



MACROMATRIX

Soft Landing Secured: Global Growth Rebalances as the Fed Nears Its Final Cut



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Executive Overview

Global macro conditions entering Q4 2025 indicate that the world economy is transitioning from late-cycle tightening to early-stage stabilization. In the U.S., firm Treasury demand and a softer inflation print (3.0% YoY) reinforce expectations of one final 25-bp Fed cut in October, followed by a likely December adjustment. Growth remains services-led, while industrial production and housing show selective weakness. The Eurozone's recovery is uneven but improving, with inflation hovering just above target and PMIs at multi-month highs, allowing the ECB to stay on hold. The UK's inflation persistence and fiscal strain keep policy constrained, while Canada's disinflation and housing resilience support a dovish stance. Across Asia, China's industrial uptick masks property fragility, India's widening trade deficit highlights domestic demand strength, and Singapore's manufacturing rebound signals a regional export recovery.

Financial markets are recalibrating toward equilibrium—bond demand remains robust, equities are rotating toward growth and quality, and commodities are stabilizing amid balanced supply-demand conditions. The global policy mix now converges on measured accommodation, setting the stage for a soft landing rather than a downturn.

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Key Takeaway

*The global cycle is entering a **plateau of stability**—growth is moderating but intact, inflation is converging, and central banks are shifting from defense to stewardship. The Fed's final cuts mark not the end of the cycle, but the beginning of a steady, policy-anchored normalization phase.*

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The U.S. Macro Pulse: Cautious Optimism Meets Structural Softness

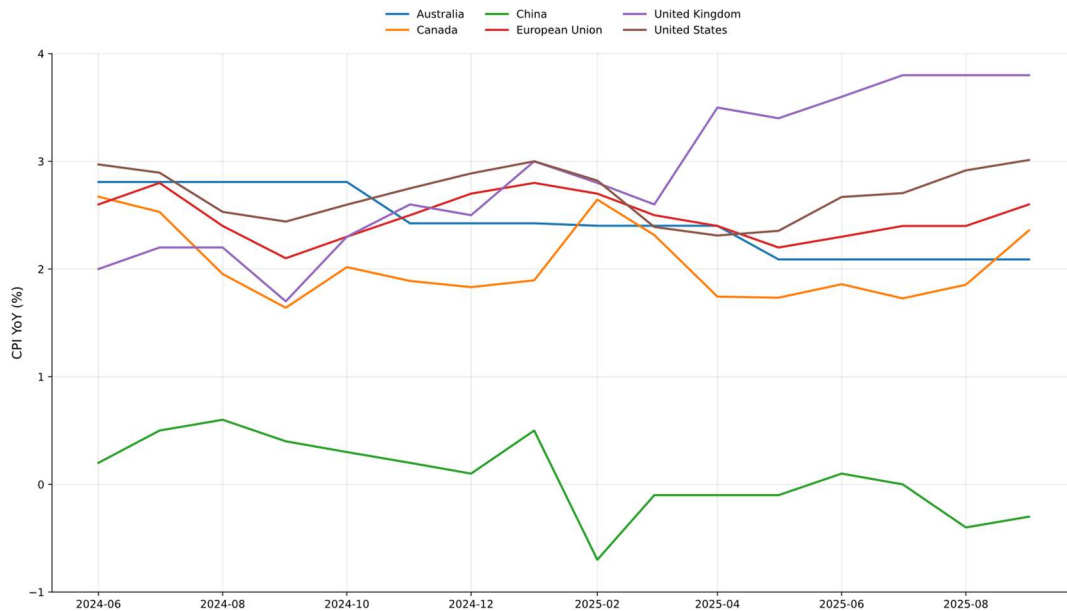
1. Treasury Market Signals: Appetite for Duration Amid Disinflation

Investor appetite for U.S. government debt remains robust, reflecting a growing conviction that the tightening cycle has conclusively ended and that policy normalization will proceed gradually. The latest Treasury auctions underscore this theme: the four-month bill drew a healthy bid-cover ratio of 3.27 at a yield of 3.735%, while the three-month bill saw 3.01 at 3.810%. Even the short-end instruments—four- and eight-week bills—sustained coverage ratios near 2.8–2.9, despite modest rate adjustments.

The most telling signal, however, emerged from the 20-year bond reopening, which drew a solid 2.73x coverage at a yield of 4.506%. This outcome affirms investor confidence in longer-duration Treasuries even as the curve remains moderately inverted. In our view, this reflects a dual dynamic: (i) heightened conviction that the October FOMC will deliver a 25-bp cut, and (ii) growing demand for duration as inflation converges toward the 3% handle. Institutional buyers—particularly pension and insurance funds—are re-engaging after quarters of underweight duration, sensing stabilization in real yields near 1.5%.

This dynamic points to an environment where Treasury demand is driven less by liquidity preference and more by duration rebalancing in portfolios positioned for disinflation and moderate growth. Bid-cover resilience across the curve also suggests that concerns about reserve scarcity and collateral shortages are fading, despite lingering regional bank stress.

