

Briefing

- Economic growth is estimated to be higher in the third quarter than it was in the second. The current Blue Chip consensus projection is that the fourth quarter and 2027 (on average) will look more like Q3 of this year than like Q2 (**Figure 1**).
- Following its steady rise since early 2023, the unemployment rate is projected to stabilize. Even the slight uptick projected for Q4 of this year is only a few hundredths of a percentage point (**Figure 2**). Although unemployment has risen almost three-quarters of a percentage point since Q1 of 2023, it remains more than a full percentage point below the average for 2012 through 2019.
- The combination of tariffs and the rise in energy prices due to the Iran war contributed to an inflation spike in Q2 of this year. The Blue Chip forecasters, possibly anticipating that the Federal Reserve's focus on keeping inflation under control will ultimately pay off, expect consumer inflation to remain at 2.5% or below through 2027 (**Figure 3**).

Chart of the Week

TREASURY YIELDS & FORECASTS



Commentary

When the Fed cut its target interest rate in 2024, short-term yields declined, releasing the compression on 10- and 30-year yields. The spread between 30-year and 10-year yields widened to 0.5 percentage points, versus 0.1 percentage points in early 2024. Yields started rising across the board in early 2026 and 30-year yields recently reached their highest level since 2007.

The dashed lines show the Blue Chip consensus forecast. Forecasters are expecting short-term yields to fall through 2027, 10-year yields to remain elevated and 30-year yields to continue rising. The colored fans show the range over which the half of the forecasters who are in closest agreement anticipate future yields changing (**Chart of the Week**).

Currently, Treasury markets look healthy. Bid-to-cover ratios remain strong at around 2.4. Daily turnover is high at around \$1.2 trillion. Investor appetite for more Treasury debt continues to grow at roughly 7% per year. Dealers and brokers are buying less at auction, dropping to under 15% of offerings today versus over 50% in 2014. Treasury debt is leaning heavily on the short end of the curve, with 33% of the debt maturing within 12 months.

Snapshots

Figure 1. Real GDP Growth
(QoQ, Annualized)

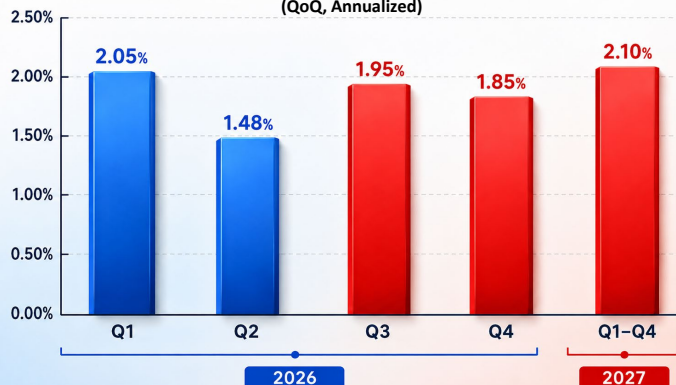


Figure 2. Unemployment Rate

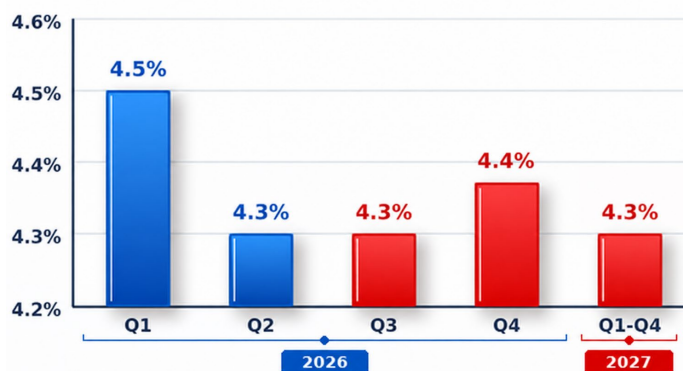


Figure 3. Consumer Inflation
(Annualized)



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Key Indicators

INTEREST RATES ¹	2026			2027		
	Current	Q3	Q4	Q1	Q2	Q3
Fed Funds Target ² (%)	4.00	4.00	4.25	4.50	4.75	4.75
SOFR (%)	3.85	3.65	3.69	3.71	3.66	3.58
2Y UST (%)	4.73	4.12	4.05	3.98	3.90	3.82
5Y UST (%)	4.83	4.26	4.19	4.14	4.09	4.04
10Y UST (%)	4.96	4.59	4.52	4.47	4.43	4.39
30Y UST (%)	5.30	5.13	5.07	5.02	4.98	4.94

ECONOMY	2026			2027		
	Current	Q3	Q4	Q1	Q2	Q3
PCE Inflation (YoY %)	3.7	2.5	2.9	2.7	2.4	2.2
CPI Inflation (YoY %)	3.4	2.9	2.7	2.5	2.4	2.1
Real GDP (QoQ %)	1.5	1.9	1.9	2.0	2.1	2.1
Unemployment (%)	4.1	4.2	4.3	4.3	4.3	4.3
Consumer Spending (QoQ %)	3.2	1.7	1.9	1.9	2.0	2.0
Industrial Production (YoY %)	1.4	1.2	2.1	2.3	1.8	2.0

Equities & Currency

	Current	Year ago	YoY Δ
DJIA	51,869	46,382	11.8%
Nasdaq	26,773	22,789	17.5%
S&P 500	7,697	6,694	15.0%
US Dollar Index	\$1,203.29	\$1,195.67	0.4%

Commodities

	Current	Year ago	YoY Δ
Crude Oil (Per Barrel)	\$96.32	\$62.28	54.9%
Natural Gas (Per MMBtu)	\$2.87	\$2.81	2.3%
Coal (Per Short Ton)	\$14.40	\$10.39	39.3%
Gold (Per Ounce)	\$4,352.50	\$3,747.20	16.1%
Corn (Per Bushel)	\$5.34	\$4.22	27.5%
Soybean (Per Bushel)	\$13.18	\$10.11	30.3%

Industry

	Current	Year ago	YoY Δ
Natural Gas Storage (Billion Cubic Feet)	3,298	3,420	(3.6%)
U.S. Daily Power Consumption (MWh)	12,250,665	11,536,805	6.2%
World Container Index (Per 40ft)	\$4,500	\$1,913	135.2%

¹ Unless otherwise indicated, forecasts are from the Blue Chip Professional Forecasters.

² Target rate forecast is based on futures market contracts.

Sources: © Oxford Economics, Blue Chip Financial Forecasts, Trading Economics, Moody’s Analytics, Statista, Oxford Economics, U.S. Bureau of Economic Analysis, U.S. Bureau of Labor Statistics, U.S. Energy Information Administration, U.S. Treasury Department, Federal Reserve Bank of Atlanta, Federal Reserve Bank of New York, Federal Reserve Bank of St. Louis, International Monetary Fund, World Bank, University of Michigan, The Conference Board.

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Forecasts

