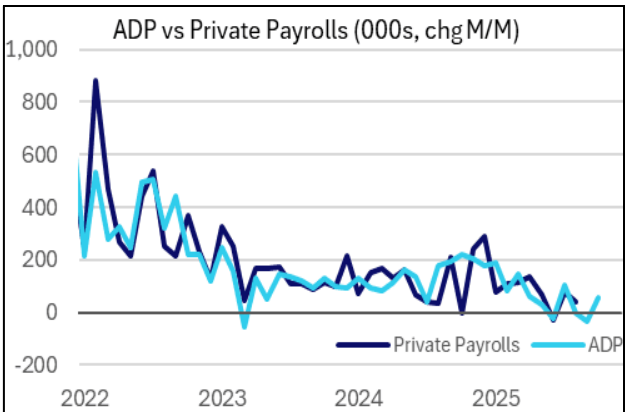
MNI U.S. Macro Weekly

MNI View: December Cut Far From A Done Deal

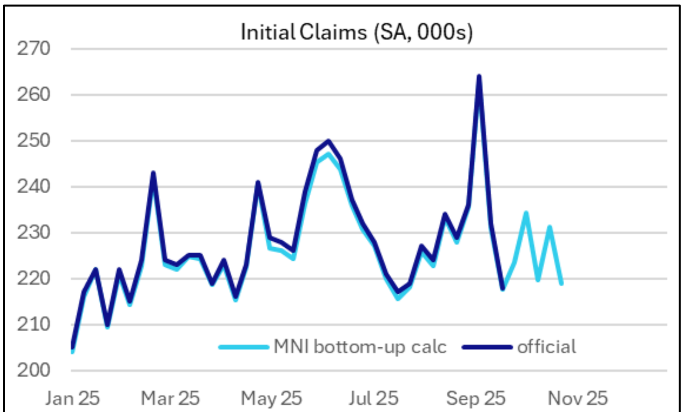
October 31, 2025 – By Chris Harrison and Tim Cooper

Executive Summary

- The Fed's October 29 policy decisions were more or less as expected, with the Fed funds rate range cut by 25bp for a 2nd consecutive meeting to 3.75-4.00%, and an announcement that QT would end imminently.
- However, there was a significant hawkish surprise as Chair Powell began the press conference by highlighting the FOMC's divisions on the way forward: "in the Committee's discussions at this meeting, there were strongly differing views about how to proceed in December. A further reduction in the policy rate at the December meeting is not a foregone conclusion, far from it. Policy is not on a preset course."
- Friday then saw a hawkish start to post-blackout communications, albeit from the typically more hawkish members which limited the market impact. Hammack and Logan ('26 voters) both would have preferred not to cut this week and Logan will likely find a December cut difficult, Schmid ('25 voter) explained his dissent by seeing an interest cut rate as not supporting the labor market amidst structural factors and Bostic (non-voter) supported the rate cut but was glad that Powell said a Dec cut was "far from" a foregone conclusion.
- Turning to data, ADP surprisingly started to publish a weekly series, hinting at a 57k increase in private payrolls over a rough monthly equivalent but with the actual monthly report for October due next week.
- We estimate initial jobless claims fell to a 5-week low of just 219k, a day after Powell drew "some comfort" from claims and vacancies data suggesting "maybe continued gradual cooling, but nothing more than that".
- Alternative retail sales indicators continue their solid tracking although broader GDP metrics slowed.
- Business sentiment meanwhile improved for manufacturing firms across a variety of indicators but with regional Fed surveys painting a more mixed picture for services firms.
- The Fed rate path has surged higher this week on Powell's press conference, ending the week with ~14bp of cuts priced for the next meeting in December vs 22.5bp before Powell took to the podium. The SOFR implied terminal yield is at its highest since August although after some notably dovish ranges.
- Looking ahead to next week, data focus will be on the various alternate labor indicators as the government shutdown almost certainly sees a second BLS nonfarm payrolls report not be released (at least for now). Business surveys will also be watched closely, in particular the ISM manufacturing and services.
- We are also set for Fedspeak from members across the FOMC, with possibly notably contrasting messaging expected after Powell's press conference remarks.



Source: ADP, BLS, MNI. Latest ADP is weekly "Pulse" Estimate



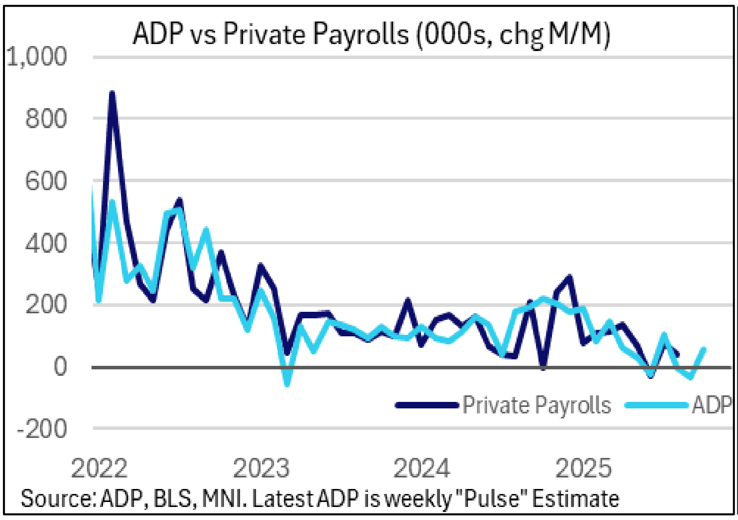
Source: DOL, MNI

Labor Market: ADP Starts Publishing A Weekly Series, Initial Jobless Claims Likely At Five-Week Low

ADP Initiates Data Showing +57k 4-Week Private Payrolls Through Oct 11

ADP announced Tuesday it would release weekly preliminary estimates of private sector employment, with the first reading showing an average weekly rise in payrolls of 14,250 in the 4 week period ending Oct 11, 2025.

- This initial National Employment Report "Pulse" report (as ADP calls it) as suggesting 57k private payroll gains over the course of the month, though the underlying data was not made available. This data is being released on a 2-week lag.
- If carried through the full month it would be an improvement from -32k in Sept, though that figure was impacted by a rebenchmarking that reduced the total by 43k - making the "underlying" growth around 11k.
- So 57k would be a solid figure by recent standards (and best since July) especially if it translates into the eventually released October nonfarm payrolls data.
- The period for the 4-week estimate comes just before the nonfarm payrolls reference period for October. The ADP's practice of publishing a monthly report published on the Wednesday before the BLS Employment Report will continue (the next one will be Nov 5, with or without nonfarm payrolls to follow on Nov 7). The schedule is below; **more from ADP here**.
- The ADP had apparently been compiling this data for some time, with the Fed having had access to it since at least 2018 per the Wall Street Journal - however various reports this month suggested the ADP had stopped providing the data to the Fed. Now, it's available to everyone, and looks to be a fixture on the data calendar even beyond the resolution of the government shutdown.

