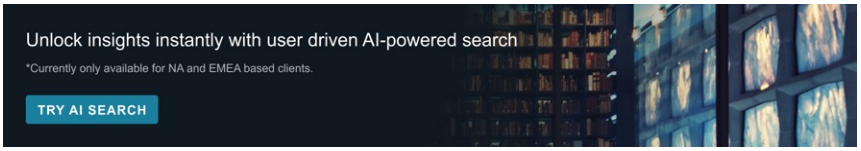
US Weekly Prospects



Economic and Policy Research

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Contents

United States	2
US Focus: the portfolio management deflator	4
US: You can't spell depreciation without AI	5
Global Data Watch: Can we get serious now?	7
US Indicator forecasts	10
J.P. Morgan US forecast	17
US economic calendar	18

See page 19 for analyst certification and important disclosures.

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United States

- **After a firm CPI report, we expect the Fed to hike 25bp in both September and December**
- **The revised dot plot should show two hikes for this year and the longer-run dot lifted to 3.25%**
- **Energy prices and Treasury yields continued to rise**
- **Next week: FOMC hike; strong August retail sales**

The week that was saw rising bond yields and energy prices, additional tit-for-tat trade restrictions between the US and Canada, and a firm enough set of inflation readings to make a rate hike at next week's FOMC meeting more likely than not. We now expect the Fed to hike twice this year, in September and December. Whether these actions represent a limited recalibration or mark the start of a more sustained hiking cycle will depend on incoming data over the next several months. We anticipate the former scenario but see risks for the latter, most likely if the economy were to start showing signs of overheating demand.

Last week, FOMC members Williams and Waller made a case for patience and for holding policy unchanged if inflation continued to gradually decelerate in the August reports. In the event, CPI came in above expectations, and along with the PPI report we are now tracking a 0.25% m/m rise in the core PCE price index for last month. If realized, this would leave the over-year-ago pace at or above 3.3% for the fifth straight month. Given Chair Warsh's strongly-worded remarks at Jackson Hole that the Fed's "predomininant focus right now" should be on restraining elevated inflation, we look for the FOMC to broadly back the decision to hike (with no dovish dissents)—although it could be a closer call than markets are pricing. At this stage, failing to back up words with action could put the credibility of the institution at risk.

Table 1: Expected median SEP projections for September

	2026	2027	2028	2029	Longer-run
Change in Real GDP	2.2%	2.2%	2.2%	2.1%	2.0%
June projection	2.2%	2.3%	2.2%	--	2.0%
Unemployment rate	4.1%	4.2%	4.2%	4.2%	4.2%
June projection	4.3%	4.3%	4.2%	--	4.2%
Core PCE inflation	3.5%	2.6%	2.1%	2.0%	2.0%
June projection	3.3%	2.5%	2.1%	--	2.0%
Federal funds rate	4.1%	3.9%	3.6%	3.4%	3.3%
June projection	3.8%	3.6%	3.4%	--	3.1%

Source: Federal Reserve, J.P. Morgan

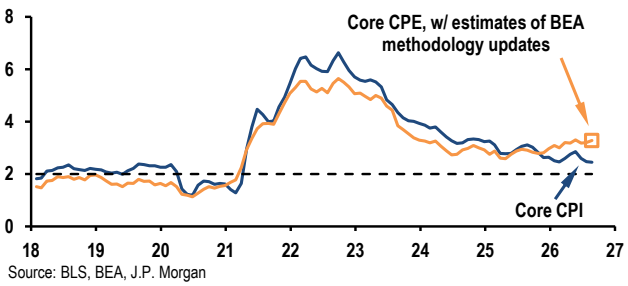
Assuming once again that Chair Warsh eschews any meaningful forward guidance during his press conference, and that the statement language sees no material changes, markets will look to the updated dot plot to infer the likely path for policy. We anticipate the median dot will skew toward a 4.00 to 4.25% range for the year-end target, which implies one more hike in 2026 after next week's expected move (Table 1). We then look for the median dot to be 25bp lower each year from 2027 through 2029, gradually declining toward an upwardly-revised median longer-run dot at 3.25%. The updated economic projections are likely to show slightly higher inflation and lower unemployment for the next year or two.

Outside of Wednesday's FOMC decision, we will receive a range of August activity reports in the week ahead, headlined by retail sales, as well as early September business surveys. Our Chase card data suggests retail sales will be hot: we forecast a 0.9%m/m overall increase, with a 0.8% rise in the key control category, which could translate to a strong 0.5% rise in real consumption during the month. Amazon's decision to move their Prime Day sale to from July to June this year has created some unusual swings in the summer sales pattern, but looking past that the underlying trend is strong. Indeed, our monthly forecast poses clear upside risk to our quarterly consumption forecast. That forecast is for 2.75%, but if August is realized then risks tilt toward over 3%.

Hot-enough CPI

One takeaway from the August CPI is that the split-screen view of inflation from the CPI and the PCE metrics continues. While we think the core PCE will come in at 0.25%m/m, less than the 0.29% rise in the core CPI, the over-year-ago rates should continue to show PCE well in excess of CPI (Figure 1). For CPI, the 12-month change is at 2.4%, the lowest this cycle, and close to a level usually associated with the PCE hitting the Fed's 2% target. But core PCE should print 3.3%oya even after accounting for the BEA's upcoming methodology revisions, which lower the over-year-ago rate relative to what it would otherwise be by close to 0.2%-pts. (Note that the forecast tables in this publication do not reflect the BEA's methodology revisions in the historical data.)

Figure 1: Core CPI vs. core PCE



Source: BLS, BEA, J.P. Morgan

Looking ahead, we forecast that the 12-month change in core CPI will continue to run near 2.5%, with the core PCE likewise running above 3%. Over time the PCE should converge toward CPI, though we still think it will remain slightly above in 2027.

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In the details of the report, a few points stand out. Core goods inflation has picked up again, with the three-month rate back up to 0.9% from a recent June low of -0.7%. This pace is not as firm as last year's peaks, however. We had previously warned of downside risks to our inflation forecasts if goods returned to deflation. But price increases have resumed, even as drug prices continue their steady decline and the tariff shock moderates. One area of firmness is computers, unsurprising given the jump in memory costs, with a record two-month change in July-August.

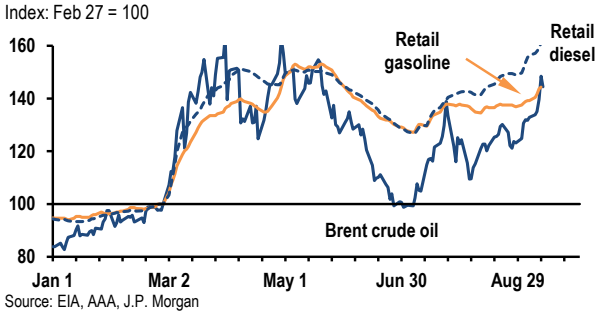
Services inflation was moderate, excluding an unusual spike in wireless phone service prices that may reverse by the next report. Over the last 12 months services prices have risen 3.0%, near cycle lows. Shelter is a big part of this deceleration, as both rent and OER have been soft, and medical care is showing some signs of slowing.

Time for the daily energy price chart

The US economy has managed to muddle through the energy price shock this year, but higher prices are again becoming a challenge. Crude oil prices have risen around $25/bbl since early August, including a $10 gain just in the last week. This comes after increased geopolitical tensions, including reports of Iran firing ballistic missiles at US warships and the Houthis attacking Saudi Arabia's East-West oil pipeline, which Saudi Arabia has now closed.

Refined product prices are climbing along with crude, especially diesel (Figure 2). Retail diesel prices hit $6.06/gallon, now about 35 cents above the springtime peak. That rise has been translating into higher transportation prices, with the PPI for transportation and warehousing rising 13%oya through August. Retail gasoline prices remain below their May peak, but rose about 15 cents in the last week, to $4.30/gallon.

Figure 2: Energy prices in 2026



Source: EIA, AAA, J.P. Morgan

Trade war flares across the 49th parallel

The trade war between the US and Canada took another step toward a deeper conflict as Canada implemented previously-announced tariffs of 15-50% on around $20bn in imports from the US. President Trump responded with an outright ban, effective at the end of the month, on some goods already subject to the 50% tariffs under Section 338 that the administration had put into place in late August.

News reports suggest discussions may have resumed after Canada withdrew from talks last month, but the prospects for a significant climb down, particularly ahead of the midterm elections, are uncertain. These latest tariffs were cited in the preliminary September UMich report as weighing on sentiment. Nonetheless, additional tariff increases on Canadian auto exports remain in train for the start of next year. As the total amount of trade subject to these latest tariffs is not large, their impact on inflation or growth should be minimal. But the direction of travel has been discouraging for firms with cross-border production and/or sales.

Fresh headwinds for housing

Few sectors are likely to feel the effects of higher interest rates more acutely than housing, which is typically among the most interest-rate-sensitive segments of the economy. That sensitivity is particularly concerning given that housing activity has already softened materially this year. Existing home sales fell for a third consecutive month in August to their slowest pace in more than a year. Mortgage rates, which averaged 6.7% in August, have climbed further to around 6.8% so far in September as 10-year yields have risen. Against this backdrop, next week's slate of housing data is unlikely to show meaningful improvement. After a weak first half of the year for private residential investment, we continue to expect sluggish activity in the sector through year-end.

One surprising development in the August existing home sales report was a pickup in inventory growth. The number of homes available for sale rose 5.9%oya, the fastest increase in six months, pushing months' supply to 4.9, its highest level in more than a decade. That increase is somewhat unexpected given that higher mortgage rates would normally be expected to keep potential sellers on the sidelines. In the event, the combination of soft demand and improving supply should continue to cool home price appreciation. Median existing home prices rose 1.6%oya in August, down from 2.0% in July. Despite some moderation in price growth, our seasonal adjustment suggests the NAR's affordability index deteriorated for a third consecutive month in August.