Figure 1: Inflation Across Major Economies



Source: Data sourced from Yahoo! Finance as on October 27, 2025. ^GSPC - S&P 500 Index (US Large Cap), DJIA - Dow Jones Industrial Average (US Industrials), ^IXIC - NASDAQ Composite Index (US Tech), ^RUT - Russell 2000 Index (US Small Cap), ^FTSE - FTSE 100 Index (UK Large Cap), ^STOXX50E - EURO STOXX 50 (Eurozone Equities), ^N225 - Nikkei 225 Index (Japan Equities), VEMAX - Vanguard Emerging Markets Stock Index Fund (Emerging Markets Equities).

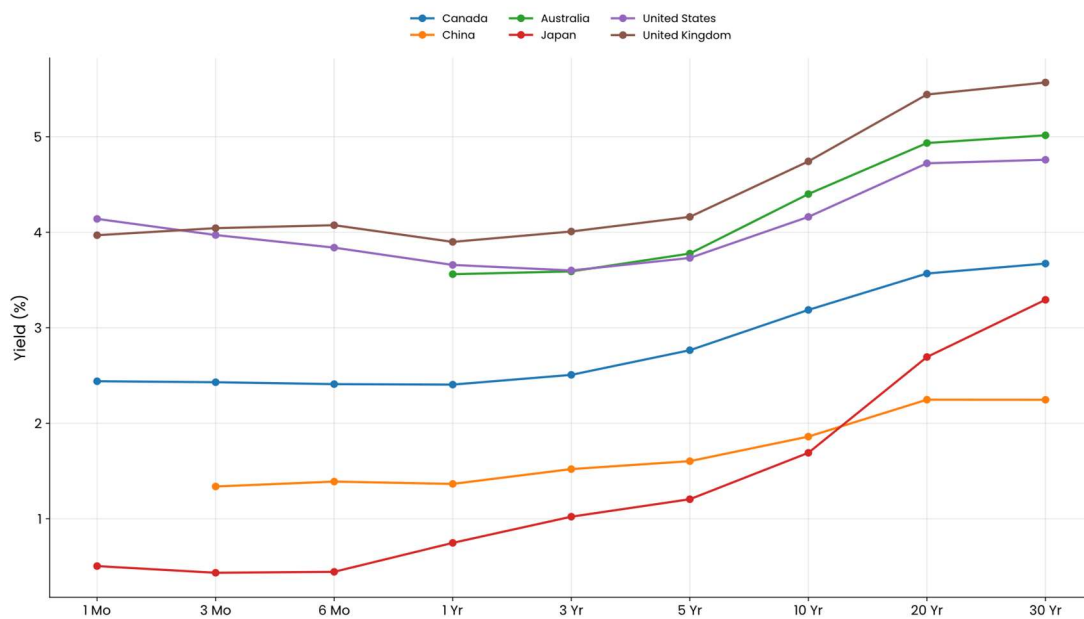
2. Fed Messaging: Transitioning from Restrictive to Watchful

Recent Federal Reserve communications have turned more nuanced. Speeches by Governor Waller, Vice Chair Barr, and Presidents Bowman, Barkin, and Musalem reveal a central bank that sees diminishing inflation risk but remains wary of financial stability constraints. The Beige Book described a stable labor market with modest wage gains and continued pricing power erosion in consumer goods.

Markets now assign a 98% probability to a 25-bp cut at the October 28–29 FOMC, likely bringing the policy rate to a mid-3% range. The shift from a “higher-for-longer” narrative toward a measured recalibration suggests the Fed is preparing for a late-cycle glide path rather than an outright pivot.

Yet, policy coherence remains a challenge. Several Fed officials have underscored uncertainties stemming from AI productivity dynamics and stablecoin usage—new themes signaling the Fed’s broadened focus on financial plumbing and technological spillovers. Our interpretation: while near-term policy easing continues, strategic caution will dominate 2026 guidance as the Fed weighs disinflation progress against systemic risk.

Figure 2: Yield Curves of Major Global Economies



Source: Data sourced from Yahoo! Finance on October 27, 2025.

3. Inflation and Growth Data: Controlled Deceleration, Not Collapse

The September CPI print reinforced the soft-landing narrative. Headline CPI rose 3.0% YoY, slightly above consensus (2.9%), while core inflation held at 3.0%. On a monthly basis, headline CPI increased 0.3%, driven by energy (+2.8% YoY) and gasoline (+1.5% MoM). The moderation in shelter inflation and a plateau in goods prices confirm that the inflation impulse is narrowing.

From a policy standpoint, this composition supports one additional cut by December, but the Fed is unlikely to accelerate easing while core services inflation remains sticky. In our models, trend inflation continues to anchor around 2.8–3.0%, implying the Fed’s real rate is still mildly restrictive.

