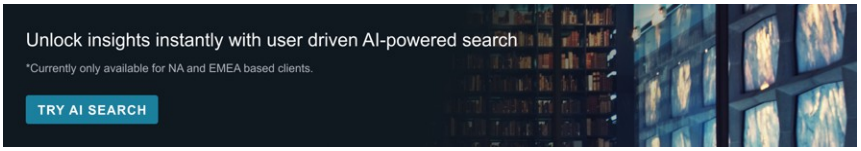
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North America Economic Research
16 October 2026

US Weekly Prospects



Economic and Policy Research

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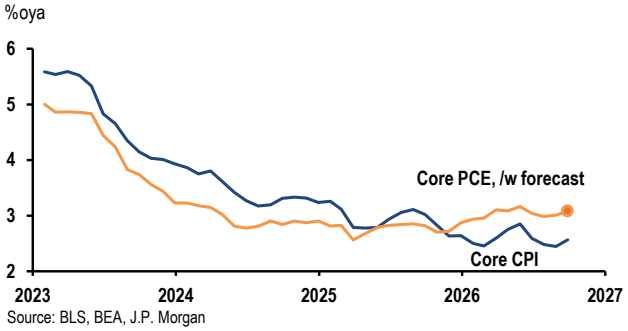
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United States

- **September brought broad-based firmness in inflation**
- **Nonetheless, neither Fedspeak nor markets point to an October hike**
- **Consumer spending growth was mild but caps a strong couple of quarters**
- **Next week's key data are the October PMIs**

This week was a reminder that inflation remains hot, and that the short-term improvement in measures like the three-month rate of change can disappear in an instant. Following the September inflation reports, we think that monthly core PCE rose 0.30%m/m, which would push the over-year-ago rate back up from 3.0% to 3.1% (Figure 1), and the three-month pace from 2.0% to 2.7%. Right after the CPI report on Wednesday, markets briefly priced in around a 50% chance of a Fed hike at the October FOMC meeting, but now see less than a 15% chance. That pullback in expectations came both in response to tremors in the AI-linked capital markets and a lack of any hawkish signal from Fed speakers, including Chair Warsh.

Figure 1: Core CPI and core PCE



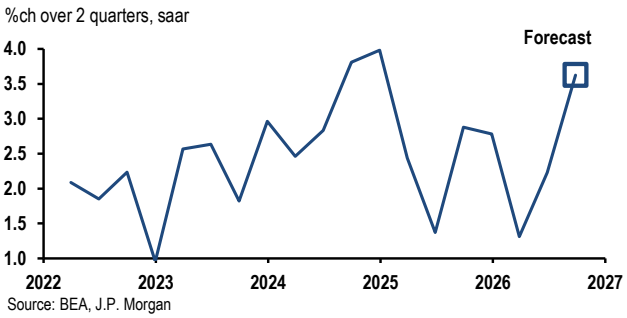
Source: BLS, BEA, J.P. Morgan

While recent Fedspeak is consistent with a hold in October, and we don't expect a hike until December, it is worth considering the case for an immediate hike given the unflattering inflation data. The key rationale would be if there is little new information that we will learn in the next couple of months that would create a case for keeping rates on hold. This is especially convincing if one believes core inflation is persistently stuck near 3%, and that only a material slowdown in aggregate demand will knock inflation back toward 2%. Even if one doesn't believe this, there is an argument to be made that the next two employment and inflation reports are unlikely to surprise in a way that will stop the FOMC from hiking in December. For example, weekly claims and ADP data already point towards the possibility of a solid October jobs report. Meanwhile, business surveys, pass-through from energy costs, and import prices all suggest that core inflation could remain firm in the near term.

A number of Fed speakers, however, have emphasized patience, and we think many members of the FOMC maintain a view that inflation is largely above target owing to a temporary series of shocks that will fade over time, particularly from energy and technology prices. This was exactly the theme of the most recent speeches by NY Fed President Williams and Board Vice Chair Jefferson, as examples. This sentiment is not universal, though: for instance, Chicago Fed President Goolsbee—not a voter this year—worried this week that the AI buildout could be leading to a broader overheating, as opposed to a narrow rise in tech prices.

In addition to the inflation data, key September activity reports were decent enough. Retail sales was not terribly strong, but real consumer spending still likely rose 0.1% in September, capping off a brisk two-quarter gain (Figure 2), and pointing to some upside risk to our 4Q spending forecast of 1.5%. Manufacturing production also rebounded from a drop in August, echoing the generally upbeat tone of recent manufacturing surveys.

Figure 2: Real consumer spending



Source: BEA, J.P. Morgan

The key information coming next week will be the October flash PMIs. Recall that the all-industry composite hit a cycle high in September and pointed to GDP growth near 5%. While other data have been perfectly respectable, they haven't suggested growth is that strong, so it will be interesting to see if the PMIs normalize a bit. Also key will be any insight into firms' pricing and supply chain issues. We also get September housing starts, an opportunity to see how builders are reacting to higher rates.

Inflation sticks around

While no one should put too much stock in inflation trends over short intervals, the drop in the core PCE three-month rate of change to just 2.0% saar in August provided a ray of hope that maybe a patch of slower inflation could persist going forward. Those hopes dimmed, though, with the September CPI, PPI, and import price reports, all of which were relatively firm. Consequently, not only is the core PCE on track to re-accelerate over three months, but the over-year-ago rate is edging back up, a reminder that there remains a

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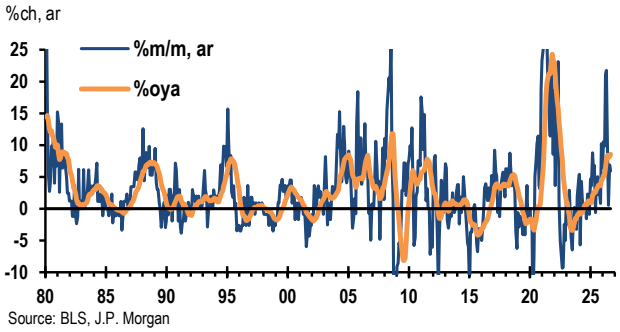
long way to go to get back to 2.0%.

The CPI was the most concerning sign, as the core CPI increased 0.33%m/m (2.6%oya), which excluding a technical distortion in April, was the largest month-on-month increase since the start of 2025. Moreover, while the share of CPI components running at above a 3% annualized pace over the last six months declined, the month-on-month change in September alone was broad-based, with core goods (0.25%m/m), core services (0.37%), and core services ex rent and OER (0.42%) all elevated. In contrast, the increase in core in August (0.29%) received a 10bp contribution from a record increase in wireless phone service and so had been more narrowly based. That jump in wireless phone service prices also didn't reverse in September. It's possible that that price increase had been tied to T-Mobile moving customers off legacy plans to more expensive new plans partway through July. Such a move could cause customers to shop around again, though infrequent updating of market-share weights means that shouldn't translate into a quick price reversal.