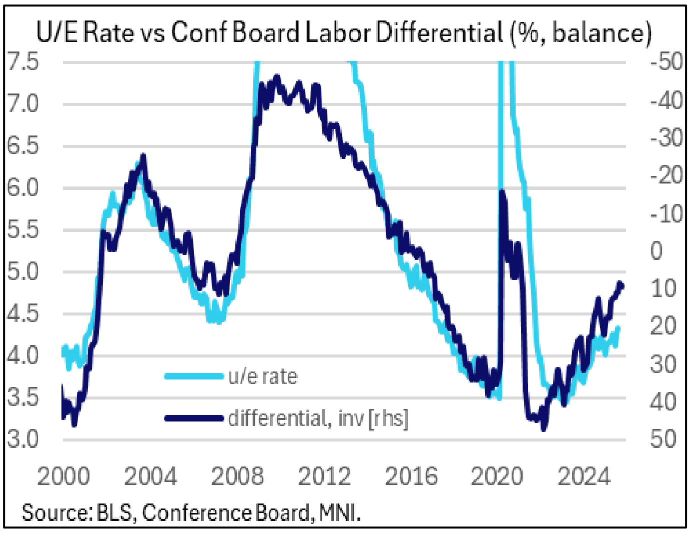


Source: ADP, BLS, MNI. Latest ADP is weekly "Pulse" Estimate

Date	Published Report
10/28/2025	Weekly Preliminary Estimate
11/5/2025	Monthly Report
11/11/2025	Weekly Preliminary Estimate
11/18/2025	Weekly Preliminary Estimate
11/25/2025	Weekly Preliminary Estimate
12/3/2025	Monthly Report
12/9/2025	Weekly Preliminary Estimate
12/16/2025	Weekly Preliminary Estimate
12/23/2025	Weekly Preliminary Estimate

"Labor Differential" Stabilizes At Weak Level In October

- While overall consumer confidence fell less than expected in October, most attention in the Conference Board survey is typically on the "labor differential" (jobs "plentiful" minus "hard to get") which takes on additional importance this month given a dearth of official labor market data.
- The differential came in at 9.4 in October, stabilizing after falling to 8.7 in September (rev from 7.8) which marked a post-Feb 2021 low.
- The current reading represents 27.8% seeing jobs as "plentiful" and 18.4% as "hard to get", and the differential is the 2nd lowest since February 2021 after the prior month.
- This is a closely-watched indicator for broader labor market conditions. It's historically correlated with



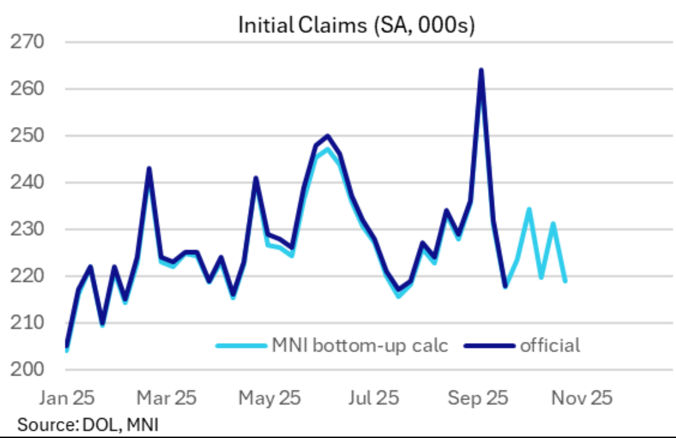
Source: BLS, Conference Board, MNI.

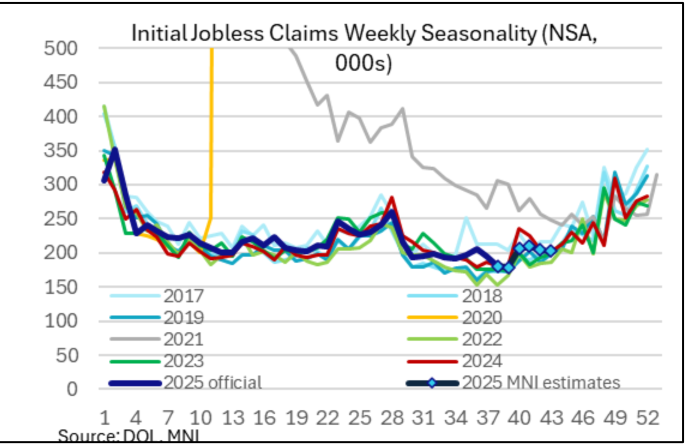
the unemployment rate and having come down from over 22 at the end of last year, this has shown a decisive cooling which points to a continued rise in joblessness. A similar reading in 2017 was consistent with unemployment around 4.8%, vs 4.3% as of August.

Initial Jobless Claims Fall To 5-Week Low Per MNI Estimates

Initial jobless claims fell to an estimated 219k in the Oct 25 week, from an estimated 231k prior, according to MNI calculations based on state-level data.

- That would mark the lowest claims since the week of September 20, and bring the 4-week average down to 226k from 227k. As such it suggests that a "low firing" labor market environment persisted through the end of the month.
- The national NSA claims totaled approximately 202-203k in the week, a small downtick from 205k the prior week. (Arizona, Massachusetts and Washington State haven't yet reported their data, so MNI has estimated them based on recent and seasonal patterns.)
- There was no noticeable unseasonable uptick in some closely-watched geographical areas including the Washington D.C. metro area.

