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Our Economy and the World

Issue: 425

Date: 21st September 2025

This week's issue of "Our Economy and the World" includes:

Key Global and Regional Developments over the Past Week

- Bloomberg: After Fed Rate Cut, Powell Says Jobs Market No Longer Very Solid
- Reuters: Bank of Canada cuts rates to 2.5%, says ready to cut again if risks rise
- Reuters: Food prices drive British inflation to 3.8% in August, above US, euro zone
- AP: South America's Mercosur bloc signs trade deal with 4 European countries

Special Analysis

- Bank of International Settlements: BIS Quarterly Review - International banking and financial market developments

Developments in Financial and Commodity Markets in the Past Week

- Reuters: Oil prices ease on US demand concerns
- Reuters: Gold falls after scaling record peak as markets digest Fed Chair Powell's comments

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Our Economy and the World

Key Global and Regional Developments over the Past Week

Bloomberg: After Fed Rate Cut, Powell Says Jobs Market No Longer Very Solid

Federal Reserve officials lowered their benchmark interest rate by a quarter percentage point and penciled in two more reductions this year following months of intense pressure from the White House to slash borrowing costs. Chair Jerome Powell pointed to growing signs of weakness in the labor market to explain why officials decided it was time to cut rates after holding them steady since December amid concerns over tariff-driven inflation.

[\(Read Full Article\)](#)

Reuters: Bank of Canada cuts rates to 2.5%, says ready to cut again if risks rise

The Bank of Canada reduced its key policy rate to a three-year low of 2.5% on Wednesday, the first cut in six months, and said it would be ready to cut again if risks to the economy increased in coming months. The 25-basis-point cut reflected a weak jobs market and less concern about underlying pressures on inflation, the bank said.

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[Reuters: Food prices drive British inflation to 3.8% in August, above US, euro zone](#)

British inflation in August held at 3.8%, official data showed on Wednesday, the highest among major advanced economies and reinforcing expectations that the Bank of England will not cut interest rates until next year. The rise in food prices - which the BoE sees as key for shaping public inflation expectations - was the sharpest since January last year and offset a drop in airline fares, the Office for National Statistics said.

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[AP: South America's Mercosur bloc signs trade deal with 4 European countries](#)

South America's Mercosur bloc signed a free trade deal Tuesday with the European countries of Iceland, Liechtenstein, Norway and Switzerland, as ties between the two continents deepen amid global uncertainty sparked by sweeping U.S. tariffs. The agreement was signed in Rio de Janeiro between Argentina, Brazil, Paraguay and Uruguay on one hand, and the four European countries – none of which belong to the European Union – on the other.

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Special Analysis

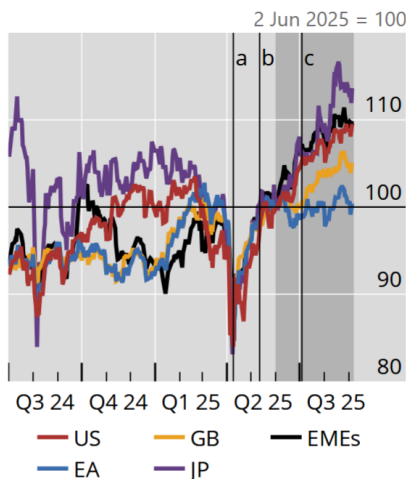
Bank of International Settlements: BIS Quarterly Review - International banking and financial market developments

Global financial markets maintained a risk-on tone during the review period, shrugging off concerns over mounting tariff and policy uncertainty. Despite short-lived bouts of volatility triggered by incoming data and political developments, market sentiment remained upbeat, defying mounting challenges, including unease over the longer-run fiscal outlook in several key jurisdictions.

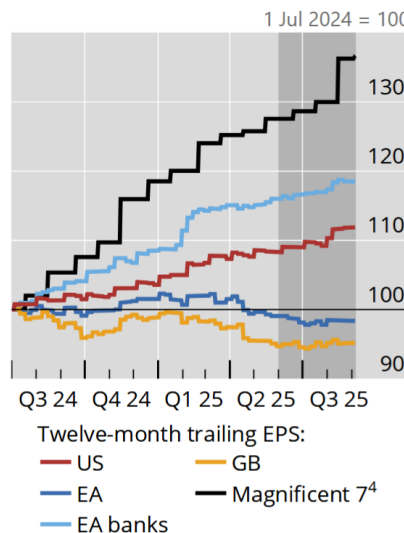
Equity markets remained resilient, with a strong rally in US technology stocks

Graph 1

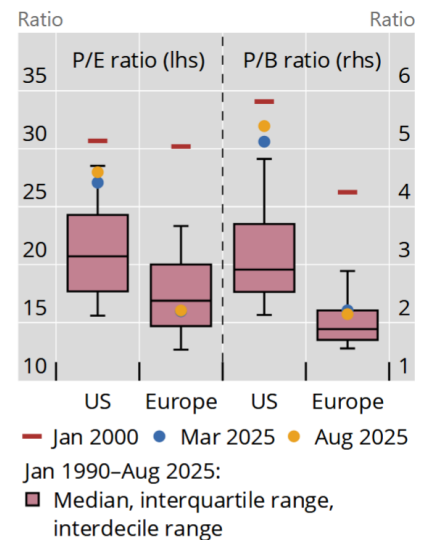
A. Equity markets posted solid gains^{1,2}



B. Earnings of large US technology firms were hefty^{1,3}



C. Elevated US equity valuations⁵



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Developments in Financial and Commodity Markets in the Past Week

Reuters: Oil prices ease on US demand concerns

Oil prices eased on Wednesday after data showing an increase in U.S. diesel stockpiles stoked worries about demand and the U.S. Federal Reserve cut interest rates as expected. Brent crude futures settled 52 cents, or 0.76%, lower to \$68.22 a barrel while U.S. West Texas Intermediate crude futures lost 47 cents, or 0.73%, at \$64.05.

[\(Read Full Article\)](#)

Reuters: Gold falls after scaling record peak as markets digest Fed Chair Powell's comments

Gold prices fell nearly 1% on Wednesday, retreating from a record high scaled earlier in the session, as market participants parsed remarks from Federal Reserve Chair Jerome Powell. Spot gold was down 0.9% at \$3,658.25 per ounce, as of 3:11 pm EDT vafter hitting a record high of \$3,707.40. Prices have risen nearly 6% so far this month.

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