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US Focus: the portfolio management deflator

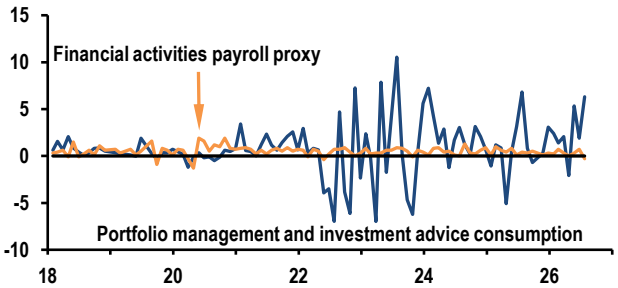
Later this month, the BEA will revise the PCE deflator methodology for portfolio management and investment advice, software and accessories, and legal services. As of July, we expect this will reduce the over-year-ago rate on the core PCE deflator by about 20bp. Here we discuss one narrow issue: how to forecast the one-month-ahead portfolio management deflator each month. The existing input, the PPI, should remain a good predictor even after the methodology change. This discussion is based on what we know of the methodology update today, and it is possible the BEA will release more details in the future that will allow us to improve on this approach.

Currently the portfolio management and investment advice deflator is calculated from the PPIs for those two concepts. Under the revised methodology, our understanding is that the deflator will be calculated as the ratio between independently derived nominal and real consumption. Real consumption appears as if it will be come from CES hours worked, with the most recent month possibly extrapolated using the total Financial Activities industry, since more detailed sub-industries are not yet available.

Nominal consumption should continue to follow the existing approach. This uses the Quarterly Services Survey as it becomes available, but for the current month alternative inputs must be used. The BEA handbook of methods mentions "CES data on employment, hours, and earnings." Were this to be the sole input to nominal consumption, and hours worked the sole input for real consumption, then the deflator should be mechanically equal to average hourly earnings. However, we see very little correlation between the first print of portfolio management consumption and the first print of the Financial Activities payroll proxy — the product of employment, weekly hours, and hourly earnings (Figure 1).

Figure 1: Nominal portfolio management consumption vs. payrolls

%m/m, sa. Each series is the first print



Source: BEA, BLS, J.P. Morgan

The BEA has noted to us that they've historically only used the payroll proxy as a starting point, evaluating "broad market indicators" to help set the first estimate of nominal portfolio management consumption. Since investment management firms tend to derive fee income proportional to assets under management (AUM), it makes sense that the market indicators the BEA uses would include broad asset price indexes.

To test this, we regress historical first prints of nominal portfolio management consumption against historical first prints of the CES payroll proxy, various market measures, and first prints of PPI series that are currently being used to calculate the deflator. We include the PPIs, for portfolio management and investment advice, because they also measure market returns. We consider data only since 2022, as, per Figure 1, the volatility of the consumption data appears to have changed around that time.

Regression results show that both the S&P 500 index and the PPIs are useful measures for predicting the first print change in nominal portfolio management consumption (Table 1). For the S&P 500, the prior month is more important than the current month, which makes sense since current month fees may be calculated as a function of the prior month's AUM. We find that using the end-of-month S&P 500 works better than the monthly average (not shown). We also try adding non-US equity exposure via the MSCI ACWI ex US index, and bond exposure via the JPM JULI total return index, though neither measure adds explanatory power. Portfolio flows data could also plausibly be important, though we don't test that here.

Table 1: Models to predict nominal portfolio management consumption

	(1)	(2)	(3)	(4)	(5)
(Intercept)	0.00	0.00	0.00	0.00	0.01
Finance payroll proxy (t)	-0.55	-0.51	-0.63	0.42	-0.22
S&P 500 EOP (t)	0.19*	0.14	0.28*		
S&P 500 EOP (t-1)	0.59***	0.54***	0.53***		
MSCI (t)		0.07			
MSCI (t-1)		0.05			
JULI total return (t)			-0.20		
JULI total return (t-1)			0.23		
PPI NSA (t)				1.16***	
PPI NSA (t-1)				-0.16	
PPI SA (t)					1.07***
PPI SA (t-1)					-0.07
R2 Adj.	**0.47**	**0.45**	**0.46**	**0.73**	**0.51**

Source: BEA, BLS, S&P Global, MSCI, J.P. Morgan. All variables are in percent change. PPI = 0.8*portfolio management + 0.2*investment advice, w/ weights chosen per Kornfeld (2021)

The model with the highest R2, however, is the not seasonally adjusted PPI. Consequently, we expect to continue to use this as a key input when forecasting the monthly PCE deflator.

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US: You can't spell depreciation without AI

- Higher aggregate depreciation has opened up a gap between gross and net domestic product (GDP and NDP).
- But the higher depreciation of AI-related capex also implies a larger contribution to productivity growth.
- We estimate that data center capex could be contributing over 0.5%-point per year to productivity growth.

The surge in AI-related capex has been the distinguishing economic feature of our times. One of the noteworthy aspects of this capex is its very high depreciation rate, even relative to other tech capex. This fact hasn't been lost on the investing community, but it also has important implications for the economic outlook. As an increasing share of output goes to replacing worn out or obsolete equipment, gross output will overshoot net output, the latter being closer to a measure of economic welfare.

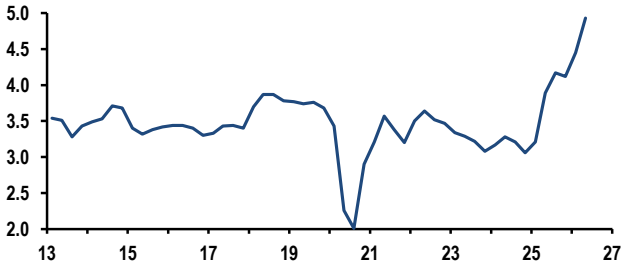
This might suggest that the impact of AI capex on the economy is overstated, but this would ignore another angle of the very high depreciation rates associated with this capex. A high depreciation rate increases the cost of using capital. In a competitive equilibrium, firms would only bear this cost if they thought the equipment was especially productive. As we will discuss later, this reasoning helps in estimating the contribution to productivity from a larger capital stock. We then show that ongoing hyperscalar capex could add about 0.5% to labor productivity growth in the coming year or two.

Running to stand still?

Economic depreciation is the decline in the value of a capital asset as it ages, and this can be because of obsolescence as well as wear and tear. In some circumstances, the difference between obsolescence and physical decay matters; in others, such as user cost of capital calculations, the difference isn't as relevant. In the national accounts, depreciation is referred to as the consumption of fixed capital. High-tech equipment is estimated to have higher depreciation rates due to faster obsolescence.

As the debate spurred by investor Michael Burry highlighted, the depreciation rate for data centers and other hyperscalar capex is subject to uncertainty. The depreciation schedules used in the national accounts don't have enough detail to enter that debate. But even with their somewhat dated estimates, the official estimates of the consumption of fixed capital have borne a notable imprint from the recent surge in high-tech capex (Figure 1).

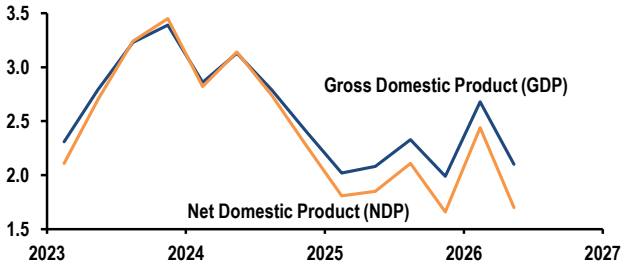
Figure 1: Real consumption of fixed capital
%ch., saar



Source: BEA, J.P. Morgan

Net domestic product (NDP) is gross domestic product less consumption of fixed capital. If an economy grows output only so that it can replace worn out equipment, it's not really getting ahead. This is why NDP is often thought to be closer to a measure of welfare. Over the past year, real NDP has grown 1.7%, 40bp below GDP (Figure 2). On average in the post-war period NGP growth has run 10bp below GDP. This might imply that the AI lift to the economy is less than advertised, but this would miss another aspect to high depreciation rates.

Figure 2: Real domestic product
%ch., over year-ago



Source: BEA, J.P. Morgan

Expensive for a reason

The high depreciation rate of AI-related capex is an indication that firms investing in this asset class are paying more to use it, presumably in the expectation of a payoff. Classical growth accounting can give a sense of how much this should boost GDP growth, via higher labor productivity. In the simplest terms, output is a function of two inputs: labor and capital. Output per hour, or productivity, can increase because labor becomes more skilled, or because it is given more or better capital to work with. There's a third source of productivity growth: everything else, or total factor productivity, which has been called a "measure of our ignorance."

We will focus on the second of these: productivity growth due to more or better capital inputs. This is sometimes also referred to as the growth contribution from capital deepening. What is the relevant measure of the aggregate capital input?

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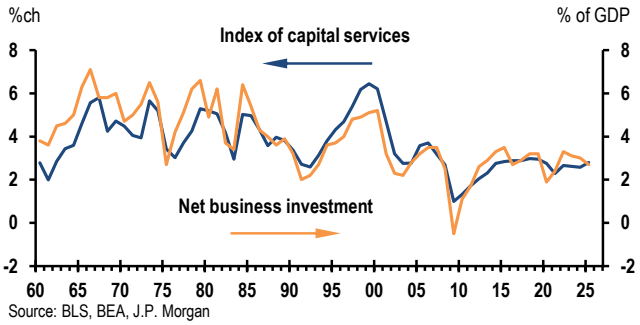
One might be tempted to simply add up the value of the economy's various assets. So, for example, if that consisted of a $1 million warehouse and $1 million of GPUs, then a wealth measure of capital would be $2 million. However, since this capital isn't used up in the production process, what we want is the flow of capital services into the production process.