Especially striking in the CPI is the recent acceleration in core goods inflation. Some studies suggest that tariff-linked inflation peaked early in the year, and indeed the three-month pace of change dropped to a recent trough of 0.0% in July, the lowest since late 2024. Now that rate is back to 2.2%, nearly as high as the recent peak during 2025 (2.6%). This swing is reflected across all key categories of goods except for medical care goods, where deflation throughout 2026 has been driven by a separate set of factors.

Import price inflation also remained warm in September, including in technology and other consumer goods, which could keep up pressure on CPI goods inflation. On a pre-tariff basis, overall import prices excluding fuels rose 0.7%m/m and 6.0%oya, with the 12-month change one of the largest increases in recent decades.

Figure 3: Core intermediate goods PPI



Source: BLS, J.P. Morgan

The PPI also was firm with a 0.7%m/m (5.0%oya) increase in the final demand core, led by trade services (i.e. wholesale and retail margins) and transportation services. One bright spot was disinflation in core intermediate goods, whose monthly inflation rate (0.5%m/m) is about a third of recent peak rates in April and May. But even here prices remain up 8.5%oya, one of the faster ex-COVID increases in the past 40 years (Figure 3).

Weak consumption to end a strong quarter

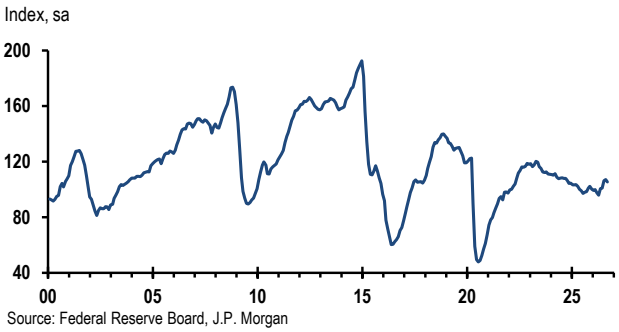
Retail sales sputtered in September, rising 0.8%m/m overall on the back of higher gas prices but just 0.2% excluding gas and 0.1% in the control category. We expect a 0.1%m/m increase in real consumer spending during the month. That's pretty mild, but the quarter would rise 3.5%, and average 3.6% over the middle two quarters of the year (Figure 2), one of the best stretches in the post-COVID period despite the surge in gas prices.

The spending impulse should reflect both the benefits of OBBBA tax cuts and the willingness of households to smooth consumption by cutting saving rates. We do expect spending growth to moderate in 4Q, though the trajectory hints at some upside risks: if our September forecast is realized, then real spending gains of just 0.1% per month would leave 4Q spending at 2.0%, vs. our 1.5% forecast.

IP bounces back

The IP measure of manufacturing production had fallen 0.2%m/m in August despite consistently robust manufacturing surveys, but it bounced back in September and is up 1.1% over the last 12 months, which these days counts as decent growth. Outside of manufacturing, oil and gas well drilling has also risen along with energy prices, though it's flat in the last couple of months and the increase is small in comparison to the magnitude of the energy shock (Figure 4).

Figure 4: IP index for oil and gas well drilling



Source: Federal Reserve Board, J.P. Morgan

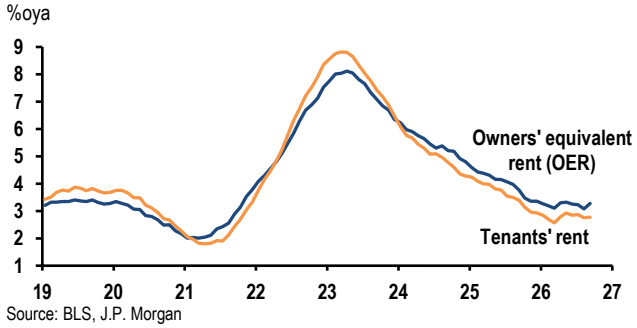
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US Focus: The OER-tenants' rent gap

Shelter inflation came in firmer than anticipated in September, with owners' equivalent rent (OER) rising 0.35%m/m and tenants' rent increasing 0.25%. On a year-ago basis, OER is now running at 3.3%, about 0.5%-pt above the 2.8% pace for tenants' rent (Figure 1). OER has been running above tenants' rent since early 2024, a reversal from the pattern seen during the latter half of the post-pandemic inflation surge.

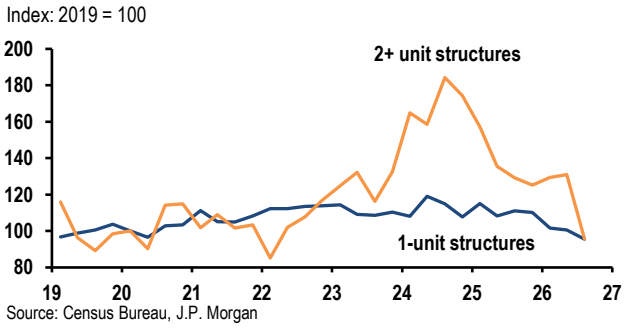
Figure 1: Selected categories of CPI rent of shelter



Source: BLS, J.P. Morgan

One possible explanation for this persistent gap is the different housing mix underlying the two measures. Both indexes use rents collected from the BLS housing sample, but OER is weighted to reflect the owner-occupied housing stock and consequently places greater weight on single-family detached homes. Tenants' rent is more heavily influenced by multifamily housing. That distinction may be particularly relevant following the recent multifamily construction boom (Figure 2).

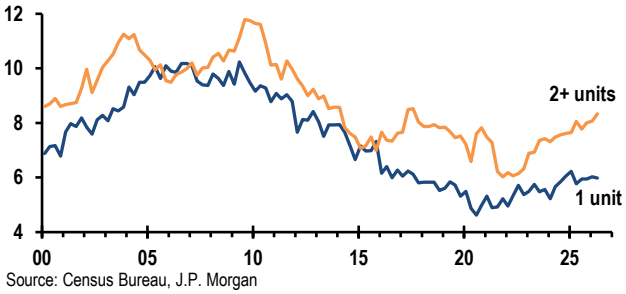
Figure 2: Housing completions by unit size



Source: Census Bureau, J.P. Morgan

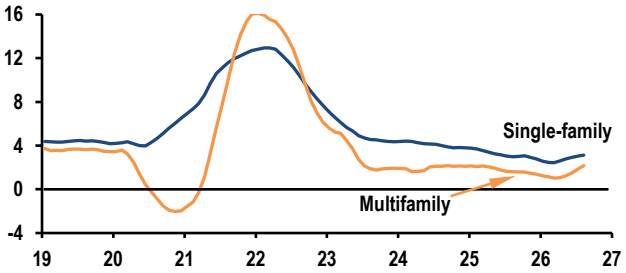
Amid a wave of new supply, the gap between multifamily and single-family rental vacancy rates has widened by 1.7%-pt since 2Q22 (Figure 3). Zillow's single-family rent index has been running above its multifamily counterpart since the middle of 2022, although the gap has narrowed recently (Figure 4). Single-family asking rents were up 3.1%oya in August, compared with 2.2% for multifamily rents.

