# Week in Review | Reinhart Fixed Income
# By Madison Investments

October 2, 2026

## Employment

The economy added 29,000 jobs in September, falling short of expectations of a 90,000 increase. Revisions for July-August were -60,000, for a net change of -31,000. The unemployment rate rose from 4.1% to 4.2% due to a rise in the participation rate from 61.6% to 61.8%. Average hourly earnings growth slowed from +0.3% to +0.1% for the month and is up 3.0% year-over-year.

**Our Take:** The September jobs report came in notably weaker than expected, reversing some of the strength seen last month that led bond markets to anticipate Fed hikes. The softer report and downward revisions to the previous two months take some pressure off the Fed to continue hiking, but persistent inflation remains the primary concern.

## U.S. Economy

The Personal Consumption Expenditures deflator (PCE) rose 0.3% in August, and core PCE (excluding food and energy) rose 0.2%. Growth in July was revised down to 0.1%, reflecting changes to the Bureau of Economic Analysis (BEA)'s calculation methodology. Year-over-year headline and core PCE rose 3.4% and 3%, respectively, matching July's downwardly revised figures. Personal income rose 0.2% in August, missing estimates of a 0.5% increase. Personal spending rose 0.9%. Q2 consumption was revised up to 3.8% from 3.4%, and real GDP to a 2.2% annualized growth rate from the originally reported 1.5%.

**Our Take:** Data continued to point to a resilient U.S. consumer and economy. Revisions show inflation was cooler over the past year but still above the Fed's 2% target. This report is consistent with the narrative of an economy that will need to be further restrained in order to contain inflation.

## France

The French government presented a 2027 finance bill that aims to reduce the deficit from 5.4% of GDP to 5%. The fiscal watchdog stated that the economic growth assumptions in the budget are "optimistic" even as the budget includes significant spending reductions. The extra yield on 10-year OATS (French government bonds) relative to Bunds rose to its highest level since the European debt crisis in 2011.

**Our Take:** France is nearing a point where bond markets will force the nation to address its fiscal trajectory. At the moment, the French government is too divided between leftist, centrist and right-wing factions to allow it to make the difficult and unpopular decisions needed prior to next spring's elections. If the government that emerges then cannot produce a credible plan for fiscal consolidation, then another Eurozone crisis is likely.

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The Personal Consumption Expenditures Price Index is a measure of the prices that people living in the United States, or those buying on their behalf, pay for goods and services.

The federal funds rate is the target interest rate range set by the Federal Open Market Committee (FOMC) for banks to lend or borrow excess reserves overnight. It influences monetary and financial conditions, short-term interest rates, and the stock market.