For each asset type, the relevant flow of capital services is its marginal contribution to production. While we can't observe marginal productivity, basic economics predicts that firms will invest up to the point where the marginal product of capital equals the user cost of capital, or its rental rate. Since most capital is owned rather than rented, we must estimate the implicit one-year cost of using a capital asset.

Part of this user cost will be the financial opportunity cost of locking funds up in physical capital rather than earning interest on those funds. Another part—and the one that is most relevant to the discussion—is the depreciation of the capital asset that lowers its resale value at the end of the year. (For now, we ignore the tax and expected inflation terms that also enter a user cost calculation.) A higher depreciation rate means a higher user cost of capital. This equates to a higher marginal product of that capital, giving the asset a greater weight in the aggregate index of capital services.

This is why, for example, the growth of capital services was the strongest in the 90s (Figure 3). Even though that wasn't the decade with the strongest net investment spending (that was the 1960s), it was heavily weighted toward high-tech capex, which has higher depreciation and hence a higher user cost of capital, implying faster growth in capital services.

Figure 3: Capital services and business investment



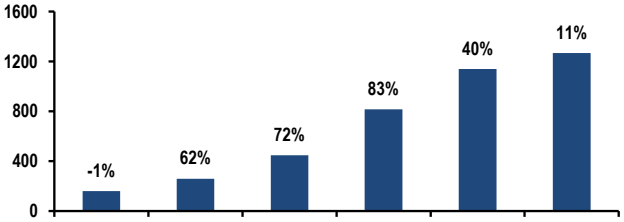
Source: BLS, BEA, J.P. Morgan

Under certain conditions, the contribution of capital services growth to the supply side of GDP growth is the product of capital's share of income and the growth of the index of capital services. (With several capital types, we assume each one enters the production function in a homothetically separable manner).

To get a *rough* sense of how much future hyperscalar capex in data centers will contribute to GDP growth via capital deepening, we first start with their announced capital spending plans (Figure 4). We assume 75% of this spending is on data centers. We also assume this has a blended depreciation rate of 30%. With this depreciation rate, we can use a perpetual inventory equation to estimate the level and growth of the data center capital stock. Our final piece of the puzzle is the data center user cost of capital, which we assume at 35%.

Figure 4: Hyperscaler capex, actual and consenus forecast

$bn, bars labeled with percent growth



Source: Bloomberg Finance LP, J.P. Morgan. Includes AMZN, GOOG, META, MSFT, and ORCL

This implies that the boost to the aggregate index of capital services this year and next should be around 1.5% points/year, before moderating somewhat in 2028. Referring to figure 3, if realized, this would be a notable acceleration.

The product of this growth in the aggregate index of capital services and the capital share of income implies a boost to GDP of almost 0.6%-point this year and next, before moderating in 2028. To reiterate, this is the expected *supply-side* boost to GDP via higher productivity growth, not the demand-side, C+I+G+NX, view of GDP.

A complementary approach to estimating AI's productivity effect is to essentially tabulate tasks the can be automated by AI. Our approach differs in that it relies on markets to estimate the value of AI, rather than economists' task classification schemes. Reassuringly, among prominent task-based estimates, our approach lies between Acemoglu's pessimistic 0.1% annual boost estimate and Aghion and Brunel's more optimistic 1.1% estimate.

Of course there are several caveats to our analysis. All of our parameter choices are subject to debate. Data center capex could spill over into total factor productivity, for example in economies with generalized increasing returns to scale. Data center capex could crowd out other forms of capital deepening, diminishing the overall boost. There may be implementation lags due to learning etc. Given these and other uncertainties, we view our estimate as a rough take.

Global Data Watch: Can we get serious now?

- **Broad DM hiking cycle takes hold because of sticky inflation ...**
- **… fading growth fears, and signs that output gaps are rising**
- **Taylor rule guides 100bp higher; oil, financial stress are main risks**
- **Next week: US RS and China IP up; Fed, BoJ up; BoE holds; BCB eases**

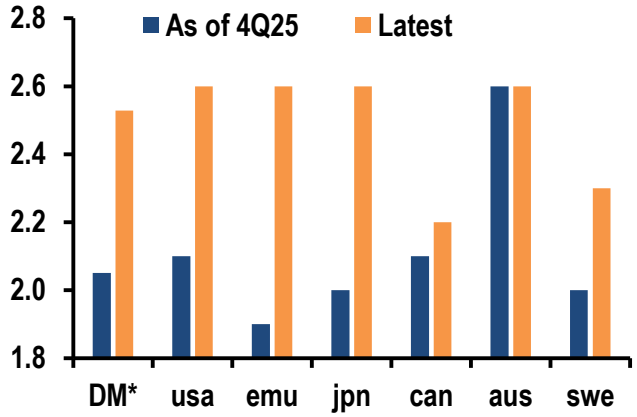
Policy tightening was delivered by the RBA, BoJ, and ECB earlier this year, but we view the September meetings as marking the start of a broad DM hiking cycle. We expect this week's ECB hike to be followed by moves from the Fed, BoJ, and RBA by month's end. Eight of the nine DM central banks we track are projected to hike by year-end—the BoC is the lonesome dove—with the three largest each hiking twice. As the debate turns to the magnitude of the cycle ahead, the pressures now pushing central banks to raise rates are not uniform but overall remain underappreciated.

Fed officials have pointed to the importance of short-term inflation dynamics, and this week's firm US core CPI reading likely lays the ground for a hike next week. However, we have consistently argued that short-term core inflation movements are often misleading. Noise lifted this week's US core CPI, just as the moderation we project in US (PCE) and Western European core inflation into year-end should largely reflect an unwinding of early-year service price pressures. Highly noisy news risks obscuring three fundamental macroeconomic forces warranting a material move higher in policy rates.

- **Gravity ain't what it used to be.** 2026 marks a third consecutive year in which immaculate disinflation has failed to materialize. Central bank forecast trajectories are now flattening to reflect greater inflation persistence, with the DM forecast up 0.5%-pt on average since the start of the year (Figure 1). This week, the ECB increased its 2027 core inflation forecast to 2.6%, up from 1.9% last December. Next week, we anticipate the FOMC will raise its 2027 core PCE forecast to 2.6%, up 0.5%-pt from the December SEP.
- **Less fear, less slack.** Linked to this inflation shift, DM GDP has risen at an above-potential pace this past year while absorbing a job stall and an energy price shock. The biggest impact of the growth resilience on central banks so far has been to calm downside risk concerns. But growth momentum is building this quarter, and fiscal easing is still in the pipeline in Germany and Japan. If our forecasts prove correct, the DM economy will have risen 0.7%-pt more than its potential pace over the six quarters through 2Q27, with labor markets

Figure 1: DM CB core inflation fcst, 2027

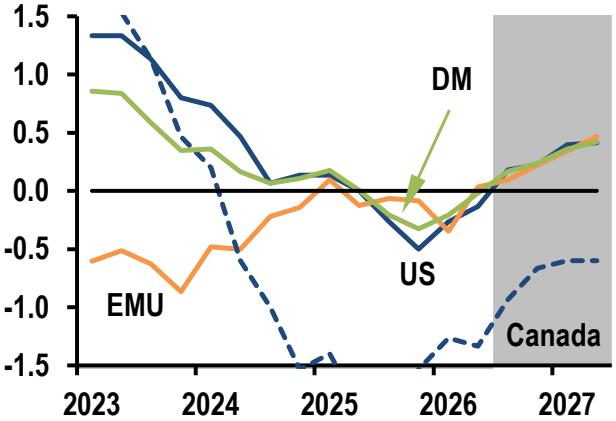
%; Fed latest is forecast of Sept. SEP



Source: FRB, ECB, BoJ, BoC, RBA, NB, JPM

Figure 2: DM output gap

% of potential; shaded region denotes f'cast thru 2Q27



Source: J.P. Morgan Global Economics

- shifting towards tightening. This will push our DM slack estimates into material positive territory (Figure 2).
- **R* gazing.** With bond yields moving higher this year, already depressed interest-sensitive spending is set to weaken further. But a robust business credit upturn and elevated asset prices are tilting central bank thinking about their stance. Even after incorporating expectations of an upward revision in the Fed SEP next week, DM central bank real neutral rate estimates generally stand about 100bp below the market pricing of real one-year interest five years forward.

A balanced Taylor rule provides a useful estimate of the magnitude of the macroeconomic pressures on central banks (Table 1). With the notable exception of Japan, Taylor rule estimates broadly aligned with DM stances as we turned into this year. But with this year's performance and our forecasts through mid-2027, the Taylor rule guides DM policy rates roughly 100bp higher.

Table 1: Policy rate estimates
%p.a., uses JPM forecasts

	4Q25		2Q27F			
	Actual	Taylor	Taylor	r*	Y gap	π gap
DM	**3.0**	**3.3**	**4.2**	**0.7**	**0.4**	**0.7**
US	3.8	3.8	5.0	1.3	0.4	0.8
Euro area	2.0	2.5	3.0	0.0	0.5	0.3
Japan	0.7	2.3	5.7	0.0	2.1	1.1
UK	3.8	4.2	3.5	1.0	-0.6	0.7
Sweden	1.8	0.6	2.4	0.0	-0.3	0.4
Canada	2.3	1.7	2.3	0.5	-0.6	0.3
Australia	3.6	4.2	4.3	0.5	0.0	0.9

Source: National sources, J.P. Morgan. Details on request.