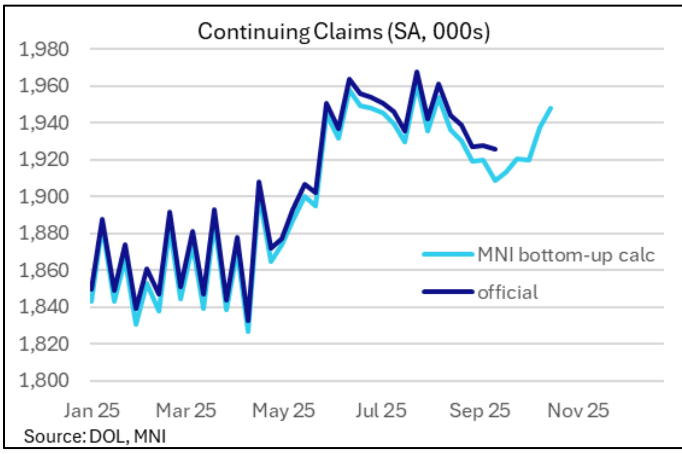


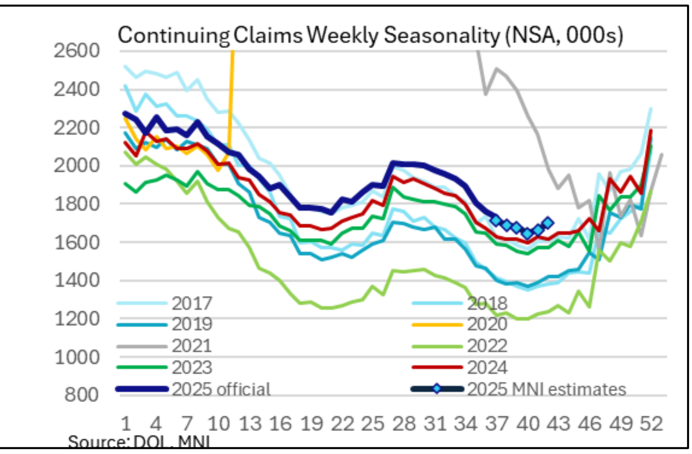


Continuing Claims Continue To Rise, Suggesting Soft Hiring

MNI estimates a small rise in continuing jobless claims in the Oct 18 week, to an estimated ~1,950k, from 1,938k prior.

- Our estimates may slightly understate the level of continuing claims very slightly vs the official series as we don't have all official data to make the calculation, and we make the usual caveat that there has been a consistent trend of downward revisions.
- But the direction is fairly clear and suggests the 4th or 5th consecutive weekly rise since the recent bottom of 1,909k in mid-September. (The pickup in non-seasonally adjusted continuing claims is also running a little hotter than the typical trend if our estimates are right).
- As such if our estimates are correct it's beginning to look like continuing claims are nearing the recent cyclical high in the 1,960ks set in June and July - which of course coincided with a notable slowdown in nonfarm payrolls growth in May-Aug.
- Combined with initial claims remaining fairly stable, it's suggestive overall of a low hiring, and low-firing labor market.

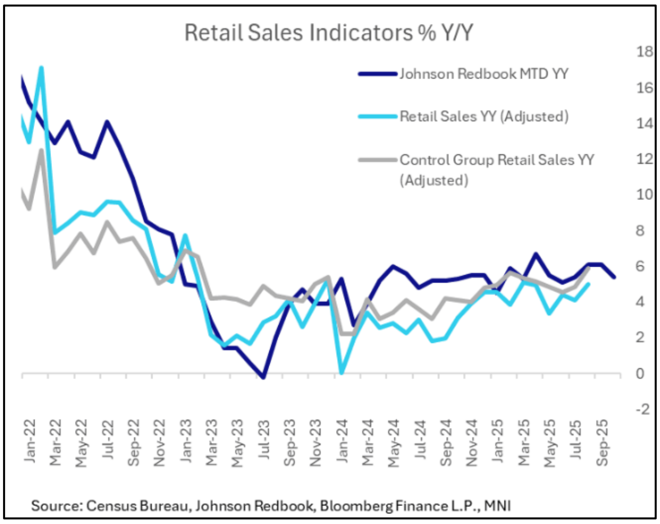




Growth: Solid Retail Tracking But Broader GDP Metrics Slowing

Redbook Retail Series Maintains Solid Growth Through Most Of October

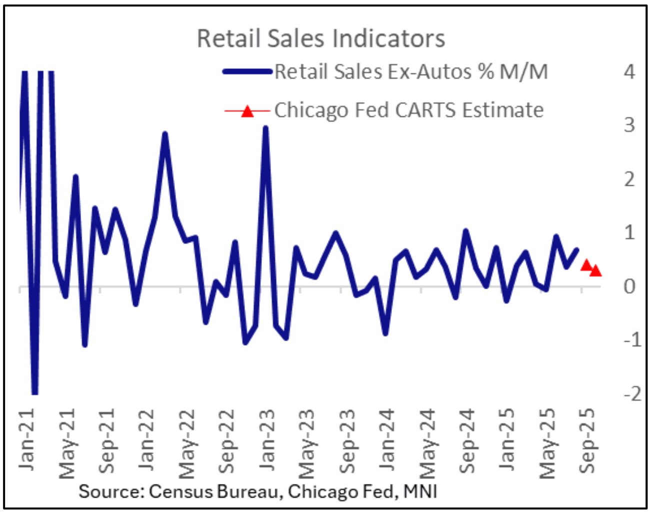
Retail sales maintained a 5.4% Y/Y month-to-date growth pace through the 3rd week of October, with a 5.2% rise in the latest week (5.0% prior), per the Johnson Redbook Retail Sales Index. This is close to retailers' targeted 5.6% gain.



- We await the Chicago Fed's CARTS preliminary ex-auto retail sales estimate for October, which will be out Friday, but judging from Redbook thus far it looks like another solid month (at least in nominal terms). Of course, we didn't get the September "official" Census Bureau report on Oct 23 due to the government shutdown, and it's unclear how the October data will be affected.
- The report suggests that solid Halloween-related sales bode well for holiday shopping activity to end the year: "Sales of Halloween-related merchandise are increasing as the month goes on. Retailers report that cooler weather in many regions has driven steady demand for seasonal clothing. Halloween often serves as an indicator for holiday sales in November and December. If shoppers are willing to spend more on Halloween items, it often suggests a positive outlook for consumer confidence, which may lead to increased spending later in the year. To get a head start on the holiday season, some stores have begun stocking Christmas items alongside Halloween products. Additionally, many retailers have started reducing prices on Halloween merchandise earlier than usual in order to attract shoppers to higher-margin items."

Chicago CARTS Estimates Solid Ex-Auto Retail Sales Continued In October

The Chicago Fed's Advance Retail Trade Summary (CARTS) for October tracks a 0.3% M/M SA increase in ex-auto retail sales (0.2% on an inflation-adjusted basis).

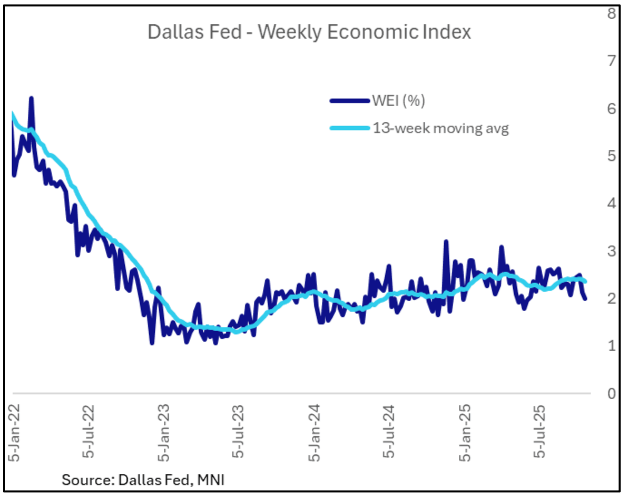


- This is a slowdown from CARTS' 0.5% M/M estimate for September - which of course we didn't get official data due to the government shutdown - and 0.7% actual in August.
- If the CARTS estimate is right though, it would translate into a 4.3% Y/Y rise in ex-auto sales gains, for a 2nd consecutive month, fairly steady versus the prints seen so far in 2025. Additionally the 3M/3M annualized rate would pick up to 6.8% vs 4.4% as of July, which would be the fastest since Q3 2023.
- These are all in nominal figures, but would still be firmly positive when CPI deflated. The Census Bureau's Advance Retail Sales for October is due out November 14 but it's increasingly looking like it will be postponed for a 2nd consecutive month.
- We await auto sales data out Monday from Wards Automotive to help round out the October data (auto sales looked to have strengthened in September per that dataset), but between CARTS and still-robust Redbook retail sales, it looks to have been another solid month.