Figure 3: Rental vacancy rates by unit size



Source: Census Bureau, J.P. Morgan

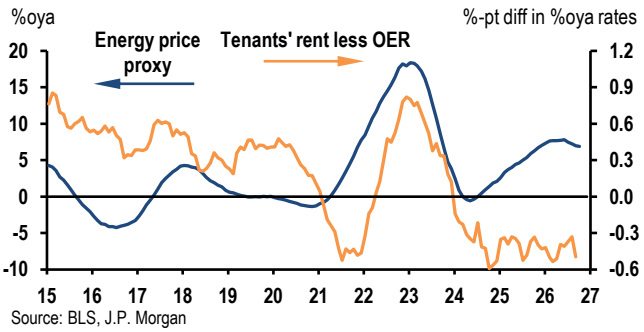
Figure 4: Zillow Observed Rent Index



Source: Zillow, J.P. Morgan

Other methodological differences may also contribute to the gap. The BLS strips landlord-provided utilities from rents used to estimate OER because homeowners typically pay for them separately. A weighted measure of BLS electricity, gas and fuel oil prices slowed sharply in 2023 and 2024 and may have contributed to the narrowing and eventual reversal of the gap between tenants' rent and OER over this period. However, energy-price growth has since reaccelerated even as OER has continued to run above tenants' rent (Figure 5).

Figure 5: Household energy prices and Tenants' rent-OER spread



Source: BLS, J.P. Morgan

With multifamily completions slowing sharply and the gap between single- and multifamily new-lease rent growth narrowing, some convergence in the two CPI measures may be in the offing. But it will take time for new rents to pass through, and the gap in vacancy rates suggests excess supply in the multifamily segment has yet to be fully absorbed.

Global Data Watch: Between the devil and the deep blue (FOM)C

- **Through the noise, a common global inflation impulse builds ...**
- **… reflecting the interaction of rising costs and firm pricing power**
- **Pressure on central banks to hike will increase absent a financial shock ...**
- **… or a consumer pullback in response to the latest oil jump**
- **Next week: DM flash PMIs fall from highs; a firming in China data**

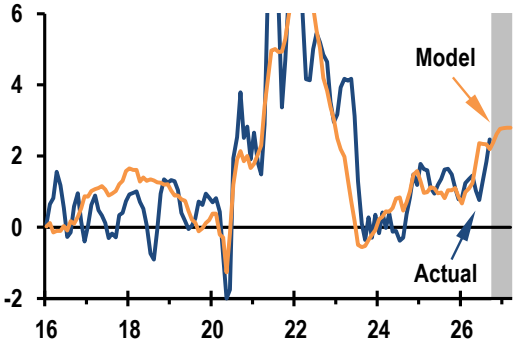
There are good reasons to downplay short-term inflation swings, and this year's geopolitical developments are a good reminder of why. Global consumer prices rose at a 6%ar in the three months following the outbreak of the Middle East war, moderating to a 1.8%ar in the three months through July. A resurgence in energy prices now places global CPI on track to rise at a 5%ar in the three months through October. Central bankers initially displayed patience in the face of the energy sector shock, recognizing its likely transitory nature as well as its threat to growth. However, the shock's persistence and growth resilience have shifted them from their earlier easing bias to outright hikes. The tightening has been limited, with global policy rates outside China only 17bp higher than at the start of the year. Caution should remain intact through year-end. We do not expect any DM tightening at upcoming meetings and project only an additional 18bp of global hikes this year. But pressure on central banks is building as evidence accumulates to support our view that a common global impulse is building as rising input costs interact with strong demand. The main relief valve to this pressure would unfortunately be a sharp slowing in consumer spending demand connected to an inflation squeeze on purchasing power or a material tightening in financial conditions, possibly related to fears about central banks.

Cost pressures are evident across a wide range of items and this year's rapid gains in capex and consumer goods spending promote pass-through to finished consumer goods. Our models have anticipated that this interaction would push global core goods CPI gains to a 2.5%ar this quarter, roughly twice their pace of the previous year (Figure 1). Recent readings confirm that this acceleration is underway. Equally important is the message from the September business surveys and U.S. producer and import price reports showing that this impulse continues to build (Figure 2).

While we had anticipated a pickup in goods price inflation, the recent rise in service price inflation has been a surprise as the unwinding of early year strength was

Figure 1: Global* core goods CPI

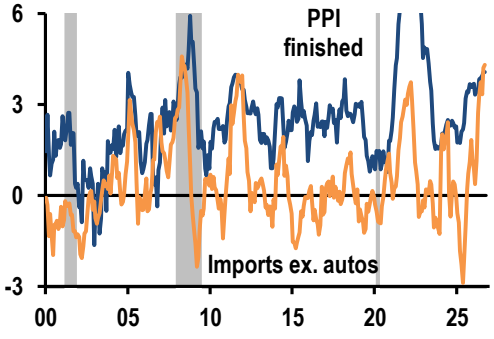
%3m, saar, forecast through Mar 2027



Source: National sources, JPM. *Ex. China and Türkiye.

Figure 2: US consumer good prices, pipeline

%6m, saar



Source: BLS, J.P. Morgan

expected to continue. Thus far, this lift has been concentrated in the US and Euro area where two developments have likely pushed core service CPI inflation above a 3.5%ar in the last three months. The first is upward pressure on transportation costs reflecting spillovers from higher energy prices and strong goods demand. The second is faster-than-expected service spending. Although service sector activity readings are limited, available evidence from business surveys and US consumers is that the material recent upward revisions to our 3Q26 global GDP forecast are likely concentrated in the service sector.

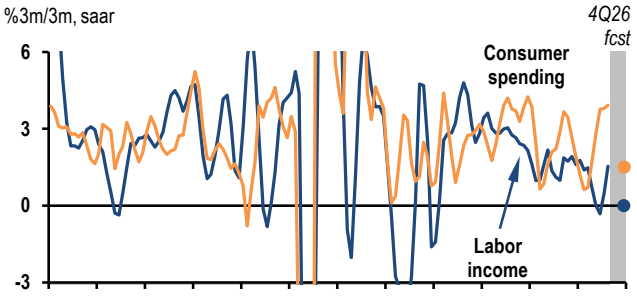
While global core inflation is now rising, it is reasonable to question its persistence as both commodity and tech sector cost pressures are likely to fade. In the coming weeks, central banks will likely emphasize a need for further action to ensure credibility and manage the risks associated with this year's upside growth and inflation surprise. At the same time, they will likely guide to a shallow hiking cycle ahead, as they anticipate a fading in cost pressures that will not require them to generate sub-par growth to lower inflation.

While inflation should come off its highs, we maintain a forecast for "sticky" inflation, pushing back against central bank forecasts for an "immaculate" disinflation. Indeed, a key message from recent inflation performance is that transitory cost shocks can generate inflation persistence in the face of sustained firm pricing power. With a forecast for solid 2027 global growth, a fourth consecutive year of elevated inflation that disappoints central bank forecasts is in the cards.