Oil and financial stress are the main risks

This estimate is a useful but incomplete guide to assess central bank action. Beyond the obvious point that outcomes will differ from forecasts, a wide range of factors are likely to influence reaction functions. The Middle East conflict remains a wildcard. Maintaining crude oil prices at $100/bbl likely imparts a stagflationary impulse relative to our baseline that would be viewed as a hawkish surprise. Growth would likely remain solid through this drag, but inflation concerns will intensify. But a prolonged shortfall in energy supply elevates the tail risk of a disruptive shock. A sharp spike in energy prices is a likely path towards lower rates, even if its initial impact is to raise inflation.

The second consideration is financial stability. Taylor rule estimates do not have central banks aligning neutral rates with market pricing. This gap highlights the risk that policy rates will rise more substantially, but the risk that tightening generates stress is similarly elevated. There is ample precedent for policy shifts to induce a financial market event that short-circuits central bank adjustments, even when they don't precipitate recessions.

Finally, a balanced Taylor rule doesn't account for the potential for central banks to respond asymmetrically to shifting risks. If persistent elevated inflation produced a challenge to central bank credibility, policy rates would be raised aggressively. Shocks that generate recession risk could produce substantial easing, even if inflation is above target.

Counting votes at the FOMC and BoJ

The FOMC and BoJ are on track to hike next week. In both cases, we expect a follow-up hike in December, but do not anticipate clear guidance from the press conference. In each case, the composition of the vote matters. While not all FOMC members will likely endorse a hike next week, a consensus decision is expected, with no dissent. This signal of institutional cohesion will be helpful in bolstering independence and establishing the new Chair's leadership. For the BoJ, it is possible that the two new board members viewed as close to the administration dissent. If this is realized, it will signal that the BoJ's accelerated path is coming against continued political pressure.

UK growth up, BoE hike likely in November

We are looking for the Bank of England to stay on hold next week in a 6-3 vote, but there is now an outside risk they choose to hike. The latest increase in energy pressures flags a risk that the CPI peaks at over 4% early next year. Increased inflation pressures also combine with surprising growth momentum. Following a strong July GDP gain of 0.4%m/m this week, we have revised up 3Q growth from 0.8% to 2%. In addition to an AI boost, there are hints of a lift in housing and hiring. The BoE has been slow to respond to the inflation shock this year, and a surprise hike next week would risk adding to already-elevated market rate expectations. We remain confident in our call for a November hike, and see an increasing risk that the BoE will hike further next year.

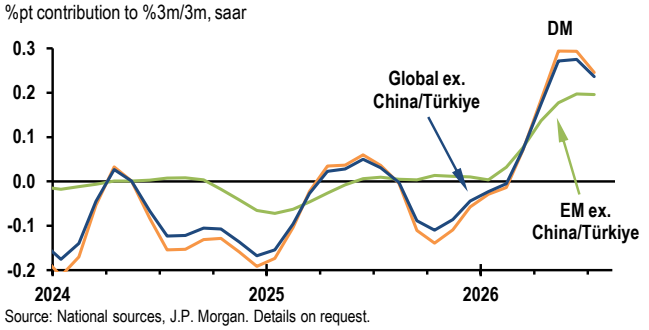
BoC: The lonesome dove

While markets are looking for the Bank of Canada to hike next month and 100bp cumulatively, we expect a stable policy stance. Core inflation remains at target, inflation expectations are anchored, and higher energy prices will crimp spending. Meanwhile, the intensifying US trade war will slow growth and risks structural damage that pulls down Canada's neutral rate. Governor Macklem's modest defense of the BoC's price stability mandate reinforced the risk of action if currency weakness boosts core inflation. But the hiking cycle currently priced in seems unlikely to be realized.

Goods price pressures on the rise

Incoming data are reinforcing our view that several factors are boosting goods price inflation. From an already 1.5%ar in 1H26, we project core goods to rise at a 2.5%ar in 2H26. Strong factory output gains are supporting pricing power broadly, while buoyant tech demand is now spilling into consumer prices. The swing in technology inflation has added roughly 0.2%-pt to global core inflation over the past year, with a further modest increase likely into early next year (Figure 3). The same dynamics are increasingly visible throughout global supply chains, with semiconductor export prices surging across Asia and stronger Chinese export prices pushing trading partner import prices higher.

Figure 3: Tech CPI contribution to core inflation



Source: National sources, J.P. Morgan. Details on request.

The renewed surge in oil and natural-gas prices is a new pressure point. While pass-through to core inflation has been limited so far, persistently higher energy prices raise the likelihood that these costs increasingly feed into consumer prices. While food inflation remains low for now, firmer agricultural commodity prices and weather-related disruptions, including El Niño effects and drought conditions in parts of Europe, point to building pressure into year-end. Taken together, these factors suggest the risks around our already-elevated goods inflation forecasts remain skewed to the upside.

China growth risks more balanced

Downside risks to China's growth outlook are moderating as external demand strengthens and the long-awaited fiscal catch-up starts to take hold. Stronger August PMIs have been followed by trade data surprising to the upside, led by AI-related exports and firmer production demand. At the same time, central-government bond issuance has accelerated sharply and deployment of the RMB800bn policy-bank facility has begun. The usual implementation lags remain, but robust external and building fiscal stimulus should temper domestic-demand weakness and leave intact a forecast that growth lifts back towards a 5%ar next quarter.

Asia's income boom broadens

The benefits of the AI boom are increasingly spilling beyond exports and corporate profits into household incomes and domestic demand. Korea's revised 2Q GDP data showed continued strength in nominal activity and household incomes, while employee compensation recorded its strongest annual increase since 1Q22. August labor-market data reinforced that message, with employment rising for a third consecutive month and gains increasingly concentrated in private services and professional occupations rather than just tech-related sectors. The result is a gradual broadening of income growth that should support consumption over time. Taiwan points to a similar dynamic. August exports and imports both surprised to the upside, confirming that the AI-driven capex cycle remains firmly intact. At the same time, inflation eased to 2.0%oya, giving the CBC room to remain on hold next week.

EMEA EM CBs tread carefully

Higher oil prices are creating inflation risks across EMEA EM, but weak domestic demand is limiting the policy response and CBs are responding cautiously. In Türkiye, the CBRT left rates unchanged at 37% and retained a clear easing bias, arguing that pass-through from supply shocks remains limited because underlying demand remains weak. We continue to expect 100bp cuts in October and December, taking the policy rate to 35% by year-end, though the medium-term outlook points to somewhat higher inflation and rates than previously expected.

South Africa's SARB is confronting a similar growth-inflation trade-off. Higher oil prices are likely to push inflation back toward 5%, but weak growth and a stronger-than-expected rand are reducing the urgency for tighter policy. We continue to expect one final 25bp hike, but now see November as more likely than September, giving policymakers more time to assess inflation expectations, Fed developments, and whether recent energy-price pressures prove persistent.

LatAm's fiscal squeeze intensifies

Elevated debt levels and significantly higher financing costs are narrowing LatAm governments' room to maneuver. Brazil provides the clearest example, where fiscal policy restraint is central to debt sustainability even as growth slows and monetary policy remains restrictive. Colombia faces a similar challenge as the new administration attempts fiscal repair while still confronting elevated financing needs. Mexico's 2027 budget highlights the broader regional tension. While authorities remain committed to gradually reducing the deficit, rising pension obligations, limited revenue growth, and the need to preserve public investment are narrowing fiscal space.

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J.P.Morgan

US Indicator forecasts

J.P. Morgan Research versus the consensus

Release date/ Indicator	J.P. Morgan forecast	Consensus median	Consensus range
Tue, Sep 15			
Empire State survey (Sep)	15.0	15.0	-9.0 to 25.0
Wed, Sep 16			
Retail sales (Aug)	0.9%	0.8%	0.1% to 1.1%
Ex auto	0.9%	0.5%	0.2% to 0.9%
Import prices (Aug)	0.6%	0.5%	-0.3% to 1.3%
NAHB survey (Sep)	34	34	33 to 36
Thu, Sep 17			
Initial claims (w/e Sep 12)	205k	209k	205k to 215k
Housing starts (Aug)	1270k	1315k	1200k to 1400k
Permits	1425k	1410k	1350k to 1430k
Philly Fed survey (Sep)	30.0	32.1	10.0 to 44.5
Pending home sales (Aug)	0.0%	0.4%	-3.0% to 1.0%
Fri, Sep 18			
Industrial production (Aug)	0.2%	0.3%	0.0% to 0.4%
Capacity utilization	76.4%	76.4%	76.2% to 76.6%

Source: J.P. Morgan, consensus forecasts reported by Bloomberg Finance L.P.

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Sources for all: ADP/Moody's Analytics, BEA, BLS, Census Bureau, Conference Board, Department of Labor, Federal Reserve Board, ISM, J.P. Morgan forecasts, NAHB, NAR, NFIB, NY Fed, Philadelphia Fed, S&P Global, Standard & Poor's, University of Michigan, US Treasury

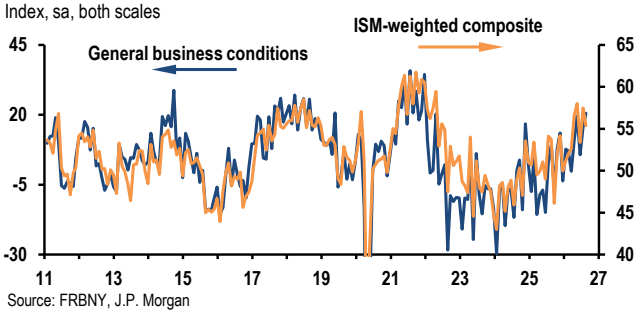
Tue Sep 15 8:30am — **Empire State manufacturing**
Diffusion indices, sa

	Jun	Jul	Aug	Sep
General bus. conditions	5.7	15.6	20.6	15.0
New orders	3.5	22.2	17.3	
Shipments	8.6	24.4	11.7	
Employment	9.6	11.4	9.3	
Delivery times	11.9	13.0	20.6	
Inventories	0.0	4.0	-5.2	
Prices paid	61.0	52.3	58.6	
Prices received	31.4	27.6	22.7	
Composite	53.4	57.5	55.4	

We look for the Empire State manufacturing survey to decline back to 15 in September from a cycle high of 20.6 in August. Weakness in orders, new business, and employment pushed the ISM-weighted composite down to 55.4 in August from 57.5 in July. While new orders fell to 17.3 from 22.2 in July, the series remained toward the upper end of its post-pandemic range last month. Shipments showed a similar pattern, falling to 11.7 from a cycle-high 24.4. That said, the large 10.5-point spike in unfilled orders could keep the index from posting a larger drop in activity and employment this month.