Meanwhile, real-time growth data depict resilience rather than expansion. The S&P Global Composite PMI (October flash) rose to 54.8—its highest since early 2023—driven by services (55.2) while manufacturing stayed flat. New orders and employment improved modestly, suggesting that private-sector sentiment remains firm. However, input-cost inflation continues to face tariff-related headwinds, a structural challenge that could re-emerge if trade tensions escalate.

Figure 3: Major Global Markets (YTD)



Source: Data sourced from Yahoo! Finance as on October 27, 2025. ^GSPC – S&P 500 Index (US Large Cap), DJIA – Dow Jones Industrial Average (US Industrials), ^IXIC – NASDAQ Composite Index (US Tech), ^RUT – Russell 2000 Index (US Small Cap), ^FTSE – FTSE 100 Index (UK Large Cap), ^STOXX50E – EURO STOXX 50 (Eurozone Equities), ^N225 – Nikkei 225 Index (Japan Equities), VEMAX - Vanguard Emerging Markets Stock Index Fund.

The Empire State Manufacturing Index rebounded sharply to +10.7 from –8.7, highlighting an inventory-restocking bounce. Still, the industrial production decline (–0.5% MoM, –1.3% YoY) and soft capacity utilization (78.1%) underscore that manufacturing remains the weak link. The combination of strong survey data but weak hard data reinforces the narrative of a services-led expansion amid industrial drag.

4. Credit, Housing, and Banking Stress: Localized Fragility

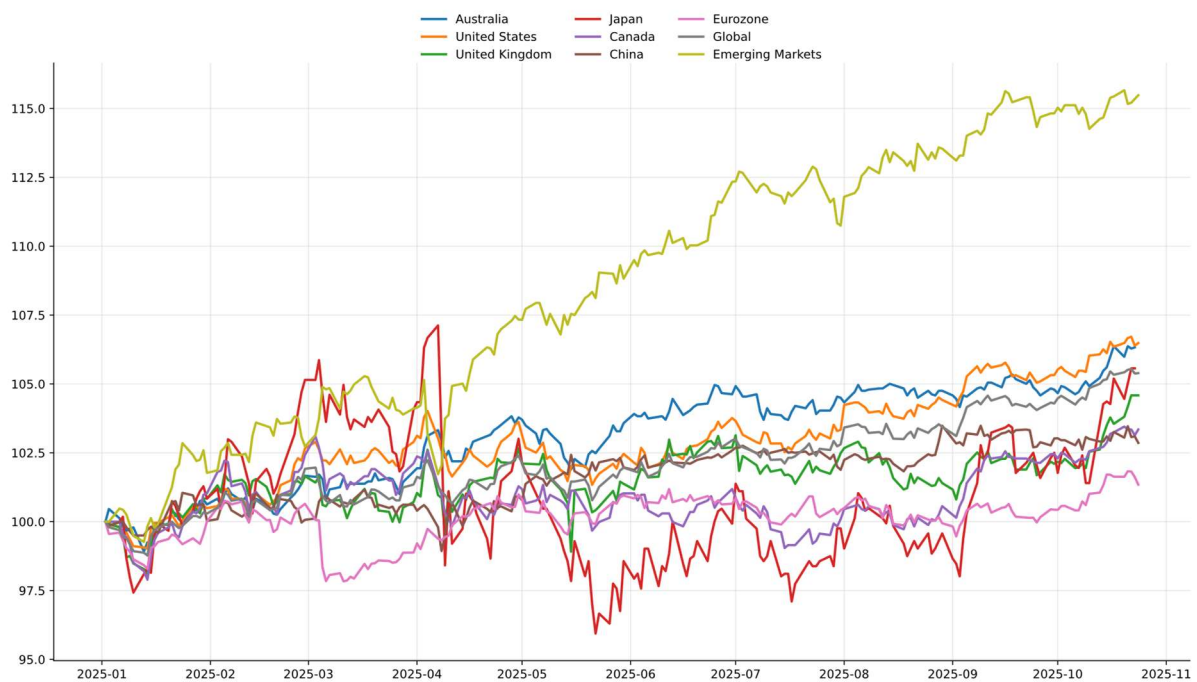
Mortgage and credit indicators continue to reflect a sluggish housing cycle. MBA mortgage applications fell 1.8% in the week of October 10, led by a 2.7% decline in purchase applications, while refinancing was

steady. Refinancing’s share of activity (56%) suggests households are opportunistically locking in lower rates as the 30-year fixed rate slipped to 6.37%.

Despite this relief, housing remains a latent drag on consumption. Pending and new home sales remain muted, constrained by affordability pressures and regional inventory shortages. The risk of renewed housing-finance volatility remains limited, but bank-specific stress events persist.

Regional lenders—Zions and Western Alliance—reported counterparty liquidity strains, contributing to renewed discussion of reserve concentration risk among money-center banks. The Fed’s balance sheet expanded by \$5.6 bn, with repo assets up \$4.7 bn, suggesting tactical liquidity support. We interpret this as a technical reserve adjustment rather than systemic stress, though it highlights that the post-QT liquidity environment remains fragile.