Dallas Fed Points To Slowing GDP Growth Based On Weekly Indicators

The Dallas Fed's Weekly Economic Index slowed in the week of August to 2.00% in the week ending Oct 25 (scaled to 4-quarter growth), from 2.14% prior, marking a 20-week low.

- This dragged down the 13-week moving average to 2.36% after 7 consecutive weeks above 2.40%, for the lowest since August 23.
- While that should be caveated by the lack of official continuing/initial jobless claims data (which instead are imputed by the Dallas Fed for the purposes of its estimates), this indicator is suggestive that the upward momentum that appeared to have been building through the end of Q3 has tapered off somewhat as Q4 goes on.



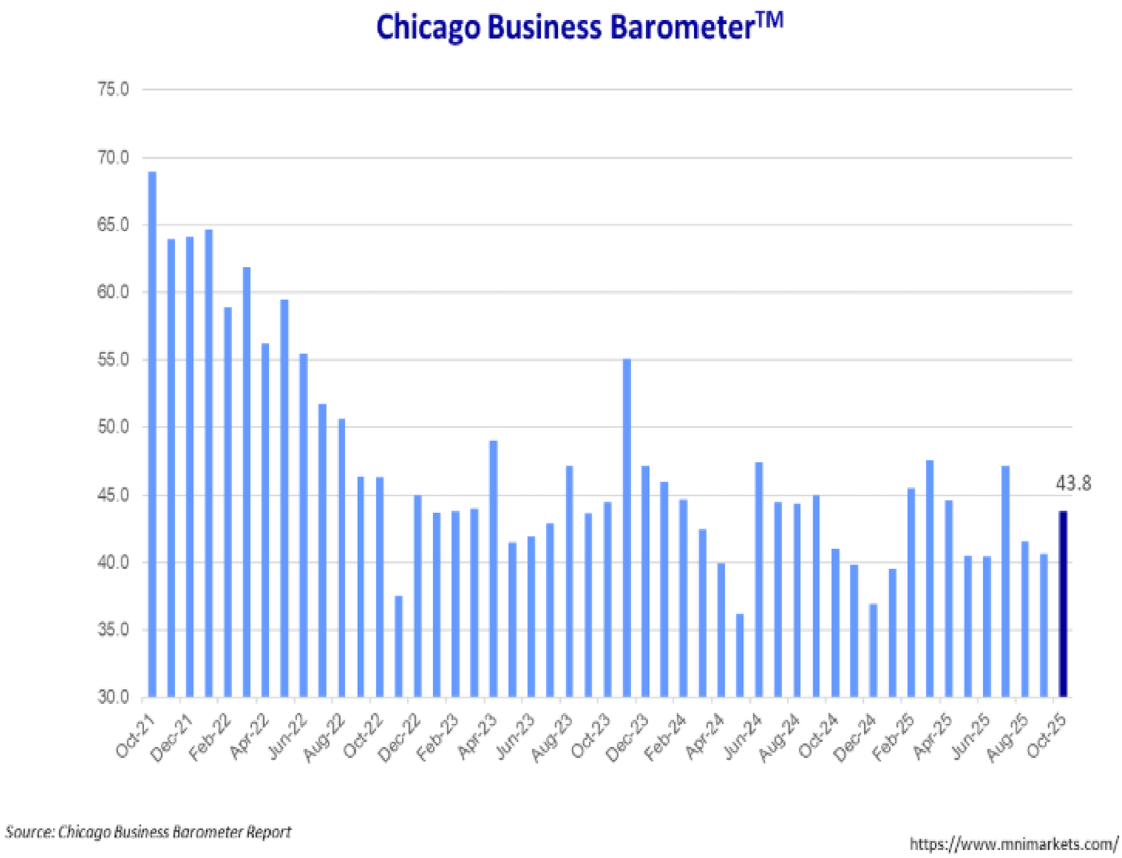
- The track record of the WEI has been decent including in identifying solid growth through much of 2025, and has become a little more worthwhile to follow amid the dearth of federal government data.
- It's not entirely clear what drove the latest weekly slowdown since we don't have access to much of the private-sector data the authors use, but we did note a slight downtick (but still solid) Redbook retail sales growth in the latest week, as well as a slowdown in federal tax withholding and weaker railroad traffic (not to mention last week's estimated uptick in initial claims).
- The WEI's inputs: "To measure consumer behavior, we include the Redbook same-store retail sales index and the Rasmussen Consumer Index. To measure labor market conditions, we include initial and continuing unemployment insurance claims, the American Staffing Association Index of temporary and contract employment, and federal tax withholding data from Booth Financial Consulting. For production, we include U.S. steel production from the American Iron and Steel Institute, U.S. electricity output data from the Edison Electric Institute, a measure of fuel sales based on Energy Information Administration data, and total railroad traffic from the Association of American Railroads."

Business Sentiment: Manufacturing Improved, Services More Mixed

Chicago Business Barometer™ - Progressed To 43.8 In October

The Chicago Business Barometer™, produced with MNI, progressed 3.2 points to 43.8 in October. The index is now back above the 2025 average of 43.1. However, the index has remained below 50 for twenty-three consecutive months.