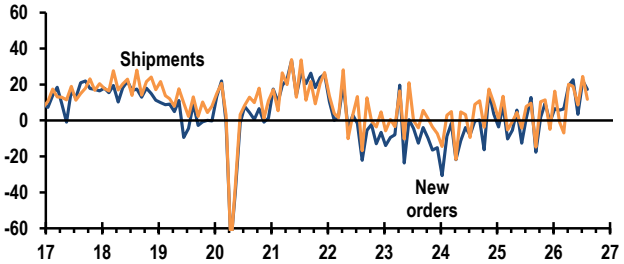
Delivery times rose from 13.0 to 20.6 in August, likely reflecting mounting supply-chain challenges. Consistent with that, the inventories index fell from 4.0 to -5.2, the lowest since last fall. Prices paid reversed some of their recent improvement, ticking up from 52.3 to 58.6, while prices received continued to moderate from 27.6 to 22.7. Still, a renewed upswing in global energy costs could lead to firmer prices in the coming months.

Empire State survey and ISM-weighted composite
Index, sa, both scales



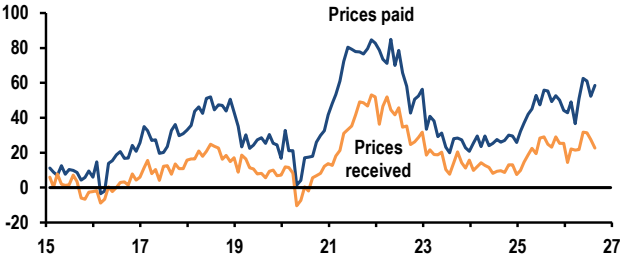
Source: FRBNY, J.P. Morgan

Empire State survey: new orders and shipments
Index, sa



Source: NY Fed, J.P. Morgan

Empire State survey prices paid and received
Index, sa



Source: FRBNY, J.P. Morgan

Wed Sep 16 8:30am — **Retail sales**
%m/m, sa

	May	Jun	Jul	Aug
Total	0.9	0.2	-0.6	0.9
Ex autos	0.9	-0.2	-0.3	0.9
Ex autos and gas	0.7	0.4	-0.2	0.7
Building materials	0.2	1.2	0.3	0.2
Vehicle dealers and parts	1.0	2.4	-1.8	0.9
Gasoline stations	2.8	-5.8	-0.9	2.5
Food services	1.3	0.4	0.5	0.7
Control group[1]	0.6	0.4	-0.4	0.8
Ex. autos and building mat.	1.0	-0.3	-0.3	1.0

1. Total ex. gasoline, automotive dealers, building materials, and food serv.

We expect total retail sales to rise 0.9%m/m in August after contracting 0.6% in July. While some of July's weakness reflected a shift in the timing of Amazon's Prime Day sales (moved earlier to June this year from the usual July schedule), consumer spending has also been buffeted by volatility in global energy prices as the Middle East conflict continues to evolve. The weak July print was not broad-based: eight of 13 categories increased on the month, indicating underlying resilience.

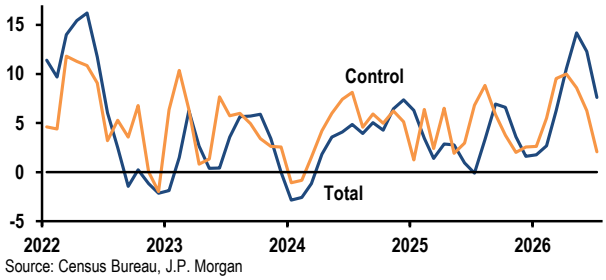
In August, retail gasoline prices rose by over 3%, which should lift overall sales alongside firmer readings in other categories. Vehicle sales also rose on the month, supported by higher-than-anticipated incentives by automakers as noted by our autos equity team. Food services are expected to remain resilient, growing 0.7% after a 0.5% rise in the last report, as

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informed by our Chase card data.[1]

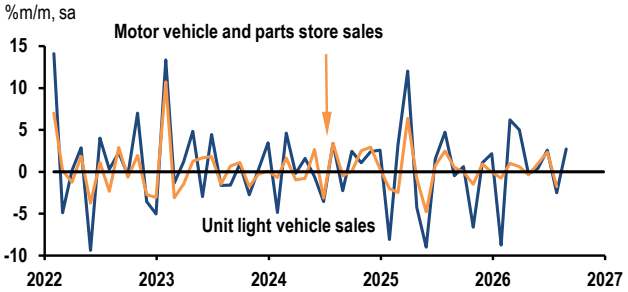
The control group (which excludes food services, autos, gas, and building material stores) is expected to rise 0.8% in August, also informed by our card data. While some of this strength likely reflects normalization after July's 0.4% drop, resilience in spending may be supported by decent income growth and rising asset prices, despite some drag from the runoff in tax-related support that boosted sales earlier this year.

Retail sales
%3m/3m, saar



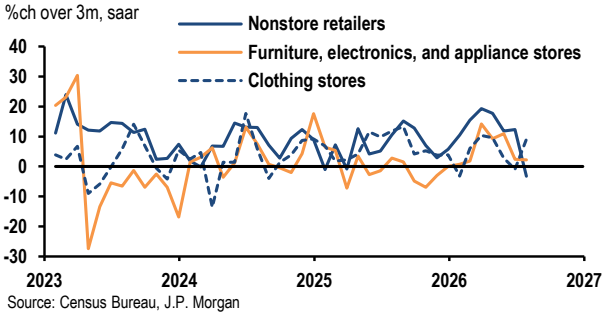
Source: Census Bureau, J.P. Morgan

Unit vehicle sales vs sales at motor vehicle and parts dealers
%m/m, sa



Source: BEA, Census Bureau, J.P. Morgan

Retail sales at nonstore retailers, furnishing, and clothing stores
%ch over 3m, saar



Source: Census Bureau, J.P. Morgan

Wed Sep 16 8:30am

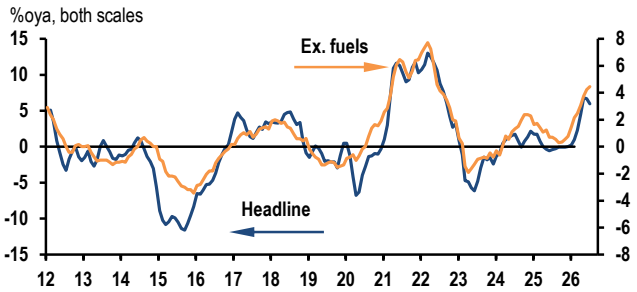
Import prices
%m/m, nsa, unless noted

	May	Jun	Jul	Aug
Import prices	1.7	-0.3	-0.4	0.6
%oya	6.8	6.7	5.9	6.7
Ex-fuel import prices	0.6	0.1	0.4	0.2
%oya	3.8	4.2	4.5	4.8

We expect total import prices to rise 0.6%m/m in August after a 0.4% decline in the prior month. This series continues to be buffeted by global energy prices. If realized, the over-year -ago pace would rise to 6.7%, close to the recent cycle-high 6.8% in May. Industrial supplies are likely to post a firm reading, boosted by higher prices across the energy complex. Petroleum prices are rising as Middle East tensions continue to add upward pressure. Fuel oil import prices have declined more than 20% cumulatively over the last two months; while some of that likely reflects normalization after an earlier conflict-driven surge, market prices have firmed again since early July, which could show up in the August report.

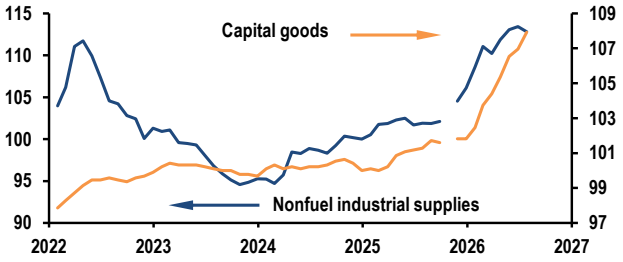
We project nonfuel import prices to rise 0.2%m/m, pushing the over-year -ago pace to another cycle high of 4.8%. Tech-related imports of capital goods remain the main source of upward pressure; the over-year -ago increase in capital goods prices jumped to 6.5%, the fastest pace since the late 1980s. Import prices for autos and parts rose 0.2% in July; excluding autos and parts, consumer goods prices were flat. Outside of tech, the recent strengthening in the US dollar could weigh on import prices in coming months.