Figure 4: Emerging Market Bonds Continue to Significantly Outshine Other Major Economies on a YTD basis



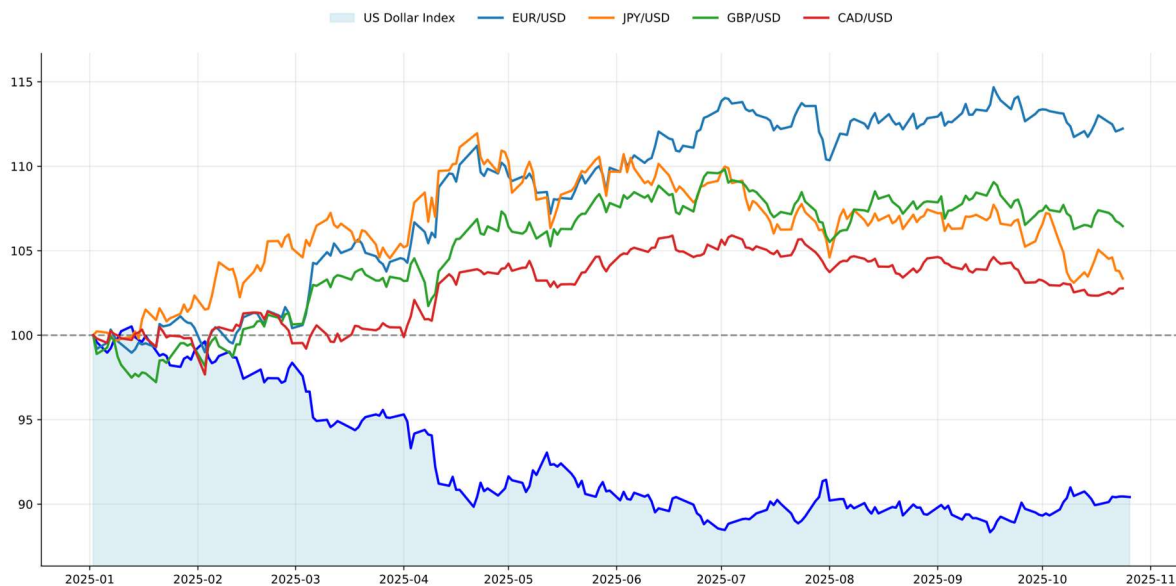
Source: Data sourced from Yahoo! Finance as on October 27, 2025. Australia – iShares Core Composite Bond ETF (GOVT.AX), United States – iShares U.S. Treasury Bond ETF (GOVT), United Kingdom – iShares UK Gilts ETF (IGLT.L), Japan – Daiwa ETF-TOPIX Mid Small (2621.T), Canada – iShares Canadian Government Bond Index ETF (XGB.TO), China – VanEck China Bond ETF (CBON), Eurozone – iShares Global Government Bond EUR Hedged ETF (XGLE.L), Global – Vanguard Total World Bond ETF (BNDW), Emerging Markets – VanEck J.P. Morgan EM Local Currency Bond ETF (EMLC)

5. Trade and Sentiment: Policy Uncertainty in the Background

Equities oscillated in mid-October as U.S.–China trade rhetoric resurfaced. President Trump’s optimistic remarks on renewed talks buoyed markets early in the month, only to be tempered by tariff warnings mid-month. The Beige Book again cited tariff-induced input-cost spikes, particularly in machinery and intermediate goods.

This narrative reinforces a structural theme: trade policy volatility remains a key driver of inflation uncertainty. Corporate margins have adapted to input-cost fluctuations, but sustained ambiguity around tariff schedules continues to distort investment planning. In our base case, trade policy will remain headline-sensitive through the 2026 election cycle, perpetuating periodic risk-on/risk-off swings in equity and FX markets.

Figure 5: Major Global Currencies Continue to Appreciate Against the U.S. Dollar



Source: Data sourced from Yahoo! Finance as on October 27, 2025.

Europe: Slow Normalization Amid Divergent Underpinnings

1. Inflation and Activity: Stabilization with Asymmetric Momentum

The Eurozone’s inflation trajectory appears to have plateaued modestly above target, with HICP at 2.2% YoY in September, up from 2.0% in August. The composition, led by services, suggests lingering wage pressures even as goods inflation softens. Germany’s PPI declined 1.7% YoY, with energy prices falling 7.3%, providing some offset to household cost pressures.

Industrial activity paints a more complex picture: EMU industrial production fell 1.2% MoM but rose 1.1% YoY, confirming that the manufacturing sector is stabilizing rather than expanding. Country divergence is widening—Southern Europe continues to benefit from services and tourism tailwinds, while Germany’s capital-goods and export complex remains underperforming.