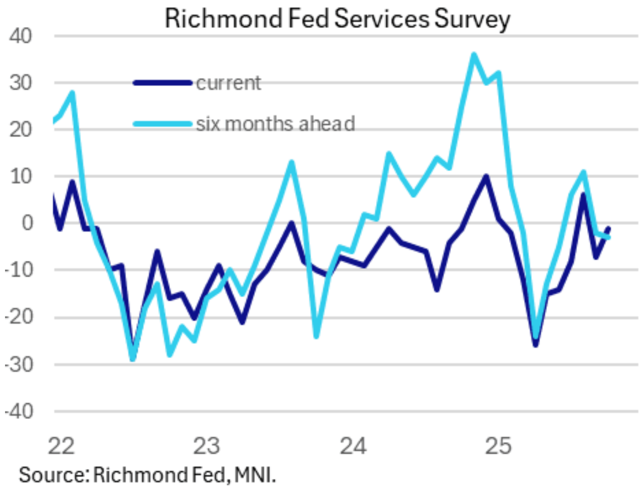
- The increase was mainly driven by a rebound in New Orders, alongside rises in Production and Order Backlogs. All Business Activity subcomponents increased in October.
- **New Orders** expanded 6.2 points, unwinding the majority of September's fall. This was the first gain in New Orders since July.
- **Production** strengthened 3.8 points, now sitting at similar levels to May, though the index has been below 50 since March.
- **Order Backlogs** advanced 5.4 points, bringing the index to its highest level since November 2023. The proportion of respondents reporting smaller Order Backlogs dropped to its lowest since June 2022.
- **Supplier Deliveries** increased 1.4 points, but remained below August levels. The index has been above 50 for nine consecutive months.
- **Employment** was virtually unchanged, rising 1.3 points. The proportion of respondents reporting larger Employment is at its lowest since February.
- **Inventories** jumped 12.0 points, more than reversing the previous two months' declines. The index is now at its highest since May.
- **Prices Paid** grew 1.3 points.
- The survey ran from October 1 to October 14.

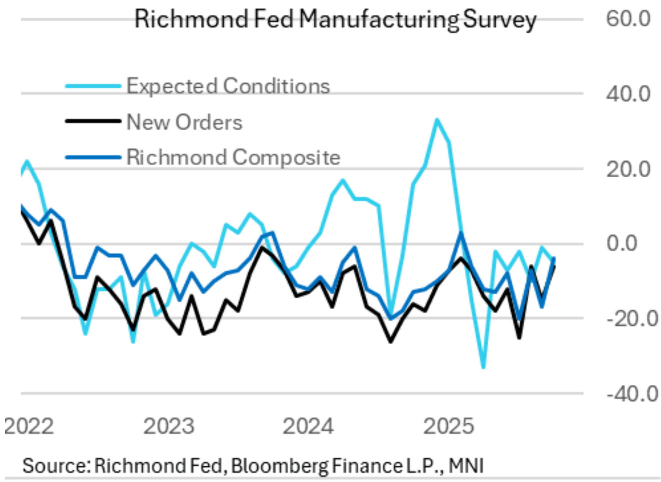


Richmond Fed Manufacturing Aligns With National Improvement (1/2)

The Richmond Fed's Fifth District sectoral surveys showed improvement in activity in October, but very divergent inflation sequential developments across Manufacturing vs Services.

- Starting with activity, the manufacturing survey's Composite Index showed a strong improvement in October to -4 from -17 prior, marking the best reading since February and much better than the -12 consensus expectation, albeit still in soft territory (the report characterizes it as "slow" activity). New orders picked up to -6 from -15 (joint highest since February) and employment and shipments rose, though expectations fell to -5 from -1.
- This was generally in line with other regional Feds that saw manufacturing conditions improve in October vs September (joined by NY, KC, and Dallas, with Philadelphia coming in weak).
- Meanwhile the Services Composite recorded its second-highest print (-1) since January, after an unexpected setback to -7 in September after what had been 4 consecutive improvements. This index reading was very slightly above the 5-year average for the index. Meanwhile the 6-month outlook deteriorated to -3 from -2, for a 4-month low but basically steady.
- Overall the improvement bucked the broader trend, with NY, Philly and Dallas services weakening in the month (KC also improved).

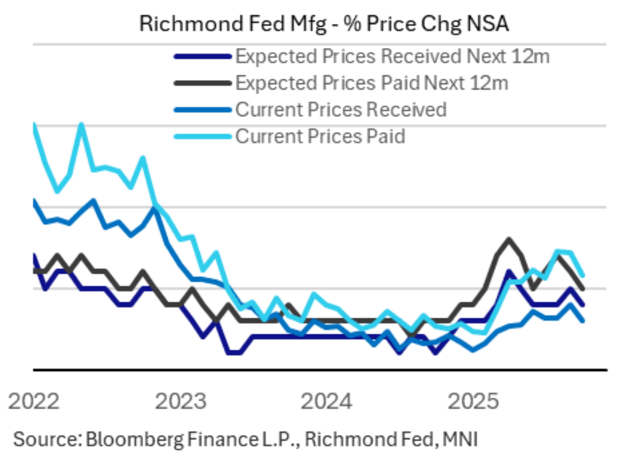


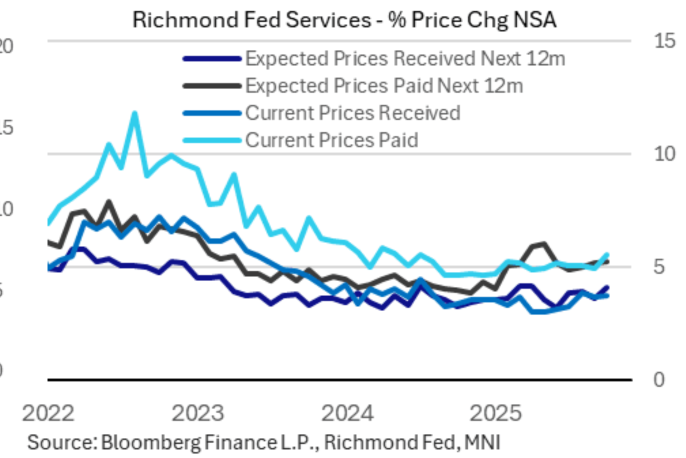


Richmond Services Inflation Showing Some Signs Of Picking Up (2/2)

For Richmond Services inflation gauges, expressed in one-year lookback terms, current prices paid jumped to 5.5% from 5.0% to mark a joint-17 month high; meanwhile prior prices received picked up only slightly (to 3.8% from 3.7%, around recent levels).

- Conversely, expected prices received rose 0.5pp to 4.1% for a 6-month high, with expected paid steady at 5.2%.
- This stood out vs fairly flat readings in recent months, as well as the other 4 major regional Fed services surveys that all saw current prices paid gauges fall in October vs September.
- In manufacturing, though, current prices paid fell to a 3-month low 5.8% (7.2% in the prior 2 months), with received also pulling back (to 3.0%, a 5-month low, from September's 27-month high 4.0%). Expected prices paid and received (next 12 months) also fell 1.0pp apiece, to 5.0%/4.0% respectively.
- This stood out: only Richmond and Dallas saw prices paid diminish vs September (NY, Philly, KC all accelerated on the month).
- Overall we would characterize inflation in regional manufacturing as elevated but diminishing from 2025's highest rates, while services inflation has remained relatively steady but shows some signs of picking up.