Import prices: headline and ex. fuels
%oya, both scales



Source: BLS, J.P. Morgan

Import prices for nonfuel industrial supplies, capital goods
Index, nsa, both scales



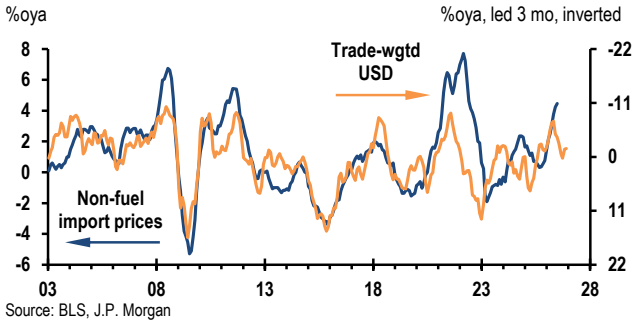
Source: BLS, J.P. Morgan

1. (Index File 2.0: Source: JPMorgan Chase Bank, NA, JPMC Index File 2.0, select Chase credit and debit card transaction data. See here for disclaimers and methodology.)

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J.P.Morgan

Trade-weighted US dollar and non-fuel import prices



Source: BLS, J.P. Morgan

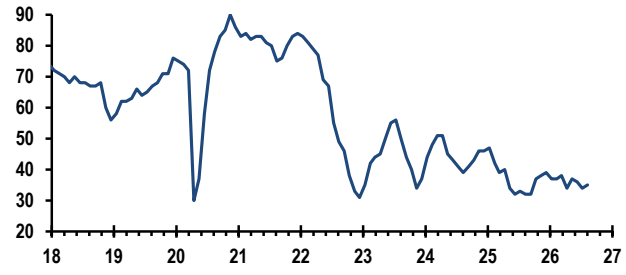
Wed Sep 16 10:00am — **Homebuilders survey**
Sa

	Jun	Jul	Aug	Sep
Housing market	36	34	35	34
Present sales	38	37	39	
Sales: next 6 months	45	43	43	
Prospective buyer traffic	25	23	23	

We look for the September NAHB housing market index to inch down to 34 from 35 in August. The series has moved in a narrow range for much of the year, with August's marginal improvement driven by a 2-point increase in the present sales component. The measures of expected sales over the next six months and prospective buyer traffic were unchanged last month.

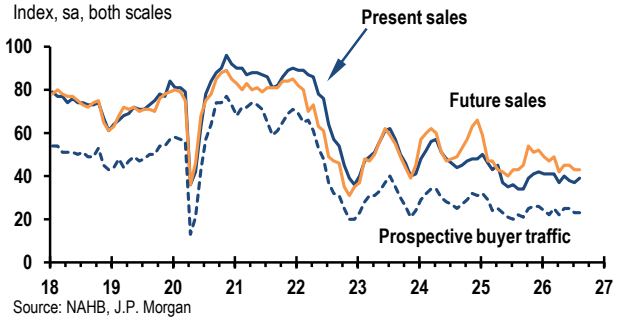
Builder sentiment is unlikely to improve materially in the coming months as borrowing costs remain elevated amid a broader repricing of US Treasuries. Price pressures are also likely to remain a headwind, as global energy prices have rebounded this month alongside a cycle-high 5.3%oya print on final-demand PPI for construction.

NAHB homebuilder survey
Index, sa



Source: NAHB, J.P. Morgan

NAHB survey subcomponents
Index, sa, both scales



Source: NAHB, J.P. Morgan

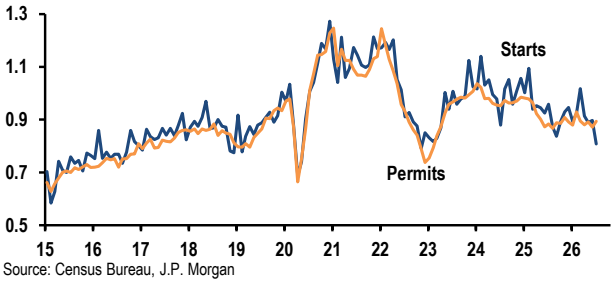
Thu Sep 17 8:30am — **Housing starts**
Million units, saar

	May	Jun	Jul	Aug
Starts	1.18	1.42	1.24	1.27
Single-family starts	0.89	0.90	0.81	0.85
Multifamily starts	0.29	0.52	0.43	0.42
Permits	1.41	1.37	1.43	1.43
Single-family permits	0.89	0.87	0.89	0.90
Multifamily permits	0.52	0.50	0.54	0.52

We look for total housing starts in August to rise 2.5%m/m to 1.270mn from 1.239mn in July, alongside a 0.5%m/m drop in overall permits. The gain in starts likely reflects a rebound in single-family activity after a 9.9% drop in July. Recent volatility in total starts has been driven by swings in multifamily units, which are now close to the level seen at the end of last year. Even so, single-family starts have been weak for much of the year, aside from a 10.0% spike in March.

The NAHB housing market index ticked up to 35 in August from 34 in July, driven by a 2-point gain in present sales, while prospective buyer traffic was unchanged. Against the backdrop of muted demand, higher borrowing costs, and elevated inventories, housing starts are unlikely to improve materially in coming months.

Single-family starts vs. permits
Mn units, saar



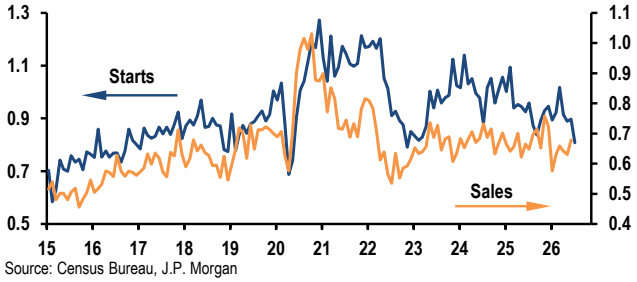
Source: Census Bureau, J.P. Morgan

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J.P.Morgan

Single-family starts vs sales

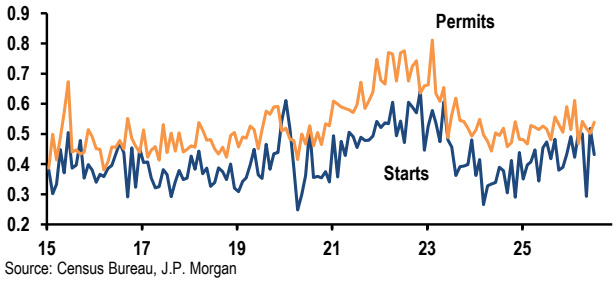
Mn units, saar, both scales



Source: Census Bureau, J.P. Morgan

Multifamily starts vs. permits

Mn units, saar



Source: Census Bureau, J.P. Morgan

Thu Sep 17 8:30am

Jobless claims

Thousands, sa

	New claims (wr.)		Continuing claims		Insured
	Wkly	4-wk avg	Wkly	4-wk avg	Jobless,%
Jul 4	217	219	1798	1809	1.2
Jul 11	209	215	1789	1804	1.2
Jul 18[1]	189	208	1777	1796	1.2
Jul 25	198	203	1799	1791	1.2
Aug 1	200	199	1781	1787	1.2
Aug 8	212	200	1796	1788	1.2
Aug 15[1]	207	204	1771	1787	1.2
Aug 22	204	206	1775	1781	1.2
Aug 29	207	208	1774	1779	1.2
Sep 5	206	206			
Sep 12[1]	205	206			

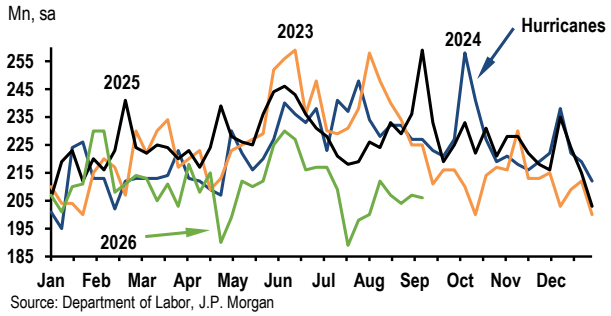
1. Payroll survey week

We look for initial jobless claims to tick down to 205k in the week ending September 12 from 206k in the prior week. Claims have run below year-ago levels since early 2Q, consistent with a healthy labor market. The latest reading was 2k below the corresponding survey week in August, pointing to ongoing payroll growth. We expect claims to remain subdued in the weeks ahead, as residual seasonality typically pushes claims lower into year-end.

Continuing claims were broadly stable in the last week of August, edging down to 1.774mn from 1.775mn in the prior week. This left the four-week average at 1.779mn, implying a 7.9%oya decline—still consistent with an unemployment rate near 4%.

Initial jobless claims, comparison by week to prior years (SA)

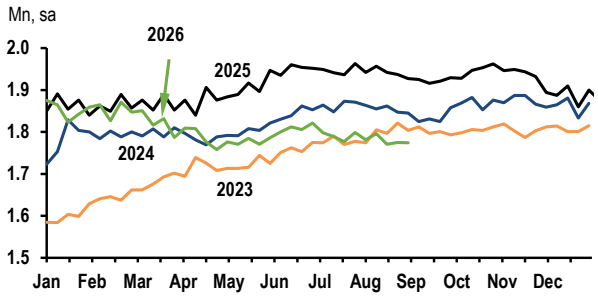
Mn, sa



Source: Department of Labor, J.P. Morgan

Continuing jobless claims, by week of the year (SA)

Mn, sa



Source: Department of Labor, J.P. Morgan

Thu Sep 17 8:30am

Philadelphia Fed manufacturing

Diffusion indices, sa

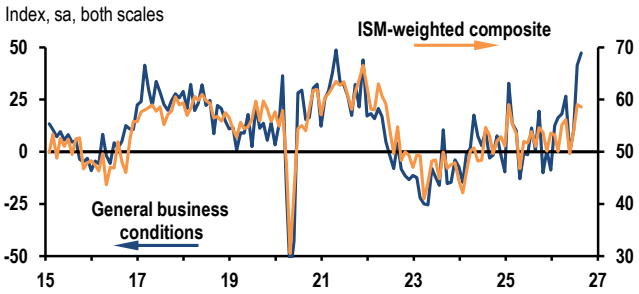
	Jun	Jul	Aug	Sep
General bus. conditions	10.3	41.4	47.4	30.0
New orders	27.3	37.0	30.1	
Shipments	14.9	33.7	27.7	
Employment	7.9	10.0	27.9	
Delivery times	-2.6	9.6	3.7	
Inventories	-8.5	0.3	-3.7	
Prices paid	53.2	53.9	40.9	
Prices received	20.3	27.4	17.7	
Composite	53.9	59.1	58.6	

We expect the September Philadelphia Fed manufacturing survey to decline to 30.0 from 47.4 in August, which was among its strongest historical readings. Despite the strong headline print, the ISM-weighted index ticked down from 59.1 to a still-elevated 58.6. New orders edged lower to 30.1 from a recent peak of 37.0 in July, while shipments fell to 27.7 from 33.7. After a string of declines since late last year, the employment index has risen in recent months, surging 17.9 points in the latest report.

