Weekly Economic Brief

Collaboration with The Investing Group (TIG)

by Saied Toossi | Week of September 28, 2026

Last week's data provided further evidence of an expanding private sector and deepening consumer inflation anxieties, and speeches by Federal Reserve officials underscored a hawkish monetary posture. Meanwhile, President Xi Jinping's state visit to Washington yielded a temporary extension of the bilateral trade truce, though fundamental trade and technology frictions remain unresolved.

Surveys of purchasing managers pointed to robust private-sector momentum, with the S&P Global Flash US Composite PMI surging to its strongest reading in five years at 58.4 in September. Expansion was led by services activity and manufacturing (57.0), supported by the AI buildout. However, the survey also flagged intensifying price pressures, with rising fuel, transportation, and labor expenses pushing input costs to their highest in four years. Durable goods orders also picked up. While flat overall on a monthly basis, orders for non-defense capital goods excluding aircraft, a proxy for business investment intentions and future spending, rose 1.6%, beating expectations.

In contrast to the strong business output, consumer confidence deteriorated significantly. The University of Michigan Consumer Sentiment Index fell to 48.1 in September, reversing the rebound in June and hovering near historic lows. The decline was driven by renewed household frustration over high prices. Inflation expectations in the year-ahead jumped to 4.6%, though long-term expectations continued to remain anchored. Importantly, deteriorating sentiment was broad-based across the political spectrum, falling even among Republicans ahead of the upcoming midterm elections. Current odds on Polymarket have Democrats reclaiming both the House and the Senate in November.

Consistent with the data over recent weeks, speeches delivered by Fed officials echoed the hawkish undertones set by Chair Kevin Warsh following the September policy meeting. Policymakers broadly defended the decision to raise the target range for the federal funds rate to 3.75%-4.00%, emphasizing the risks to inflation. Committee members signaled more rate hikes to come, with markets currently pricing in a 66% chance of another hike before the elections.

Week ahead for economic data: The upcoming week features a crucial slate of labor market and inflation updates, alongside more speeches by Fed officials. Tuesday's Job Openings and Labor Turnover Survey for August and Friday's Employment Situation report lead the labor front. On the inflation side, the Personal Consumption Expenditures (PCE) report will inform markets about the trajectory of the Fed's preferred measure of price growth. Business momentum will be further gauged by the ISM manufacturing PMI and the final reading of second-quarter GDP.