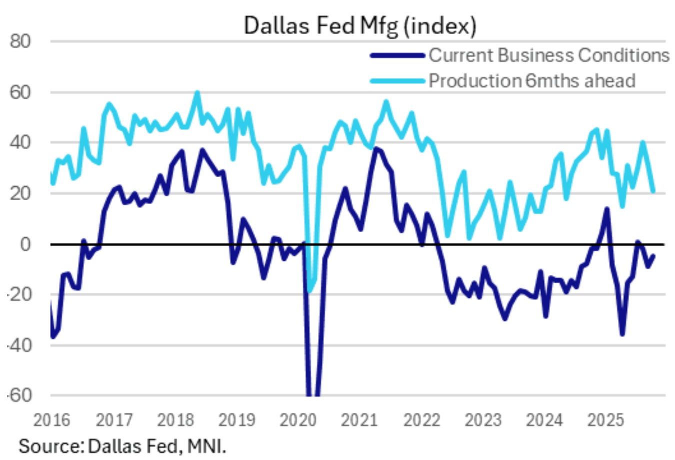


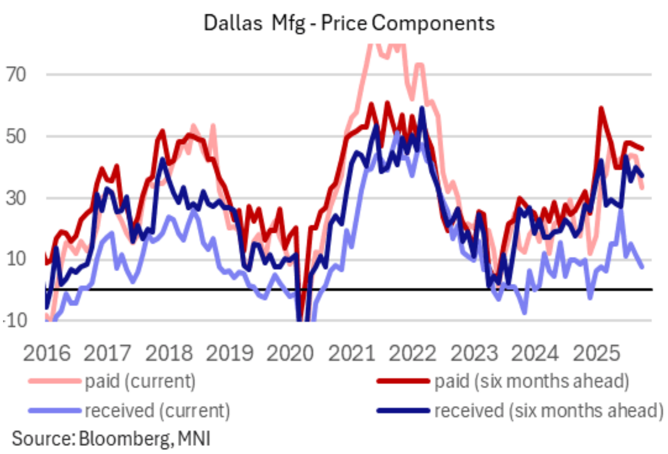


Inflation Pullback Stands Out In Dallas Fed Manufacturing Survey (1/2)

The Dallas Fed's October sectoral surveys were mixed, with Manufacturing activity improving alongside a noteworthy downshift in inflation pressures, while Services firms saw a pullback in activity with price gauges remaining relatively subdued.

- The Texas Manufacturing Outlook Survey saw a a slightly bigger improvement than expected in the headline index, to -5.0 from -8.7 prior (-6.2 expected). While still a negative reading, this month's reading was in line with the longer-term average. Current production was steady (5.2 after 5.2) at below-average levels albeit the 6-month outlook fell to a 6-month low 21.0 from 31.6. We note that new orders moved a little higher too (-1.7 after -2.6) though remains a little below the long-term average. There was a small increase in employment but a contraction in work hours.
- We note that this marks 4 of 5 regional Feds to report improved current manufacturing conditions in October vs September (NY, KC, Dallas, Richmond, with Philly the notable laggard), boding well for the Nov 3 release of ISM Manufacturing (we'll preview that release next week).
- The biggest standout in this report though was in the inflation gauges.
- October saw a sharp drop in current prices paid: to 33.4 from 43.4 prior, for the lowest reading since January. It's still elevated (averaged 15.9 in 2024, for example) but has clearly subsided from the high 40s seen at the outset of the tariff concerns earlier this year.
- Current prices received also pulled back to a 7-month low 7.7 (11.7 prior), suggesting less appetite/ability to pass on prices to clients. By comparison, 6-month prices ahead remained relatively elevated with little change from prior (paid = 46.1 after 47.1, received = 37.3 after 39.7).

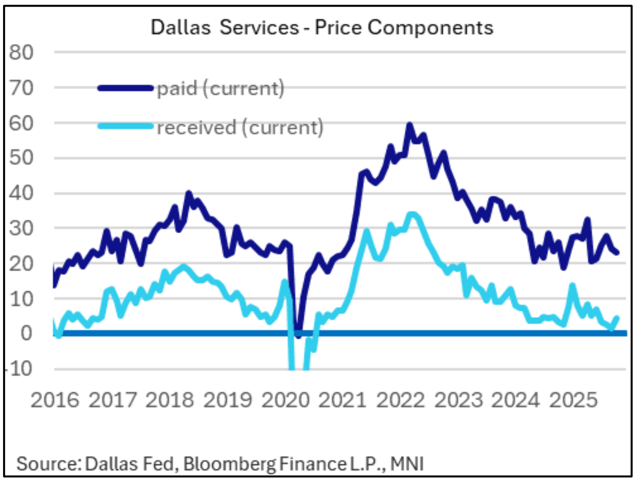




Weak Dallas Reading Wraps Mixed Month For Regional Fed Services (2/2)

In contrast with manufacturing, the Texas Service Sector Outlook Survey was decidedly weak in October. The revenue index, "a key measure of state service sector conditions", fell to -6.4, the lowest since July 2020, while the general business activity index fell 3.8 points to -9.4 for a 5-month low (and slightly weaker than the longer-run average).

- Employment and the 6-month outlook weakened. And it's notable that the anecdotal comments consistently named the government shutdown as a factor in weak sentiment (along with the usual tariff / interest rate / demand issues).
- Regional services prices paid ticked a little lower (to 23.0 from 24.4 prior) but not nearly to the same degree as in the manufacturing survey, while prices received actually ticked up (to 4.6 from 1.6). However the pickup in Dallas Services prices this year was never as dramatic this year as seen in manufacturing either.
- Activity across regional Feds' services surveys were quite mixed in October, with NY, Philly and Dallas all deteriorating vs improvements in KC and Richmond. We'll have a closer look ahead of the ISM Services release for the month, which is out Nov 5.

