM) up 24.1% YTD; Credit event warning

There was no mention of credit concern "cockroaches" in the Q325 Earnings Press Release, but in the press conference, responding to the Tricolor losses, on whether this was a credit event, Dimon said "when you see one cockroach, there are probably more." Not a bad dividend of $1.50 which off of the Friday $297.56 close is 2.0%. Good enough, although the current CEO will not be there forever unlike the rest of us, an issue that won't go away.

**JPM results (billions)**

| Quarter | Net Income | Provision for Credit Losses | Stock price Qtr end |
|---|---|---|---|
| 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 |
| 6.30.2024 | 18.149 | 3.052 | 202.26 |
| 3.31.2024 | 13.419 | 1.884 | 182.35 |
| 12.31.2023 | 9.307 | 2.762 | 170.10 |
| 9.30.2023 | 13.151 | 1.384 | 145.02 |



# FEDERAL RESERVE POLICY

The Fed meets October 28-29, 2025 to consider its monetary policy. Powell spoke Tuesday and his comments were perhaps drowned out by headlines on Trump tariff threats on/off with China. The market has already discounted 25 bps rate cuts in October and in December. Still the first question he was asked during Q&A puts some color on why they are loosening their restrictive policy. Inflation is above target and the labor markets were solid, but increasing downside risks to the employment market means the Fed can cautiously move interest rates down to neutral, which is 3.0% according to their recent forecasts, an interest rate that savers with money in the bank are not going to applaud. Washington's immigration policy is making the labor market data hard to make sense of (certainly weekly jobless claims are not signaling rapid, recession-like deterioration), but Powell said the data they got after the July 29-30 meeting showed a sharp downward adjustment in jobs back to May (73K July, 14K June, 19K May), so they take this as labor market softening. Payroll jobs are still softening in the September 5 report (22K Aug, 79K July, -13K June, 19K May), so they can move rates down gradually to 3%. Stay tuned.