The October Eurozone PMI Composite rose to 52.2, marking a 17-month high, driven by service-sector resilience and a nascent manufacturing stabilization. New orders grew at their strongest pace in 2½ years, while employment growth in services accelerated.

In macro terms, the Eurozone is transitioning from contraction risk toward tepid normalization. Structural headwinds—particularly energy dependency, regulatory costs, and weak investment—continue to cap potential growth near 1%. However, the current data trajectory reduces near-term recession risk, allowing the ECB to pause comfortably.

2. ECB Outlook: On Hold, With Limited Easing Scope

With inflation modestly above 2% and growth showing tentative recovery, the European Central Bank is poised to maintain its current policy stance. The Governing Council has communicated a data-dependent hold, emphasizing patience rather than preemptive easing. Balance sheet normalization continues gradually, and liquidity demand in TLTRO operations remains muted.

Market pricing reflects no policy change through Q1 2026, though forward swaps embed modest easing expectations if growth disappoints. The key constraint remains structural: unlike the Fed, the ECB faces limited fiscal coordination and persistent heterogeneity across member states.

From an investment perspective, the improving PMI trajectory supports a constructive view on European equities, particularly in services and domestic demand sectors, though manufacturing export names remain range-bound. Core bond yields are likely to remain capped by subdued inflation expectations and ongoing global disinflation momentum.

3. The UK: Growth Pockets Amid Fiscal Tightrope

The UK macro picture continues to defy binary narratives. Headline CPI held at 3.8% YoY, and core CPI at 3.5%, suggesting that while inflation persistence remains, the acceleration phase has ended. Retail sales posted +0.5% MoM and +1.5% YoY, buoyed by non-food and online categories, signaling some resilience in household demand. However, fiscal headwinds persist. Public sector borrowing reached £20.2 bn in September, taking debt-to-GDP to 95.3%. This leaves limited room for fiscal maneuver ahead of the 2026 election. On the production side, industrial output rose 0.4% MoM (manufacturing +0.7%), but the annual decline (-0.7%) underscores continued structural softness.

The Bank of England faces a delicate balance: maintain policy credibility amid high public borrowing while preventing growth stagnation. Markets expect a gradual easing cycle in 2026, contingent on inflation convergence toward 2%. For now, the BoE's "higher for longer" stance remains rhetorical; the underlying bias is mildly dovish.

Canada, Asia, and Commodities: Dovish North, Divergent East

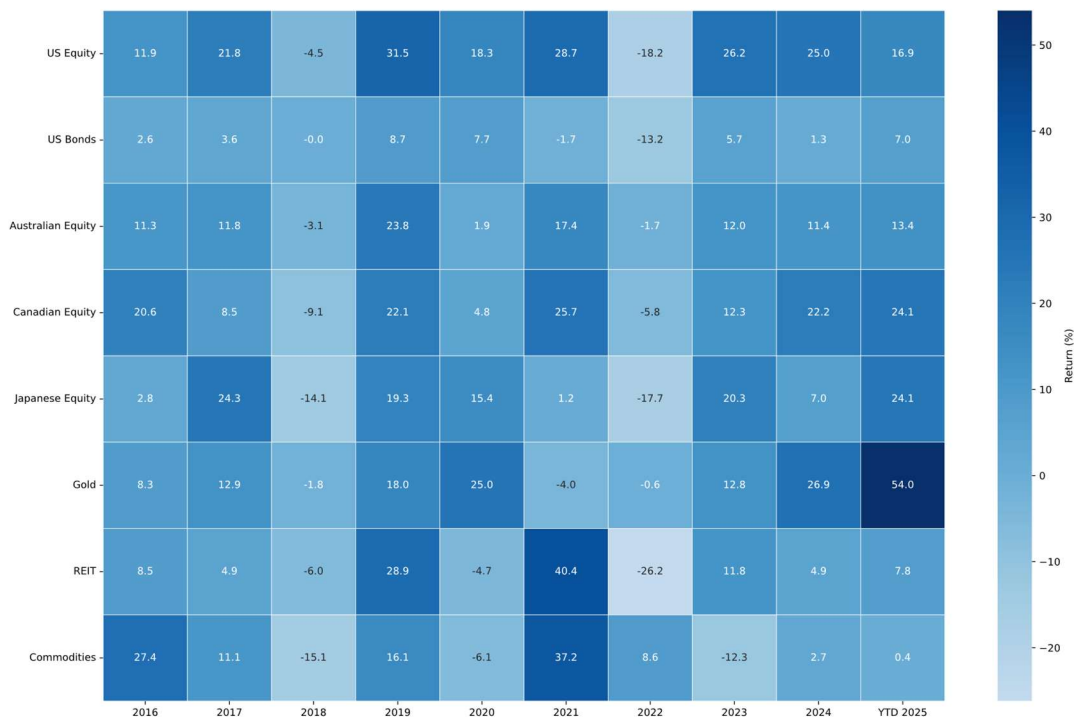
1. Canada: Housing Resilience, Inflation Contained

Canada's September housing data signaled a renewed supply response: housing starts surged 14.2% YoY to 279 k units, led by Ontario and Toronto. This strength contrasts with cooling resale activity, suggesting that the construction pipeline remains active despite prior rate cuts.