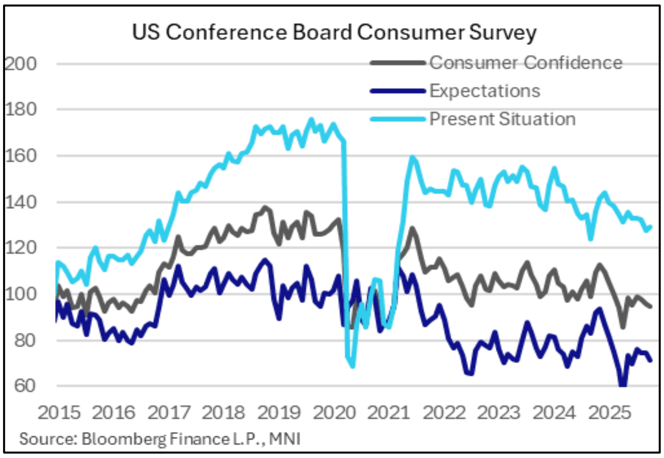


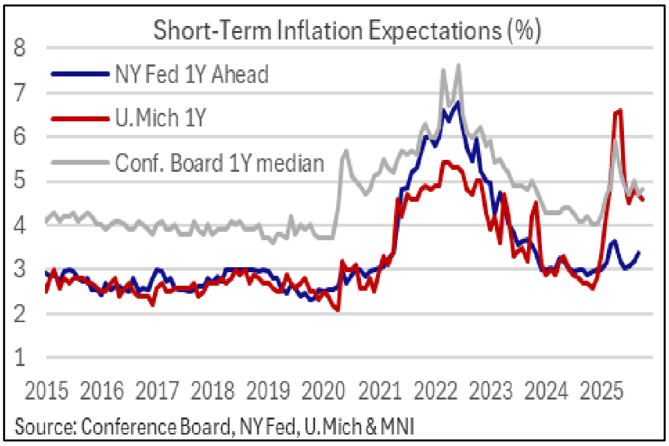
Consumer Sentiment: Soft Expectations

Conf. Board Expectations Soft, Current Stable, Inflation Views Stubborn

The Conference Board's October survey largely mirrored weak sentiment seen in other readings, with overall Consumer Confidence falling to 94.6 from 95.6 (rev from 94.2; an 0.8pp drop to 93.4 had been expected). That was a 6-month low and marked a 3rd consecutive deterioration.

- The Present Situation reading improved (129.3, from 127.5 rev from 125.4), diverging from Expectations which fell to a 4-month low (71.5, from 74.4 rev from 73.4).
- As for the latter, consumers were more pessimistic about future business conditions, the labor market, and income prospects - however in what should probably be considered a better indicator of sentiment, respondents' views of current business conditions improved and appraisal of current job availability rose for the first time since December 2024. Overall, most major sub-indices were largely steady from the prior months, with no notable change we could detect in any single category.
- We note a lack of further disinflationary progress in 1Y inflation expectations, to an average 5.9% (5.8% prior) and median 4.8% (4.7% prior), keeping both in the elevated range seen since the start of the year.
- Separately we noted a stabilization in the "labor differential" which was still suggestive of the weakest labor market conditions in over 4 years but not a sign of further deterioration in October.
- Conference Board Senior Economist Stephanie Guichard wrote the following of the anecdotal





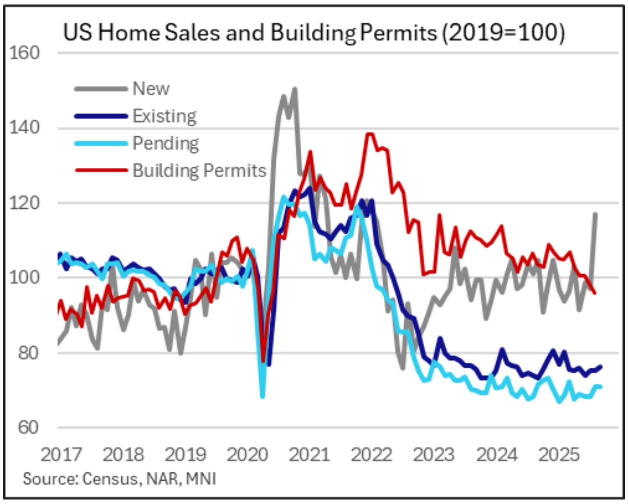
submissions to the report, with tariffs, inflation, jobs, and the federal government shutdown all making appearances: “Consumers’ write-in responses were led by references to prices and inflation, which continued to be the main topic influencing consumers’ views of the economy. References to tariffs declined further this month but remained elevated. Mentions of jobs and employment eased somewhat after picking up in September. The write-in comments remained mostly negative overall, but less so than in previous months. References to US politics were up notably, with the ongoing government shutdown mentioned multiple times as a key concern."

Housing & Household Finances: Little Optimism For Existing Home Sales

Pending Home Sales Underwhelm

Pending home sales disappointed in September after a prior strong increase, suggesting little optimism for existing home sales ahead.

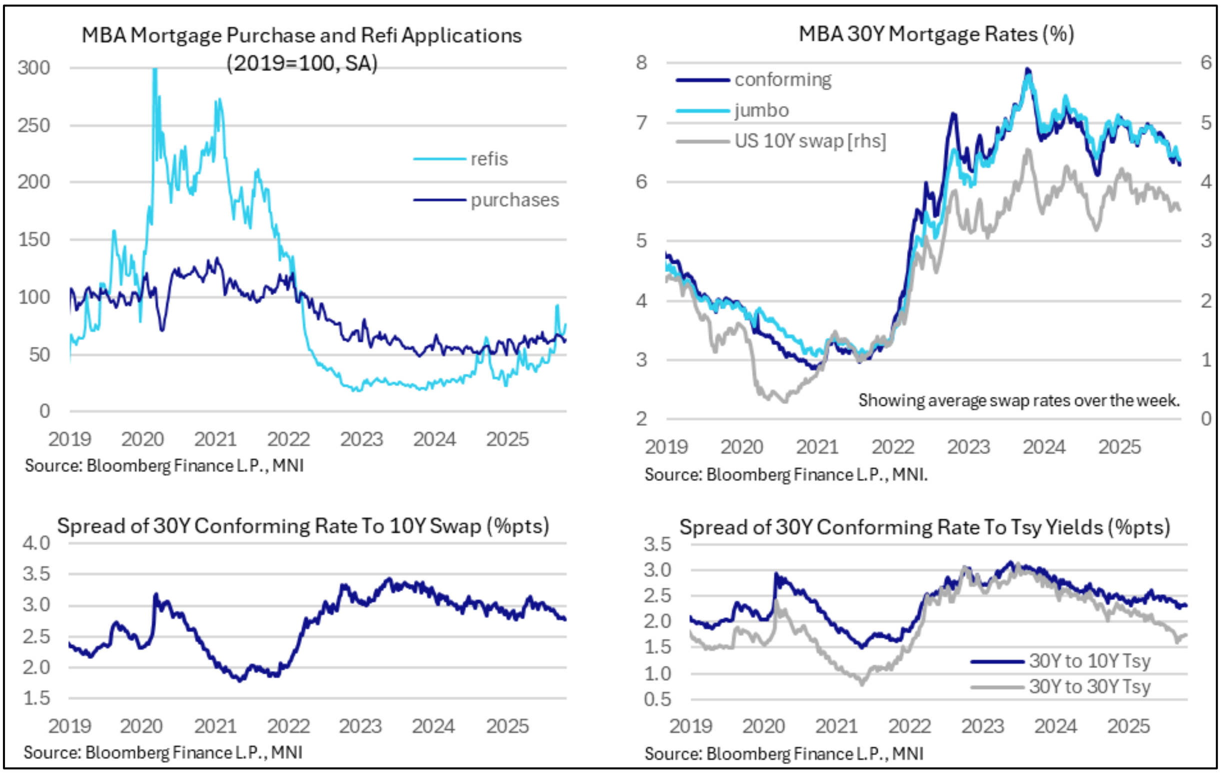
- Pending home sales underwhelmed in September at 0.0% M/M (cons 1.2%) as they failed to build upon a strong 4.2% M/M increase in August (initially reported at 4.0%).
- There were some mixed drivers, with a range of -3.4% to +3.1% albeit from the two smaller regions. The south, by far the largest region, saw pending sales increase 1.1% after 3.2%.
- With pending home sales typically leading existing home sales by 1-2 months, it suggests existing home sales are unlikely to see a material continuation of a small increase away from cycle lows in recent months.
- This is against a backdrop of rising existing home sale inventories weighing on price increases. As noted after the existing sales release, the 4.6 months of supply is certainly high by recent year standards but not historically so at least when comparing the build up to the GFC.