As with the Empire survey, elevated readings in unfilled orders could signal a floor under any downward normalization in manufacturing activity. Price pressures have moderated from recent highs and are now close to levels seen earlier in the year.

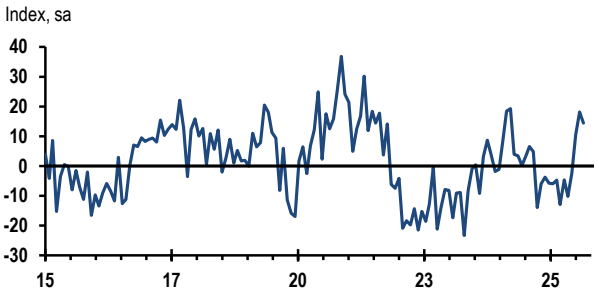
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Philadelphia Fed mfg: general conditions, ISM-weighted composite



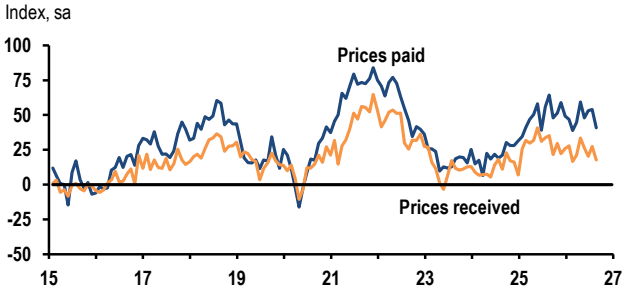
Source: Philadelphia Fed, J.P. Morgan

Philadelphia Fed mfg: unfilled orders



Source: Philadelphia Fed, J.P. Morgan

Philadelphia Fed mfg: prices paid and received



Source: Philadelphia Fed, J.P. Morgan

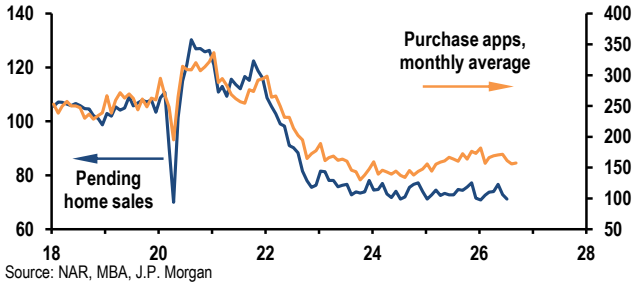
Thu
Sep 17
10:00am

Pending home sales
sa, unless noted

	May	Jun	Jul	Aug
Total (Index)	76.6	72.9	71.2	71.2
%ch m/m	3.5	-4.8	-2.3	0.0
%oya (sa)	4.5	0.3	-2.2	-4.7

We expect the NAR pending home sales index in August to be unchanged from July's 71.2, which returned the index to its January reading and marked one of the weakest levels for the series since 2001. Mortgage rates continued to climb through August, and purchase applications declined on the month. Sales have fallen more than 7% over the last two reports as buyers remain sidelined by high borrowing costs and affordability constraints. Elevated mortgage rates are also likely to reinforce the lock-in effect, sustaining upward pressure on prices and limiting any further material improvement in supply.

Pending home sales and mortgage purchase app. volumes



Source: NAR, MBA, J.P. Morgan

FRM 30-year contract interest rate



Source: MBA, J.P. Morgan

Fri
Sep 18
9:15am

Industrial production
%m/m,sa, unless noted

	May	Jun	Jul	Aug
Industrial production	0.0	0.3	0.2	0.2
Manufacturing	0.0	0.3	0.2	0.0
Motor vehicles and parts	2.4	1.2	-2.1	0.6
High-tech	2.9	1.6	1.9	
Mfg ex motor vehicles	-0.2	0.2	0.4	0.0
Business equipment	1.1	0.4	0.8	
Mining	-0.1	0.3	0.2	0.1
Utilities	0.1	0.1	0.5	1.5
Capacity utilization (%,sa)	76.1	76.2	76.3	76.4
Manufacturing	75.8	76.0	76.0	76.0

We look for total industrial production to rise 0.2%m/m in August, similar to recent months. Manufacturing IP is expected to be flat, with much of the gain coming from utilities. Recent IP growth has been driven by durable goods, which are running at a 2.0% annualized pace over the past three months. For August, we expect auto output to rise, consistent with production schedules and strength in motor vehicle parts. The aircraft segment could also add support, boosted by resilient durable goods orders.

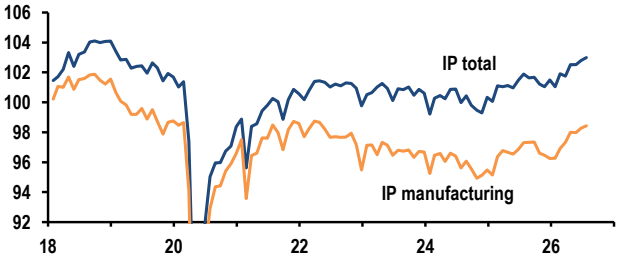
Outside of autos, we expect manufacturing output to move sideways in August, consistent with softer average weekly hours for production and nonsupervisory workers (which edged down in August). Manufacturing composites from ISM and PMI surveys have also eased, with the ISM production index down 0.2 points last month.

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The August report may also show some payback in primary and fabricated metal manufacturing after the large July increase, which could have reflected recent adjustments to Section 232 tariffs, as previously noted. Computers and electronics remain a source of strength, rising 1.9% in July alongside a 1.3% increase in electrical equipment, as these sectors benefit from continued AI-related investment. Utilities are likely to post a strong increase, reflecting elevated cooling demand amid hotter-than-usual weather over the past two months.