The second squeeze is on

The main risks to the forecast for pressure on central banks to build are either a financial market stress event or a pullback by consumers. Underlying business pricing power this year is a household sector willing to smooth this year's first purchasing power squeeze better than expected. DM real consumption rose an estimated 2.4%ar across the middle two quarters of the year even as higher headline prices depressed real incomes. Fiscal support cushioned this blow, and rising wealth promoted a decline in savings rates. With US fiscal support now fading, confidence readings depressed, and wealth gains moderating, we anticipate that the US will lead a material downshift in consumption growth this quarter (Figure 3).

Figure 3: US real PCE and labor income



Source: BEA, J.P. Morgan

The September US retail report points to a contraction in real goods spending last month. Goods spending is volatile, however, and limited signal can be taken from a decline that follows a 6.1%ar gain over the previous three months. Services spending, meanwhile, is tracking a solid September real gain. For now, we assess risks as skewed modestly to the upside for our forecast for a 1.5%ar current-quarter consumption gain.

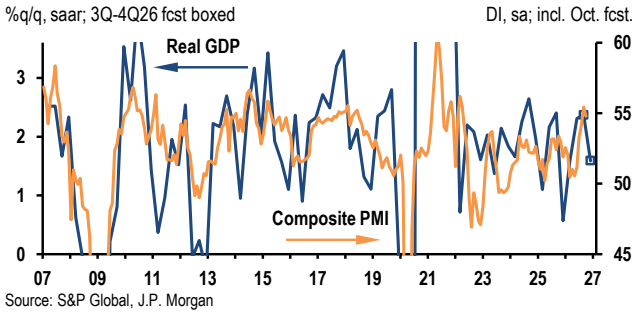
Looking forward, our forecast incorporates two supports for households in 2027. Crude oil prices are expected to move towards $80/bbl and US job growth is anticipated to pick up. These developments should lead to a pickup in spending following this quarter's slowing, while adding pressure on the Fed as US labor markets are expected to tighten.

DM PMIs should fall from elevated levels

Last week we emphasized the contrast between the global PMI signal of growth acceleration in September and more mixed real activity readings as we moved towards quarter-end. Activity readings align more closely with our economists' forecast for global growth to hold steady this quarter at an above-potential 2.7%ar. Important regional and sectoral rotation is expected this quarter. Regionally, a US downshift is anticipated to slow DM growth while China lifts EM. Sectorally, the DM slowdown is expected to be concentrated in services. Neither of these rotations was evident in the broad-based lift in the September PMIs.

With the composite DM PMI reaching its highest level in over four years in September, it stands well above our current-quarter GDP forecast of 1.6%ar (Figure 4). Against this backdrop, we look for a 0.7-pt drop in next week's flash survey. Even with this decline, the survey would track growth well above our forecast. The overall signal from the October flash is particularly important for Western Europe where the survey has most closely tracked actual performance. It will also provide an early gauge of the effect of sovereign stress in France and persistent energy price drags across the region.

Figure 4: Composite output PMI and real GDP, DM



Source: S&P Global, J.P. Morgan

We look for a decline in the Euro area and stability in the UK which would align the survey with our 4Q GDP growth forecasts of 1.5%ar and 1%ar, respectively. The energy price shock is a particular concern: UK inflation could hit a peak of 4.5%oya just on the back of current gas forward prices, with indirect effects adding to that. In the Euro area, we have already dampened our near-term view on consumer spending but are assuming steady declines in gas/oil prices in the coming months.

China's export and fiscal momentum firms

Strong exports and accelerating fiscal support are improving China's growth outlook heading into 4Q. September exports jumped 6.6%, widening the trade surplus to US$133.5bn, while government bond financing rose to CNY1.54tn. This creates modest upside risk to next week's IP, FAI, and 3Q GDP releases, although weak loan demand, property activity, and household confidence point to only a limited pickup in retail sales. The larger shift is the fiscal momentum building into 4Q26 and early 2027: faster bond issuance should increasingly feed into project spending, while the additional CNY550bn local-government bond quota reinforces the growth floor. Progress with the EU buys time for exports rather than removing trade risks, increasing the importance of effective domestic policy delivery.

EM pauses too, but not for long

We expect five of next week's seven EM central bank meetings to deliver holds, with most likely to guide towards hikes before year-end. The policy paths remain divergent across EM regions. EM Asia remains biased towards hikes amid strong growth and inflation pressures. Easing dominates in EMEA EM while LatAm is more evenly divided between hikes, cuts, and holds this quarter.

- In EM Asia, the BoK is likely to hold after delivering back-to-back hikes, but another hike is likely in November in response to upside activity surprises. Bank Indonesia is also likely to hold at 5.75%, having already delivered 100bp in hikes this cycle, but mounting FX pressure skews risks towards another move ahead of our December base case. The BSP meanwhile is likely to opt for a fourth consecutive 25bp hike next week and another in December, with the reaccelerating inflation raising the risk of a larger 50bp move next week.
- EMEA EM central banks are still leaning towards easing, but Türkiye's CBRT is the only one likely to deliver immediately. In response to softer underlying inflation and weaker domestic demand we look for a100bp cut to 36% next week, followed by another 100bp move by year-end. Hungary and Israel are both likely to keep rates on hold next week, but resume easing in December and November, respectively, supported by downside surprises in inflation. While our Israel rate call is broadly in line with market pricing, we remain considerably more dovish than the market on Hungary.

Brazil: BCB's dilemma

The BCB faces an increasingly difficult trade-off between weakening growth and still-high inflation The slowdown is arriving earlier than expected, and we have lowered our GDP forecasts as elevated debt-service burdens, slowing income gains, and weak corporate profitability weigh on activity. Inflation should eventually soften, but tight labor markets, higher global prices, El Niño, and policy-driven labor costs will keep it well above the 3% target for now. We expect the BCB to pause before resuming with back-to-back 25bp cuts in 2Q27. Sustained BRL strength and better-anchored inflation expectations could pull those cuts forward.