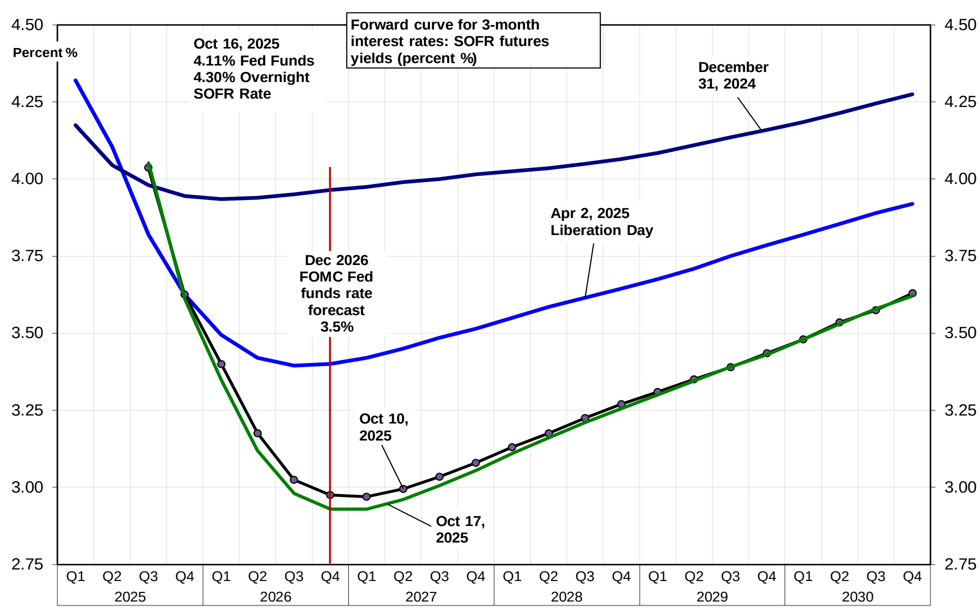
**Selected Fed assets and liabilities**

| Fed H.4.1 statistical release<br>billions, Wednesday data | 15-Oct | 8-Oct | 1-Oct | 24-Sep | 3/11/20* | Change from 3/11/20 to Oct 15 |
|---|---|---|---|---|---|---|
| **Factors adding reserves** | | | | | | |
| U.S. Treasury securities | 4196.270 | 4196.659 | 4196.385 | 4201.212 | 2523.031 | 1673.239 |
| Federal agency debt securities | 2.347 | 2.347 | 2.347 | 2.347 | 2.347 | 0.000 |
| Mortgage-backed securities (MBS) | 2085.996 | 2085.983 | 2085.983 | 2099.215 | 1371.846 | 714.150 |
| Repurchase agreements | 6.751 | 2.098 | 0.000 | 0.001 | 242.375 | -235.624 |
| Primary credit (Discount Window) | 6.018 | 6.243 | 7.170 | 7.821 | 0.011 | 6.007 |
| 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 | 0.074 | 0.075 | 0.075 | 0.611 | | |
| Main Street Lending Program | 3.976 | 4.166 | 4.160 | 4.155 | | |
| 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 | 0.030 | 0.045 | 0.040 | 0.052 | 0.058 | -0.028 |
| **Federal Reserve Total Assets** | 6647.2 | 6641.7 | 6637.4 | 6659.2 | 4360.0 | 2287.223 |
| ~~3-month Libor %~~ SOFR % | 4.29 | 4.12 | 4.20 | 4.13 | 1.15 | 3.140 |
| **Factors draining reserves** | | | | | | |
| Currency in circulation | 2419.358 | 2416.556 | 2412.488 | 2410.199 | 1818.957 | 600.401 |
| Term Deposit Facility | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| U.S. Treasury Account at Fed | 851.952 | 794.054 | 819.378 | 757.970 | 372.337 | 479.615 |
| Treasury credit facilities contribution | 2.029 | 2.029 | 2.029 | 2.029 | | |
| Reverse repurchases w/others | 5.484 | 5.231 | 10.179 | 29.172 | 1.325 | 4.159 |
| **Federal Reserve Liabilities** | 3659.047 | 3607.814 | 3657.806 | 3659.500 | 2580.036 | 1079.011 |
| **Reserve Balances (Net Liquidity)** | 2988.202 | 3033.855 | 2979.594 | 2999.692 | 1779.990 | 1208.212 |
| Treasuries within 15 days | 36.104 | 33.916 | 41.628 | 57.036 | 21.427 | 14.677 |
| Treasuries 16 to 90 days | 182.578 | 187.121 | 158.247 | 158.888 | 221.961 | -39.383 |
| Treasuries 91 days to 1 year | 470.144 | 467.883 | 489.002 | 459.386 | 378.403 | 91.741 |
| Treasuries over 1-yr to 5 years | 1413.223 | 1414.768 | 1414.656 | 1437.322 | 915.101 | 498.122 |
| Treasuries over 5-yrs to 10 years | 506.755 | 506.004 | 505.977 | 502.476 | 327.906 | 178.849 |
| Treasuries over 10-years | 1587.466 | 1586.967 | 1586.877 | 1586.104 | 658.232 | 929.234 |
| Note: QT starts June 1, 2022 | Change | 10/15/2025 | 6/1/2022 | | | |
| U.S. Treasury securities | -1574.509 | 4196.270 | 5770.779 | | | |
| Mortgage-backed securities (MBS) | -621.450 | 2085.996 | 2707.446 | | | |

**March 11, 2020 start of coronavirus lockdown of country

| Fed Policy-key variables | 2025 | 2026 | 2027 | 2028 | Long Term |
|---|---|---|---|---|---|
| Fed funds | 3.6 | 3.4 | 3.1 | 3.1 | 3.0 |
| PCE inflation | 3.0 | 2.6 | 2.1 | 2.0 | 2.0 |
| Core inflation | 3.1 | 2.6 | 2.1 | 2.0 | |
| Unemployed | 4.5 | 4.4 | 4.3 | 4.2 | 4.2 |
| GDP | 1.6 | 1.8 | 1.9 | 1.8 | 1.8 |

September 2025 median Fed forecasts




25 bps rate cuts ahead? All but 2.5 bps is discounted for October 29. A 25 bps cut is discounted for December 10.

| **Fed funds futures call Fed policy** | | |
|---|---|---|
| Current target: October 17 -- 4.25% | | |
| Rate+0.17 | Contract | Fed decision dates |
| 4.025 | Nov 2025 | Oct 29* |
| 3.745 | Jan 2026 | Adds Dec 10* |

*Not strictly true, Nov 2025 and Jan 2026 contracts could be two days at a new rate

**Next up: September CPI inflation report Friday, October 24 at 830am ET**

| Monthly % Changes | 2025 Aug | Jul | Jun | May | Apr | Mar | Feb | 2025 Jan | 2024 Dec | Nov | Oct | Sep | Aug | Jul | 2024 Jun |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Core CPI inflation | 0.3 | 0.3 | 0.2 | 0.1 | 0.2 | 0.1 | 0.2 | 0.4 | 0.2 | 0.3 | 0.3 | 0.3 | 0.3 | 0.2 | 0.1 |
| Core PCE inflation | 0.2 | 0.2 | 0.3 | 0.2 | 0.2 | 0.1 | 0.4 | 0.3 | 0.2 | 0.1 | 0.3 | 0.3 | 0.2 | 0.2 | 0.2 |
| Core PCE YOY | 2.9 | 2.9 | 2.8 | 2.8 | 2.6 | 2.7 | 3.0 | 2.8 | 3.0 | 3.0 | 3.0 | 2.8 | 2.9 | 2.8 | 2.8 |
| Core CPI YOY | 3.1 | 3.1 | 2.9 | 2.8 | 2.8 | 2.8 | 3.1 | 3.3 | 3.2 | 3.3 | 3.3 | 3.3 | 3.2 | 3.2 | 3.3 |

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