Inflation metrics confirmed disinflation continuity: headline CPI +0.1% MoM, +2.4% YoY, with core flat MoM. Businesses report declining inflation expectations, and the Bank of Canada, having already delivered 300 bps of cumulative cuts, held policy at 2.5%, maintaining a dovish forward tone.

We maintain a constructive view on Canadian growth relative to peers. With real income growth improving and energy exports stable, Canada could outperform the G7 average through early 2026, though the housing correction remains a medium-term drag.

Figure 6: Global Asset Class Performance – Gold Overheating



Source: Data sourced from Yahoo! Finance as on October 27, 2025. US Equity – Vanguard 500 Index Fund (VFIAX), US Bonds – Vanguard Total Bond Market Index Fund (VBTLX), Australian Equity – Vanguard Australian Shares Index ETF (VAS.AX), Canadian Equity – Vanguard FTSE Canada All Cap Index ETF (VCN.TO), Japanese Equity – iShares MSCI Japan ETF (EWJ), Gold – iShares Gold Trust (IAU), REIT – Vanguard Real Estate Index Fund (VGSIX), Commodities – S&P-GSCI Commodity Index Future (GD=F)

2. Asia-Pacific: Labor Friction and Monetary Divergence

Australia's labor market shows emerging slack. Full-time employment rose 8.7 k in September, but unemployment climbed to 4.5%, the highest since 2021. This suggests cyclical cooling consistent with the Reserve Bank of Australia's easing bias. Meanwhile, the RBNZ reduced its cash rate to 2.5%, completing a 300-bp cumulative cut, and signaled further accommodation contingent on inflation moderation.

The regional trend is clear: Asia-Pacific central banks are front-loading easing to safeguard domestic growth while global disinflation creates policy space. Capital flow dynamics remain favorable, with local-currency bond demand supported by relative yield advantages and currency stability.

3. China: Mixed Signals Beneath Surface Stability

China's September data reaffirmed the economy's fragile re-acceleration. CPI rose 3.0% YoY, driven by food and seasonal factors, while industrial production grew 6.5% YoY, its strongest pace in over a year. Yet, fixed-asset investment fell 0.5% YoY, reflecting subdued private-sector sentiment, and residential property prices declined 2.2% YoY, extending the housing correction.

Monetary policy remains steady: loan prime rates unchanged at 3.0% (1-yr) and 3.5% (5-yr). The PBoC appears content to let liquidity transmission operate gradually rather than pursuing broad-based stimulus. While headline growth indicators are improving, the recovery's quality remains uneven—led by public infrastructure and state-linked investment, while private construction and consumption lag.

From an external-sector standpoint, exports have stabilized, but import weakness underscores tepid domestic demand. Our baseline assumes 5.0–5.2% 2025 GDP growth, with policy risk skewed toward additional targeted easing in early 2026.

4. India and Southeast Asia: Trade Gaps and Rebounds

India's merchandise trade deficit widened to \$32.15 bn in September, from \$26.49 bn in August, reflecting a sharp rise in imports amid strong domestic demand and elevated oil prices. While the trade imbalance highlights external fragility, domestic growth momentum remains robust, with investment activity resilient and credit growth above trend.

In contrast, Singapore's industrial production delivered a dramatic rebound: +26.3% MoM following an 11% August drop, with electronics up 13.2% and biomedical output surging 45.9%. On a year-over-year basis, production rose 16.1%, underscoring the city-state's sensitivity to global tech and pharma cycles.

This divergence captures the broader Asian two-speed dynamic—domestic-demand powerhouses like India facing external deficits, while export-reliant hubs like Singapore rebound with global manufacturing stabilization.