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US Indicator forecasts

J.P. Morgan Research versus the consensus

Release date/ Indicator	J.P. Morgan forecast	Consensus median	Consensus range
Mon, Oct 19			
NAHB survey (Oct)	31	31	29 to 33
Tue, Oct 20			
Housing starts (Sep)	1280k	1300k	1230k to 1350k
Permits	1400k	1385k	1365k to 1494k
Pending home sales (Sep)	-0.3%	0.0%	-1.7% to 2.0%
Thu, Oct 22			
Initial claims (w/e Oct 17)	200k	200k	197k to 204k
Fri, Oct 23			
Manufacturing PMI (Oct flash)	54.5	55.5	55.0 to 55.8
Services PMI (Oct flash)	58.0	58.0	56.5 to 59.7
Consumer sentiment (Oct final)	46.0	46.3	45.5 to 46.5

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

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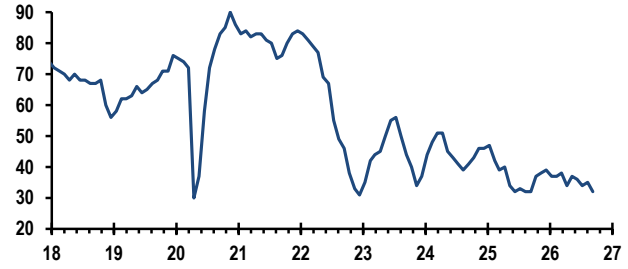
Sources for all: ADP/Moody's Analytics, BEA, BLS, Census Bureau, Conference Board, Department of Labor, Federal Reserve Board, ISM, J.P. Morgan forecasts, NAHB, NAR, NFIB, NY Fed, Philadelphia Fed, S&P Global, Standard & Poor's, University of Michigan, US Treasury

Mon Oct 19 10:00am — **Homebuilders survey**
Sa

	Jul	Aug	Sep	Oct
Housing market	34	35	32	31
Present sales	37	39	35	
Sales: next 6 months	43	43	37	
Prospective buyer traffic	23	23	23	

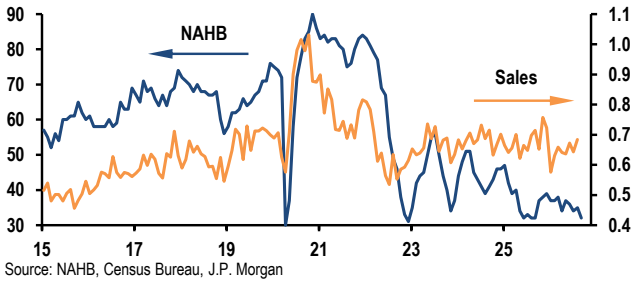
We look for the NAHB Housing Market Index to soften further to 31 in October from 32 in September. Data through the third week of October show mortgage rates up another 12bp so far this month, and mortgage purchase applications have fallen to their lowest level since early 2025. The 3-point decline in the September report was driven by both lower present sales and expected sales over the next 6 months. The report noted that 38% of builders cut prices in September, up from 35% in August, while 66% used sales incentives, up from 63%.

NAHB homebuilder survey
Index, sa



Source: NAHB, J.P. Morgan

NAHB housing market index and single-family home sales
Index, sa — Mn units, saar



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

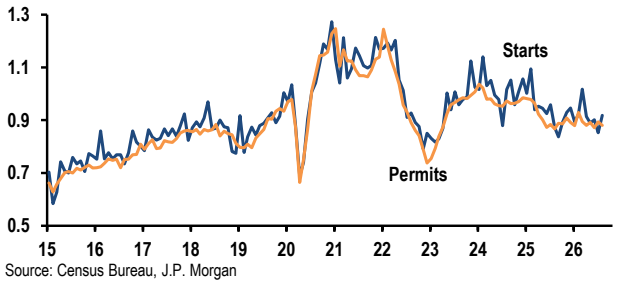
Tue Oct 20 8:30am — **Housing starts**
Million units, saar

	Jun	Jul	Aug	Sep
Starts	1.44	1.31	1.28	1.28
Single-family starts	0.90	0.85	0.92	0.90
Multifamily starts	0.54	0.46	0.36	0.38
Permits	1.37	1.43	1.40	1.40
Single-family permits	0.87	0.89	0.88	0.88
Multifamily permits	0.50	0.54	0.52	0.52

We expect September housing starts to reverse some of August's decline, rising 2.5%m/m to 1.280mn, along with a continued decline in permits of -0.2%m/m to 1.400mn. Much of this improvement in starts is expected to be driven by a rebound in the volatile multifamily segment, which has dropped over 33% cumulatively in the last two reports. We expect single-family starts to pull back in September, reversing some of August's improvement, as builders face high levels of inventories and muted demand.

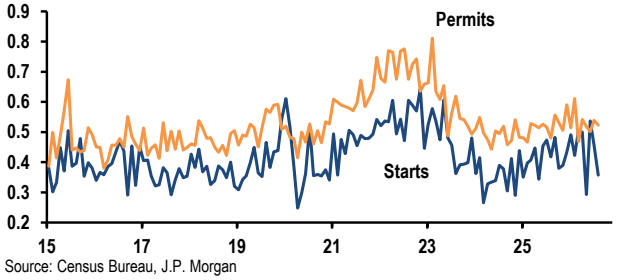
With single-family starts down 3.0% from the beginning of the year, and permits also on a weaker trajectory, we see continued weakness in coming months. As mortgage rates continue to climb further above 7%, homebuyers are likely to remain on the sidelines, compelling builders to cut back on new construction activity in favor of working through current inventory levels. The NAHB housing market index dropped from 35 in August to 32 in September, a very historically weak level for builder sentiment.

Single-family starts vs. permits
Mn units, saar



Source: Census Bureau, J.P. Morgan

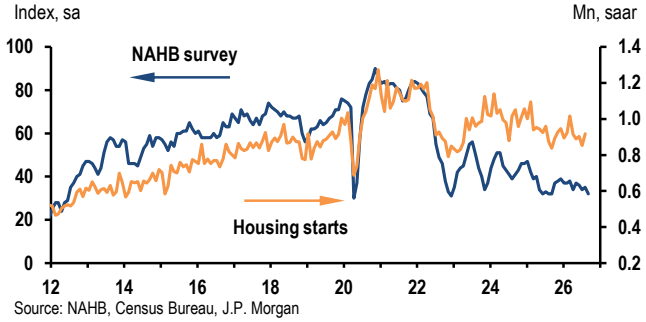
Multifamily starts vs. permits
Mn units, saar



Source: Census Bureau, J.P. Morgan

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NAHB survey and single-family housing starts



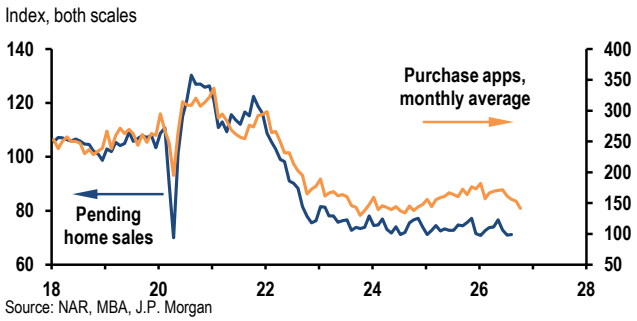
Source: NAHB, Census Bureau, J.P. Morgan

Tue Oct 20 10:00am — **Pending home sales**
sa, unless noted

	Jun	Jul	Aug	Sep
Total (Index)	72.9	71.0	71.2	71.0
%ch m/m	-4.8	-2.6	0.3	-0.3
%oya (sa)	0.3	-2.5	-4.7	-4.6

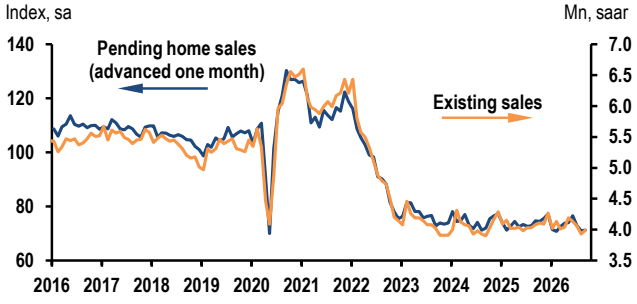
We expect pending home sales to decline 0.3%m/m in September. The series rose modestly in August but still stands close to its lowest level in six months. The last press release remarked that "higher mortgage rates offset the increased buying power created by job gains and income growth outpacing home price growth." Existing home sales, which lag pending home sales by one to two months, are down 3.4% over the last three months.