Industrial production: overall and manufacturing only

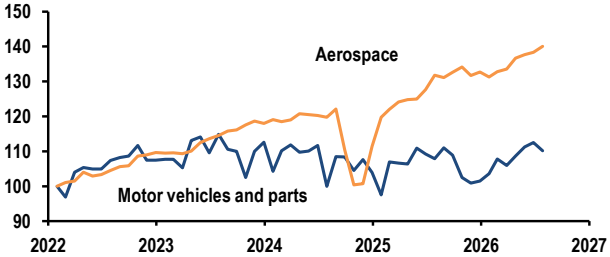
Index, sa



Source: Federal Reserve Board, J.P. Morgan

IP: motor vehicles and parts, aerospace

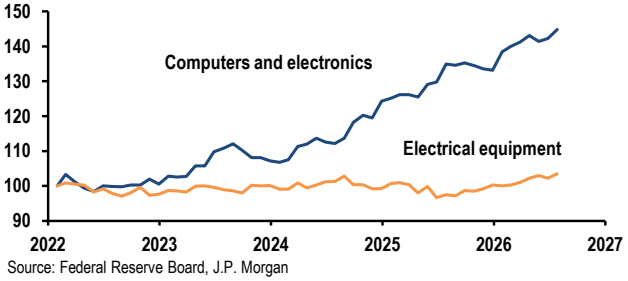
Index, Jan 2022 = 100



Source: Federal Reserve Board, J.P. Morgan

IP computers and electronics, electrical equipment

Index, Jan 2022 = 100



Source: Federal Reserve Board, J.P. Morgan

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J.P.Morgan

J.P. Morgan US forecast

	%q/q, saar								%q4/q4			%y/y		
	4Q25	1Q26	2Q26	3Q26	4Q26	1Q27	2Q27	3Q27	2025	2026	2027	2025	2026	2027
Gross domestic product														
Real GDP	0.5	2.1	1.5	2.8	1.8	2.3	2.3	1.8	2.0	2.0	2.0	2.1	2.1	2.1
Final sales	0.3	1.9	2.2	1.4	1.2	2.2	2.2	1.8	2.2	1.7	2.0	2.2	2.2	1.8
Domestic	0.6	2.2	3.3	3.1	2.2	2.4	2.4	1.9	1.8	2.7	2.2	2.4	2.3	2.4
Consumer spending	1.9	0.5	3.4	2.8	1.5	2.0	2.0	1.5	2.1	2.1	1.7	2.6	2.2	2.0
Business investment	2.4	10.6	8.5	7.3	6.4	4.6	4.6	3.7	5.6	8.2	4.1	4.1	6.8	5.3
Equipment	4.3	15.8	13.6	12.0	10.0	5.0	5.0	4.0	9.6	12.8	4.5	8.3	10.6	7.1
Structures	-6.5	-4.7	-1.8	-3.0	-4.0	2.0	2.0	2.0	-5.5	-3.4	2.0	-5.3	-4.5	0.0
Intellectual property products	5.4	13.8	8.8	7.0	7.0	5.0	5.0	4.0	8.0	9.1	4.5	5.6	9.0	5.7
Residential investment	-1.7	-7.8	1.3	-2.0	0.0	4.0	6.0	3.0	-3.8	-2.2	4.0	-2.2	-3.6	2.5
Government	-5.6	4.4	-1.0	1.2	1.4	1.5	1.5	1.5	-1.2	1.5	1.5	1.1	0.3	1.3
Net exports ($bn, chained $2017)	-969	-1002	-1084	-1188	-1257	-1277	-1297	-1310	-	-	-	-	-	-
Exports (goods and services)	-3.2	10.9	4.5	1.0	2.5	1.5	1.5	1.0	1.1	4.7	1.2	1.6	4.2	1.7
Imports (goods and services)	-1.0	11.8	12.5	12.0	9.0	3.0	3.0	2.0	-1.9	11.3	2.5	2.7	4.1	5.5
Inventories (ch $bn, chained $2017)	-15.6	-16.7	-53.1	24.7	60.8	65.6	66.7	65.6	-	-	-	-	-	-
Contribution to real GDP growth (% pts):														
Domestic final sales	0.6	2.2	3.4	3.2	2.3	2.5	2.6	2.0	1.8	2.7	2.2	2.4	2.3	2.4
Net exports	-0.2	-0.4	-1.1	-1.7	-1.1	-0.3	-0.3	-0.2	0.4	-1.0	-0.2	-0.1	-0.1	-0.6
Inventories	0.1	0.2	-0.7	1.3	0.6	0.1	0.0	0.0	-0.2	0.3	0.0	-0.1	-0.1	0.2
Income and profits (NIPA basis)														
Adjusted corp profits	26.3	7.0	41.5	9.2	10.1	7.2	6.3	6.6	6.4	16.2	6.3	0.0	0.0	9.4
Real disposable personal income	-0.9	0.9	-1.5	2.2	-0.2	2.0	1.8	1.2	1.0	0.4	1.5	0.0	0.0	1.2
Nominal disposable personal income	2.0	5.5	3.8	4.5	3.3	4.2	4.0	3.7	3.9	4.2	3.8	2.6	3.7	3.9
Saving rate[1]	3.8	3.9	2.8	2.7	2.3	2.3	2.2	2.2	-	-	-	4.6	2.9	2.2
Prices and labor cost														
Consumer price index	2.5	3.6	6.1	1.3	3.7	1.6	1.7	2.3	2.7	3.6	1.8	2.7	3.4	2.3
Core	2.0	2.8	2.9	2.1	2.6	2.6	2.5	2.6	2.7	2.6	2.6	2.9	2.6	2.5
PCE deflator	2.9	4.6	5.3	2.3	3.4	2.2	2.2	2.5	2.8	3.9	2.3	2.6	3.7	2.7
Core	2.7	4.4	3.6	2.8	2.9	2.8	2.6	2.7	2.9	3.4	2.7	2.8	3.3	2.8
GDP chain-type price index	3.7	3.6	6.4	2.3	3.4	2.2	2.2	2.5	3.3	3.9	2.3	2.8	3.9	2.7
S&P/C-S house price index (%oya)	1.3	0.8	1.2	0.0	0.0	3.0	3.0	3.0	1.3	0.0	3.0	2.2	0.5	3.0
Employment Cost Index	3.0	3.7	3.6	3.0	3.1	3.2	3.3	3.4	3.4	3.3	3.3	3.5	3.4	3.2
Productivity	1.6	0.8	1.4	1.5	1.3	1.7	2.0	1.6	2.5	1.3	1.7	2.3	1.9	1.6
Other indicators														
Housing starts (mn units, saar)[1]	1.323	1.418	1.337	1.313	1.350	1.350	1.400	1.400	-	-	-	1.371	1.356	1.388
Industrial production, mfg.	-3.6	1.7	5.2	1.9	1.0	1.0	1.0	1.0	1.3	2.4	1.0	-1.0	0.9	1.4
Light vehicle sales (mn units, saar)[1]	15.7	15.5	16.4	15.5	15.5	15.8	15.8	15.8	-	-	-	16.2	15.7	15.8
Unemployment rate[1]	4.5	4.3	4.3	4.1	4.1	4.0	4.0	4.0	-	-	-	4.4	4.5	4.0
Payroll employment (ch, '000s, samr)[1]	-30	43	96	80	100	100	50	50	-	-	-	0	0	63
Nominal GDP	4.2	5.8	8.0	5.1	5.2	4.5	4.5	4.3	5.4	6.0	4.3	5.0	6.1	4.9
Current account balance ($bn)[1]	-221	-227	-259	-268	-277	-287	-287	-287	-	-	-	-1177	-1031	-1149
% of GDP	-2.8	-2.8	-3.2	-3.3	-3.3	-3.4	-3.4	-3.3	-	-	-	-3.8	-3.2	-3.4
Federal budget balance ($bn)[1]	-	-	-	-	-	-	-	-	-	-	-	-1775	-2020	-1960
% of GDP	-	-	-	-	-	-	-	-	-	-	-	-5.8	-6.3	-5.8

1. Entries are average level for the period. Federal balance figures are for fiscal years.

	Sep 11	3Q26	4Q26	1Q27	2Q27	3Q27	4Q27
Interest rate forecast (end of period)							
Fed funds target (top of range)	3.75	4.00	4.25	4.25	4.25	4.25	4.25
2-yr Treasury	4.64	4.25	4.30	4.30	4.30		
5-yr Treasury	4.79	4.45	4.45	4.45	4.45		
10-yr Treasury	4.97	4.80	4.85	4.85	4.85		
30-yr Treasury	5.35	5.35	5.40	5.40	5.40		

Source: J.P. Morgan

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US economic calendar

Monday	Tuesday	Wednesday	Thursday	Friday
14 Sep	**15 Sep** **Empire State survey**(8:30am) Sep 15.0 Auction 20-year bond (r) $13bn	**16 Sep** **Import prices**(8:30am) Aug 0.6% **Retail sales**(8:30am) Aug 0.9% Ex. autos 0.9% **Business leaders survey**(8:30am) Sep **NAHB survey**(10:00am) Sep 34 **Business inventories**(10:00am) Jul 0.8% **FOMC meeting**(2:00pm) Sep **TIC data**(4:00pm) Jul	**17 Sep** **Housing starts**(8:30am) Aug 1,270,000 Permits 1,425,000 **Initial claims**(8:30am) w/e Sep 12 205,000 **Philadelphia Fed manufacturing**(8:30am) Sep 30.0 **Pending home sales**(10:00am) Aug 0.0% Auction 10-year TIPS (r) $19bn Announce 5-year note $70bn Announce 2-year FRN (r) $28bn Announce 2-year note $69bn Announce 7-year note $44bn	**18 Sep** **Industrial production**(9:15am) Aug 0.2% Manufacturing 0.0% Capacity utilization 76.4% **Leading indicators**(10:00am) Aug Fed Vice Chair Bowman speaks(9:30am) Kansas City Fed President Schmid speaks(11:45am)
21 Sep Chicago Fed President Goolsbee speaks(6:30am)	**22 Sep** **Richmond Fed survey**(10:00am) Sep Auction 2-year note $69bn New York Fed President Williams speaks(10:05am)	**23 Sep** **Services PMI**(9:45am) Sep flash Auction 5-year note $70bn Auction 2-year FRN (r) $28bn	**24 Sep** **Initial claims**(8:30am) w/e Sep 19 **Current account**(8:30am) 2Q **New home sales**(10:00am) Aug **KC Fed survey**(11:00am) Sep Auction 7-year note $44bn New York Fed President Williams speaks(4:10am) Cleveland Fed President Hammack speaks(8:50am) Philadelphia Fed President Paulson speaks(10:10am)	**25 Sep** **Durable goods**(8:30am) Aug **Consumer sentiment**(10:00am) Sep final New York Fed President Williams speaks(5:15am) Cleveland Fed President Hammack speaks(2:00pm)
28 Sep **Dallas Fed manufacturing**(10:30am) Sep	**29 Sep** **FHFA HPI**(9:00am) Jul **S&P/Case-Shiller HPI**(9:00am) Jul **JOLTS**(10:00am) Aug **Consumer confidence**(10:00am) Sep	**30 Sep** **ADP employment**(8:15am) Sep **Wholesale trade prelim**(8:30am) Aug **Real GDP**(8:30am) 2Q final **Personal income**(8:30am) Aug	**1 Oct** **Initial claims**(8:30am) w/e Sep 26 **Manufacturing PMI**(9:45am) Sep final **ISM manufacturing**(10:00am) Sep **Construction spending**(10:00am) Aug **Light vehicle sales** Sep Announce 10-year note (r) $39bn Announce 30-year bond (r) $22bn Announce 3-year note $58bn Dallas Fed President Logan speaks(6:45pm)	**2 Oct** **Employment**(8:30am) Sep **Durable goods**(10:00am) Aug **Factory orders**(10:00am) Aug
5 Oct **Services PMI**(9:45am) Sep final **ISM services**(10:00am) Sep	**6 Oct** **International trade**(8:30am) Aug Auction 3-year note $58bn	**7 Oct** **Consumer credit**(3:00pm) Aug Auction 10-year note (r) $39bn **FOMC minutes**(2:00pm)	**8 Oct** **Initial claims**(8:30am) w/e Oct 3 **Wholesale trade**(10:00am) Aug Auction 30-year bond (r) $22bn	**9 Oct** **Consumer sentiment**(10:00am) Oct preliminary

Source: Private and public agencies and J.P. Morgan. Further details available upon request.

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