Commodities and Market Positioning: Repricing the Cycle

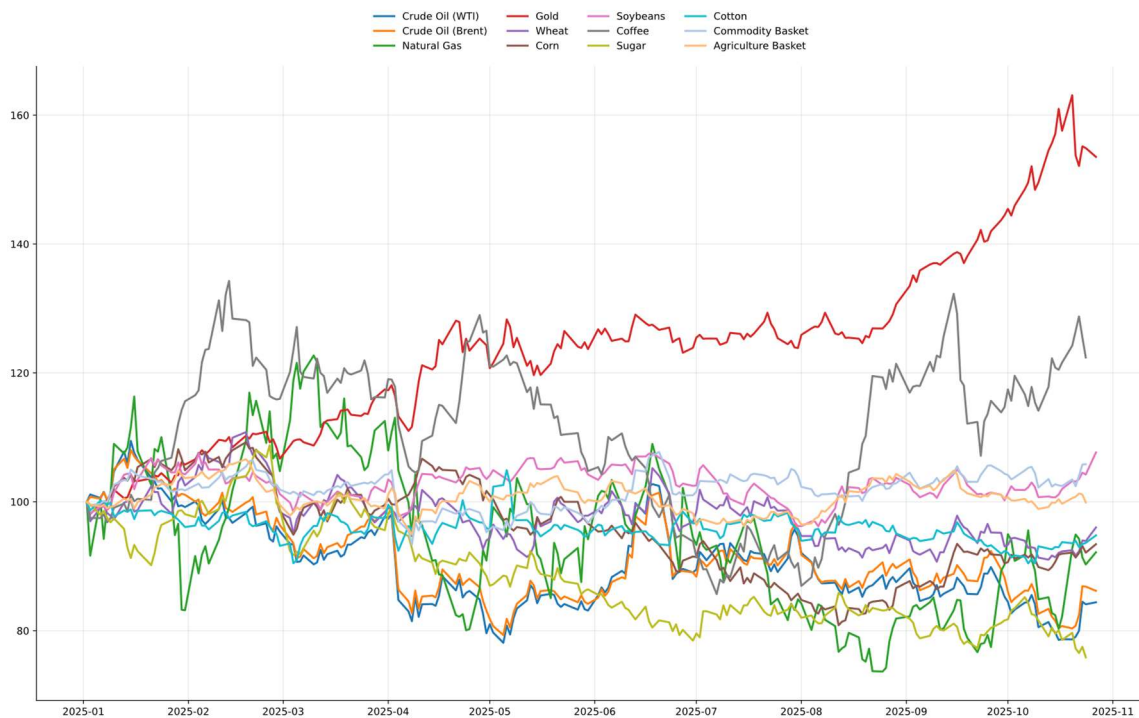
1. Energy: Balancing Supply Deficits and Demand Plateaus

U.S. crude inventories fell 1.0 million barrels to 422.8 million, roughly 4% below the five-year average, suggesting that underlying supply remains tight. Yet, product demand indicators softened marginally, and refining margins have compressed amid volatile global prices.

Oil market sentiment remains tactically bearish, with participants expecting a modest inventory build-up in Q4 as seasonal demand eases. The broader narrative remains one of price volatility around a stable equilibrium: \$80–\$85/bbl Brent appears to be the comfort zone under current macro conditions.

Energy's contribution to inflation will continue to oscillate month-to-month, but absent geopolitical shocks, the trajectory remains disinflationary into early 2026.

Figure 7: Gold Continues its Upward Trajectory



Source: Data sourced from Yahoo! Finance as on October 27, 2025. Crude Oil (WTI) – NYMEX WTI Crude Oil Futures (CL=F), Crude Oil (Brent) – ICE Brent Crude Oil Futures (BZ=F), Natural Gas – NYMEX Natural Gas Futures (NG=F), Gold – COMEX Gold Futures (GC=F), Wheat – CBOT, Wheat Futures (ZW=F), Corn – CBOT Corn Futures (ZC=F), Soybeans – CBOT Soybean Futures (ZS=F), Coffee – ICE Coffee C Futures (KC=F), Sugar – ICE Sugar No.11 Futures (SB=F), Cotton – ICE Cotton No.2 Futures (CT=F), Commodity Basket – Invesco DB Commodity Index Tracking Fund (DBC), Agriculture Basket – Invesco DB Agriculture Fund (DBA).

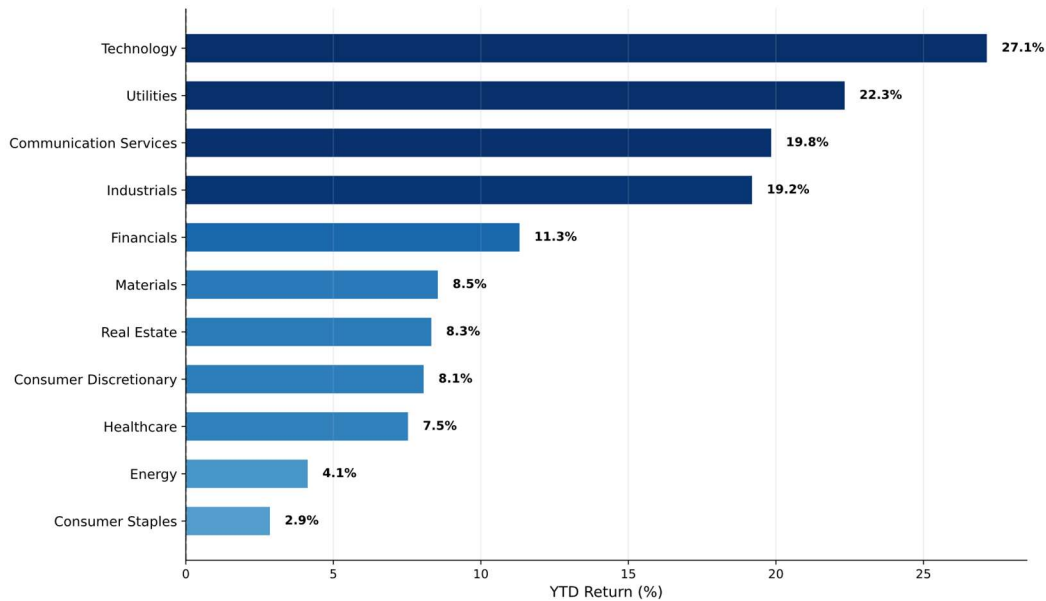
2. Equities: Sentiment Rotation and Policy Anchoring