Pending home sales and mortgage purchase app. volumes



Source: NAR, MBA, J.P. Morgan

Pending home sales and existing home sales



Source: NAR, J.P. Morgan

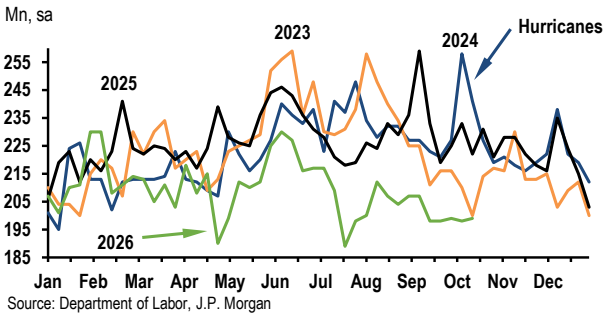
Thu Oct 22 8:30am — **Jobless claims**
Thousands, sa

	New claims (wr.) Wkly	New claims (wr.) 4-wk avg	Continuing claims Wkly	Continuing claims 4-wk avg	Insured Jobless,%
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	1765	1777	1.1
Sep 5	207	206	1717	1757	1.1
Sep 12[1]	198	204	1712	1742	1.1
Sep 19	198	203	1699	1723	1.1
Sep 26	199	201	1714	1711	1.1
Oct 3	198	198	1710	1709	1.1
Oct 10	199	199			
Oct 17[1]	200	199			

1. Payroll survey week

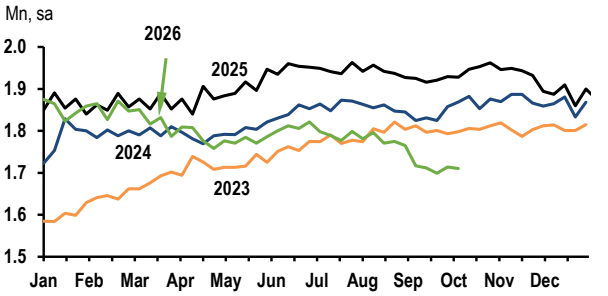
We expect initial jobless claims to remain essentially stable at 200k in the week ending October 17. The series has remained just below the 200k mark for five consecutive weeks. Residual seasonality is likely to pull the series lower by the end of the year. Continuing claims could rise due to residual seasonality, though we would have expected this in the last report and they instead edged down, a good sign for unemployment.

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



Source: Department of Labor, J.P. Morgan

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



Source: Department of Labor, J.P. Morgan

Fri Oct 23 9:45am — **S&P Global manufacturing PMI (US flash)**
Index, sa

	Sep 25	Sep 26	Oct 26
Composite	52.0	55.9	54.5
Output	52.4	56.2	
ISM-weighted composite	52.0	55.6	

We look for the October flash manufacturing PMI to decline to 54.5 from 55.9 in September, which marked the best level

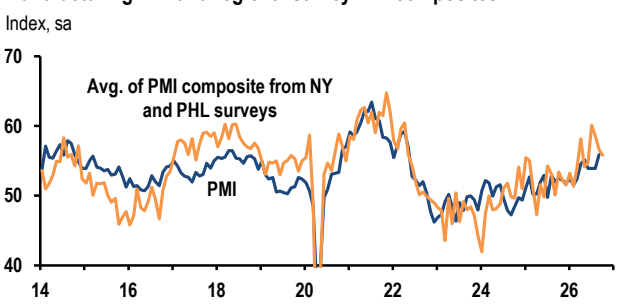
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since the summer of 2022. The regional Empire and Philadelphia Fed manufacturing surveys sent mixed signals in October, but the average ISM-weighted composite of these surveys only inched down slightly from 56.6 in September to a still-solid 55.8.

The PMI output measure jumped from 53.1 in August to 56.2 in September, close to the recent May peak when the index reached 56.6. New orders also rose from 54.3 to 56.1, with the press release noting that some of the improvement was due to continued front-loading by firms over concerns of higher prices and supply challenges, coupled with rising demand from AI-related investments. Backlogs of work have remained steady in an elevated range in recent months, likely signaling continued strength in manufacturing production ahead.

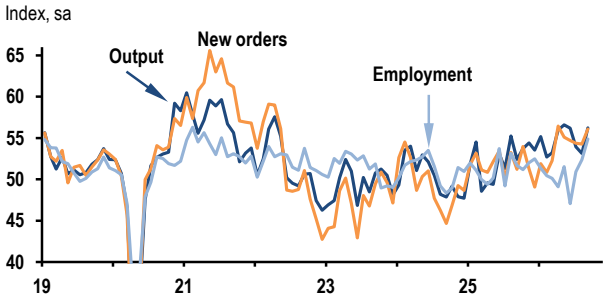
The September PMI report also signaled elevated price pressures, likely reflecting renewed increases in global energy prices. The index for input prices ticked up to 65.6 from 65.2, following some reversal from the spike in May. However, output prices continued to moderate, inching down to 59.0 from 59.4.

Manufacturing PMI and regional survey PMI composites



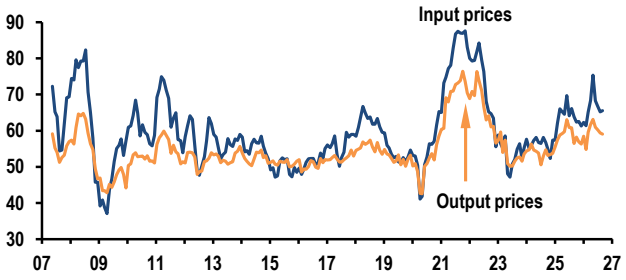
Source: S&P Global, New York Fed, Philadelphia Fed, J.P. Morgan