The U.S. equity market experienced a notable three-phase rhythm in October: an early rally on trade optimism and tech earnings, mid-month volatility amid renewed tariff fears and mixed earnings, and a late-month recovery as CPI undershot expectations, reinforcing rate-cut optimism.

Sector leadership rotated toward growth and duration-sensitive assets, particularly technology and communication services, while cyclicals underperformed. Regional banks lagged amid funding-cost concerns, and energy stocks corrected modestly.

Positioning data show that institutional investors remain underweight cyclicals and industrials, reflecting skepticism about the durability of the manufacturing rebound. We view this as an opportunity for selective re-risking in Q4, provided inflation remains contained and the Fed executes a final 25-bp cut in October followed by another in December.

Figure 8: All S&P 500 Sectors Registered Positive Performances, Led by Technology & Communication Services



Source: Data sourced from Yahoo! Finance as on October 27, 2025.

Policy Outlook: Entering the Easing Plateau

1. The Fed's Final Steps

The market's near-certainty of an October 25-bp Fed cut reflects confidence that inflation has peaked without collapsing growth. With core CPI at 3% and unemployment stable, we expect the Fed to deliver a final December cut, bringing the policy rate toward 3.25–3.50%.

This sequence marks the transition from an active easing cycle to a holding phase—a plateau where policy remains accommodative enough to sustain growth, yet tight enough to avoid financial imbalances. The balance sheet trajectory—gradual runoff with occasional repo adjustments—will likely persist, keeping liquidity stable but not abundant.

2. Global Central Bank Map

Across major economies, policy divergence is narrowing:

- ECB: On hold through winter; inflation near target removes urgency.
- BoE: Waiting for inflation to soften; fiscal constraints limit scope for tightening.
- BoC: Dovish pause; real rates now positive.
- RBA / RBNZ: Cutting early to pre-empt growth fatigue.
- PBoC: Calibrated easing via credit guidance, not broad cuts.

This convergence toward mildly accommodative stances should stabilize cross-currency volatility and support global liquidity conditions through early 2026.

Synthesis: The Macro Crossroads

Global macro conditions entering Q4 2025 reflect a controlled slowdown, not a downturn. Inflation is broadly converging toward 3% in the U.S. and 2% in Europe, while Asia remains heterogeneous—China stabilizing, India expanding, and ASEAN rebounding.

Financial conditions are easing as policy credibility returns. The combination of solid Treasury demand, moderating inflation, and service-sector resilience provides a foundation for a soft landing. However, persistent structural challenges—U.S. fiscal deficits, Europe's productivity gap, and China's private-sector malaise—suggest that potential growth remains capped across major regions.

We see the current phase as one of macro recalibration: markets are adjusting from the extremes of the 2023–2024 tightening cycle toward equilibrium. Real yields have likely peaked, credit spreads remain contained, and policy risk has become more symmetric.

The implications for investors are threefold:

1. Duration re-engagement remains a rational strategy as inflation normalizes and policy eases.
2. Selective equity exposure—favoring quality growth and balance-sheet strength—should outperform cyclicals until industrial data confirm sustained acceleration.
3. Global diversification regains relevance as policy divergence narrows and currency volatility subsides.

Conclusion: Navigating the Plateau

The global economy is entering a plateau phase—a transitional zone between disinflation and reacceleration. The U.S. remains the anchor, demonstrating remarkable resilience amid industrial softness and financial frictions. Europe is stabilizing, albeit unevenly, while Asia offers both opportunity and divergence. In aggregate, the macro narrative has shifted from “will the Fed pivot?” to “what comes after the pivot?”. With the October FOMC poised to confirm the final leg of the easing cycle, markets are preparing for a 2026 defined by moderate growth, policy patience, and renewed capital rotation.

The next chapter will not be about the speed of rate cuts, but about how economies absorb policy normalization—how real demand, credit, and productivity interact in a world finally exiting the shadow of post-pandemic volatility.

For now, the message is clear: the cycle is not ending—it is evolving.



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RCK Analytics is a global provider of high-quality investment research, investment banking support, PE/VC insights, Gen AI solutions, market research, analytics, and assurance services. We serve a diverse client base including investment firms, PE/VC funds, asset managers, hedge funds, investment banks, consulting firms, and corporates across sectors. Backed by a skilled team, we deliver data-driven insights and strategic support to help clients make informed decisions and drive financial outcomes.



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