Manufacturing PMI: output, new orders, and employment



Source: S&P Global, J.P. Morgan

Manufacturing PMI: prices



Source: S&P Global, J.P. Morgan

Fri Oct 23 9:45am

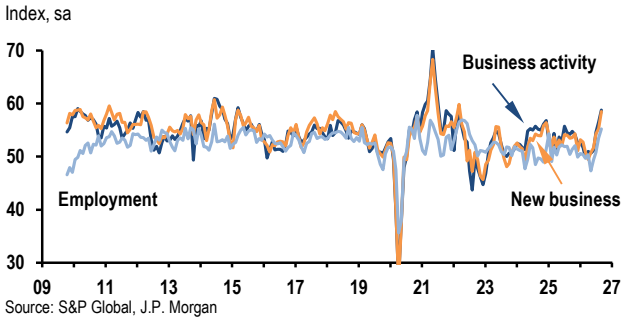
S&P Global services PMI (US flash)
Index, sa

	Sep 25	Sep 26	Oct 26
Business activity	54.2	58.8	58.0
New business	53.5	58.5	

We expect the October flash services PMI to continue to point to resilient activity, with the headline business activity index moving down to 58.0 from 58.8 in September. The last report marked the best level for headline business activity in the current cycle, with the press release noting that growing demand is rising ahead of operating capacity. The new business index also reached a multi-year high at 58.5 in the final September report. The employment index, which has swung from a cycle trough of 47.3 in May to 55.2 in September, stands at its highest level since mid-2022.

The last report pointed to an acceleration in inflation pressures, with input prices jumping from 58.9 to 65.9, the fastest pace since late 2022, while output prices also rose following a brief improvement in August, from 55.8 to 58.2. The press release attributed this pressure to higher fuel, transportation, and labor costs.

Services PMI: business activity and components



Source: S&P Global, J.P. Morgan

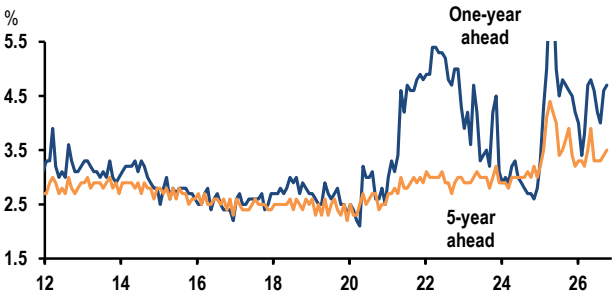
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Services PMI: prices



Source: S&P Global, J.P. Morgan

Michigan survey inflation expectations



Source: University of Michigan, J.P. Morgan

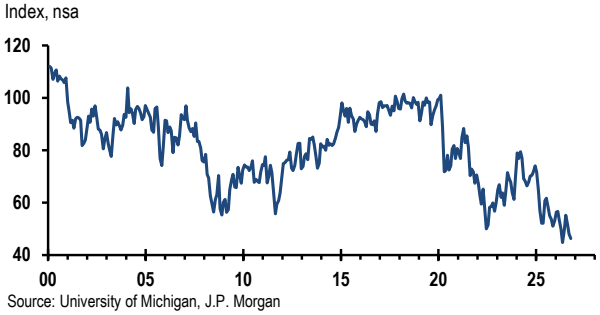
Fri Oct 23 10:00am **Consumer sentiment**

	Aug	Sep	Pre Oct	Fin Oct
Univ. of Mich. Index (nsa)	51.7	48.1	46.3	46.0
Current conditions	51.9	50.9	44.7	
Expectations	51.5	46.3	47.3	
Inflation expectations				
Short term	4.0	4.6	4.7	
Long term	3.3	3.4	3.5	

We expect the final October University of Michigan consumer sentiment index to inch down to 46.0, close to its preliminary print of 46.3. The 1.8 point drop in the preliminary October print was driven by the current conditions index, which fell to 44.7 from 50.9, while the expectations component moved higher to 47.3 from 46.3. The press release noted that "sentiment for lower-income consumers and those with smaller stock portfolios dropped steeply this month."

Inflation expectations continued to rise, with the one-year ahead measure increasing from 4.6% in September to 4.7% in the early October report, close to the recent peak of 4.8% in May, while the five-year ahead expected rate increased from 3.4% to 3.5%.

U. of Michigan consumer sentiment index



Source: University of Michigan, 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	0.2	2.5	2.2	3.5	1.8	2.3	2.3	1.8	2.0	2.5	2.0	2.3	2.4	2.2
Final sales	0.2	2.3	2.8	1.6	1.4	2.2	2.2	1.8	2.3	2.0	2.0	2.4	2.4	1.9
Domestic	0.5	2.3	3.8	4.0	2.5	2.4	2.4	1.9	1.9	3.1	2.2	2.6	2.6	2.6
Consumer spending	1.9	0.7	3.8	3.5	1.5	2.0	2.0	1.5	2.1	2.4	1.7	2.6	2.4	2.1
Business investment	2.1	9.9	9.0	10.2	7.9	4.5	4.5	3.7	6.0	9.3	4.1	5.4	7.3	6.0
Equipment	6.9	15.5	13.4	15.0	10.0	5.0	5.0	4.0	10.7	13.5	4.5	8.8	11.7	7.4
Structures	-9.8	-9.4	0.1	7.0	5.0	2.0	2.0	2.0	-5.6	0.5	2.0	-2.2	-4.5	3.0
Intellectual property products	4.4	15.6	9.2	7.0	7.0	5.0	5.0	4.0	8.5	9.6	4.5	6.8	9.4	5.7
Residential investment	-1.8	-7.6	2.8	-1.5	0.0	4.0	6.0	3.0	-3.8	-1.6	4.0	-2.7	-3.0	2.7
Government	-5.7	4.7	-0.1	1.2	1.4	1.5	1.5	1.5	-0.6	1.8	1.5	1.6	0.6	1.3
Net exports ($bn, chained $2017)	-1006	-1019	-1099	-1251	-1322	-1342	-1362	-1376	-	-	-	-	-	-
Exports (goods and services)	-4.2	13.9	5.0	-5.5	2.5	1.5	1.5	1.0	1.3	3.8	1.2	2.1	3.9	0.9
Imports (goods and services)	-1.5	11.5	12.6	12.0	9.0	3.0	3.0	2.0	-1.1	11.3	2.5	3.6	4.7	5.5
Inventories (ch $bn, chained $2017)	-45.9	-34.7	-63.4	47.2	68.4	72.9	73.7	72.1	-	-	-	-	-	-
Contribution to real GDP growth (% pts):														
Domestic final sales	0.5	2.4	3.8	4.1	2.5	2.5	2.6	2.0	1.9	3.1	2.2	2.6	2.6	2.6
Net exports	-0.3	0.0	-1.1	-2.5	-1.1	-0.3	-0.3	-0.2	0.3	-1.1	-0.2	-0.2	-0.2	-0.7
Inventories	0.0	0.2	-0.5	1.8	0.3	0.1	0.0	0.0	-0.3	0.5	0.0	-0.1	0.0	0.3
Income and profits (NIPA basis)														
Adjusted corp profits	22.3	6.1	40.5	6.4	12.3	6.4	6.2	6.0	7.0	15.5	5.7	7.7	16.4	9.0
Real disposable personal income	0.5	2.4	-0.2	2.4	-0.1	1.7	1.7	1.3	1.4	1.1	1.6	1.6	1.3	1.3
Nominal disposable personal income	3.2	6.6	4.8	4.4	4.1	4.0	3.8	3.8	4.1	5.0	3.9	4.2	4.7	4.1
Saving rate[1]	4.9	5.3	4.4	4.2	3.8	3.7	3.7	3.6	-	-	-	5.4	4.4	3.7
Prices and labor cost														
Consumer price index	2.5	3.6	6.1	1.7	5.0	1.6	1.5	2.2	2.7	4.1	1.8	2.7	3.5	2.6
Core	2.0	2.8	2.9	2.3	3.1	2.6	2.5	2.6	2.7	2.8	2.6	2.9	2.6	2.7
PCE deflator	2.7	4.2	5.0	2.0	4.2	2.3	2.1	2.5	2.7	3.8	2.3	2.6	3.5	2.8
Core	2.5	3.9	3.3	2.4	3.2	2.8	2.6	2.7	2.8	3.2	2.7	2.8	3.1	2.8
GDP chain-type price index	3.4	3.2	6.1	2.0	4.2	2.3	2.1	2.5	3.0	3.9	2.3	2.6	3.6	2.8
S&P/C-S house price index (%oya)	1.3	0.9	1.3	0.0	0.0	3.0	3.0	3.0	1.3	0.0	3.0	2.2	0.5	3.0
Employment Cost Index	3.0	3.7	3.6	3.0	3.1	3.2	3.3	3.4	3.4	3.3	3.3	3.5	3.4	3.2
Productivity	1.6	0.8	1.4	2.6	1.4	1.7	2.0	1.6	2.5	1.6	1.7	2.3	2.1	1.8
Other indicators														
Housing starts (mn units, saar)[1]	1.323	1.418	1.345	1.301	1.350	1.350	1.400	1.400	-	-	-	1.356	1.354	1.388
Industrial production, mfg.	-3.6	1.7	5.5	1.6	1.0	1.0	1.0	1.0	1.3	2.4	1.0	0.8	1.5	1.4
Light vehicle sales (mn units, saar)[1]	15.8	15.5	16.5	16.2	16.0	16.0	16.0	16.0	-	-	-	16.3	16.1	16.0
Unemployment rate[1]	4.5	4.3	4.3	4.1	4.1	4.0	4.0	4.0	-	-	-	4.3	4.2	4.0
Payroll employment (ch, '000s, samr)[1]	-30	43	97	43	100	100	50	50	-	-	-	26	71	63
Nominal GDP	3.7	5.8	8.5	5.6	6.0	4.6	4.4	4.3	5.1	6.4	4.4	5.0	6.1	5.1
Current account balance ($bn)[1]	-221	-213	-246	-291	-301	-310	-311	-311	-	-	-	-1177	-1050	-1244
% of GDP	-2.8	-2.7	-3.0	-3.5	-3.6	-3.7	-3.6	-3.6	-	-	-	-3.8	-3.2	-3.6
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.

	Oct 16	4Q26	1Q27	2Q27	3Q27	4Q27
Interest rate forecast (end of period)						
Fed funds target (top of range)	4.00	4.25	4.25	4.25	4.25	4.25
2-yr Treasury	4.73	4.70	4.65	4.60	4.55	
5-yr Treasury	4.90	4.90	4.95	4.90	4.85	
10-yr Treasury	5.10	5.05	5.10	5.05	5.00	
30-yr Treasury	5.44	5.45	5.50	5.45	5.45	

Source: J.P. Morgan

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J.P.Morgan

US economic calendar

Monday	Tuesday	Wednesday	Thursday	Friday
19 Oct **NAHB survey**(10:00am) Oct 31	**20 Oct** **Housing starts**(8:30am) Sep 1,280,000 Permits 1,400,000 **Pending home sales**(10:00am) Sep -0.3%	**21 Oct** Auction 20-year bond (r) $13bn	**22 Oct** **Initial claims**(8:30am) w/e Oct 17 200,000 **Leading indicators**(10:00am) Sep **KC Fed survey**(11:00am) Oct Auction 5-year TIPS $26bn Announce 2-year note $69bn Announce 7-year note $44bn Announce 5-year note $70bn Announce 2-year FRN $30bn	**23 Oct** **Manufacturing PMI**(9:45am) Oct flash 54.5 **Services PMI**(9:45am) Oct flash 58.0 **Consumer sentiment**(10:00am) Oct final 46.0
26 Oct **Dallas Fed manufacturing**(10:30am) Oct Auction 2-year note $69bn	**27 Oct** **Durable goods prelim**(8:30am) Sep **FHFA HPI**(9:00am) Aug **S&P/Case-Shiller HPI**(9:00am) Aug **New home sales**(10:00am) Sep **Consumer confidence**(10:00am) Oct **Richmond Fed survey**(10:00am) Oct Auction 5-year note $70bn	**28 Oct** **Wholesale trade prelim**(8:30am) Sep **Housing vacancies**(10:00am) 3Q **FOMC meeting**(2:00pm) Oct Auction 2-year FRN $30bn	**29 Oct** **Real GDP**(8:30am) 3Q advance **Initial claims**(8:30am) w/e Oct 24 **Personal income**(8:30am) Sep Auction 7-year note $44bn	**30 Oct** **Employment cost index**(8:30am) 3Q
2 Nov **Manufacturing PMI**(9:45am) Oct final **ISM manufacturing**(10:00am) Oct **Construction spending**(10:00am) Sep **Senior loan officer survey**(2:00pm) 4Q Chicago Fed President Goolsbee speaks(11:15am)	**3 Nov** **Durable goods**(10:00am) Sep **JOLTS**(10:00am) Sep **Factory orders**(10:00am) Sep **Light vehicle sales** Oct	**4 Nov** **ADP employment**(8:15am) Oct **International trade**(8:30am) Sep **Services PMI**(9:45am) Oct final **ISM services**(10:00am) Oct Announce 3-year note $58bn Announce 10-year note $42bn Announce 30-year bond $25bn	**5 Nov** **Productivity and costs prelim**(8:30am) 3Q **Initial claims**(8:30am) w/e Oct 31 Richmond Fed President Barkin speaks(9:10am)	**6 Nov** **Employment**(8:30am) Oct **Consumer sentiment**(10:00am) Nov preliminary **Consumer credit**(3:00pm) Sep
9 Nov **Wholesale trade**(10:00am) Sep Auction 3-year note $58bn Chicago Fed President Goolsbee speaks(10:00am)	**10 Nov** **NFIB survey**(6:00am) Oct **CPI**(8:30am) Oct Auction 10-year note $42bn	**11 Nov** **Veterans Day, Bond market closed**	**12 Nov** **Initial claims**(8:30am) w/e Nov 7 **Existing home sales**(10:00am) Oct **Federal budget**(2:00pm) Oct Auction 30-year bond $25bn	**13 Nov** **PPI**(8:30am) Oct San Francisco Fed President Daly speaks(11:10am)

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

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