Lower Mortgage Rates Slowly Helping Spur Applications

Mortgage activity increased last week as mortgage rates continued to ease to now their lowest since Sep 2024 when Fed terminal rate expectations were at cycle lows. New purchase applications have seen relatively limited boost this year from the almost 70bp decline in 30Y mortgage rates over the year to date.

- MBA composite mortgage applications bounced 7.1% (sa) last week after the unwound of a refi-driven bounce in the first half of September had slowed.
- Refis increased a solid 9.3% after 4.0% the week prior, whilst new purchase applications increased 4.5% to recover from the -5.2% the week prior was its largest weekly decline since late July.
- Levels relative to 2019 average for context: composite 72%, new purchases 63%, refis 76%.
- The modest increase in activity came on the back of a further decline in 30Y mortgage rates, -7bps to 6.30% for a combined 16bp decline over the past four weeks. 6.30% is the lowest since Sep 2024 at around the time of cycle lows for Fed terminal rate expectations.
- Spreads to 10Y swap rates saw a tightening to 277bps for a new ytd low but it’s only a small move vs the ~280bp averaged since mid-September. This is down from a rough range of 300+/-5bp seen for multiple months after April reciprocal tariff announcements and is back a little below the 285bp averaged in Q1.
- 30Y mortgage rate spreads to Treasury yields meanwhile remain close to lows since Mar 2022 for the 10Y although with downward progress continuing to have broadly plateaued – see chart.



Fed: "Fog" Raises Bar For Next Cut

- The Fed's October 29 policy decisions were more or less as expected, with the Fed funds rate range cut by 25bp for a 2nd consecutive meeting to 3.75-4.00%, and an announcement that quantitative tightening would end imminently.
- However, there was a significant surprise as Chair Powell began the post-meeting press conference by highlighting the FOMC's divisions on the way forward: "in the Committee's discussions at this meeting, there were strongly differing views about how to proceed in December. A further reduction in the policy rate at the December meeting is not a foregone conclusion, far from it. Policy is not on a preset course."
- With markets having come into the meeting expecting a follow-up cut in December as nearly a done deal, this led to a sharp hawkish reaction across rates and FX. There are now only ~16bp of cuts priced for December vs 22.5bp (nearly a foregone conclusion) pre-meeting.

See the full MNI Fed Review here: https://media.marketnews.com/Fed_Review_Oct2025_6cbbafec6b.pdf

Fedspeak: A Hawkish Start To Post-Blackout Communications

- Dallas Fed's Logan ('26 voter) would have preferred not to cut this week and would find it difficult to cut again in December
- Chicago Fed's Hammack ('26 voter) also would have preferred not to cut with the policy rate being right around her estimate of neutral.
- Bostic (non-voter) eventually supported the rate cut but was glad that Powell said a Dec cut was "far from" a foregone conclusion.
- Kansas City Fed's Schmid ('25 voter) dissented at Wednesday's decision on grounds that a rate cut won't support labor market and instead only fuel inflation.
- We're yet to hear from Fed Gov and CEA's Miran (voter) after his dovish dissent, although he didn't provide one last month and instead gave a speech outlining his reasons in more detail. He speaks on Nov 7.

Dallas's Logan Would Prefer Rate Hold Through Year-End (Oct 31)

Dallas Fed President Logan, who is a 2026 FOMC voter and among the most hawkish members of the committee, implies in comments Friday that if she were a current voter she would have dissented against the decision to cut rates 25bp this week. And additionally she probably would not have supported a December cut either (in line with MNI's view that her September Dot Plot had no further 2025 cuts beyond September). She says:

- "I did not see a need to cut rates this week. And I'd find it difficult to cut rates again in December unless there is clear evidence that inflation will fall faster than expected or that the labor market will cool more rapidly."
- "The labor market remains balanced and cooling slowly. Inflation remains too high, taxing the budgets of businesses and families, and appears likely to exceed the FOMC's 2% target for too much longer. This economic outlook didn't call for cutting rates."
- "The risks to the labor market do lie mainly to the downside... The FOMC already mitigated downside risks by cutting rates at its previous meeting, in September. The remaining risks to employment are ones we can monitor closely and respond to if they are becoming more likely to materialize, not ones that currently warrant further preemptive action."

Bostic and Hammack Echo Powell That December Cut Far From Done Deal (Oct 31)

Speaking at the Dallas Fed Bank Funding Conference, Atlanta Fed's Bostic (non-voter) and Chicago Fed's Hammack ('26 voter) have supported Powell's FOMC press conference remarks about a December cut being far from a foregone conclusion.

- **Hammack** continues a clearly hawkish stance, echoing sentiment from Dallas Fed's Logan (also '26 voter) earlier today: "I would have preferred to have held rates steady at this meeting and not to reduce rates".
- She reiterates prior view on a high neutral rate: "We're right around my estimate of neutral, and I think we're barely restrictive, if at all. And so I do think we need to maintain some amount of restriction to help bring inflation back down to target."
- "We have inflation that is too high. It's about a percentage point above our target, and has been there for a long period of time. My projection is that it's going to stay there probably for the better part of next year, before it starts making its way back down to 2% and on the other side."
- "We've seen some emerging signs of softness in the labor market that we need to be attentive to."
- **Bostic** meanwhile said he "eventually got behind" this week's cut but he finds it preferable to move slower when there's so little clarity. That echoes Powell saying "what do you do if you're driving in the fog? You slow down".
- "I think we're in restrictive territory" but "with each step, we get closer and closer to neutral."
- He was glad that Powell said a December cut is far from a foregone move and that Powell accurately reflected the range of views on the FOMC.
- He warns getting ahead of the Fed, with every meeting being live. "I've been concerned for a while, that a narrative would would emerge that would suggest that we're on a march to somewhere".

Dallas's Logan Ponders Future Asset Purchases Amid Repo Pressures (Oct 31)

As the ex-manager of the Fed's SOMA portfolio, Dallas Fed President Logan's comments on balance sheet policy hold additional weight - Friday she acknowledged that the Fed may need to start buying assets again at some point after it concludes runoff, if the recent repo market pressures don't subside. (That's not far different from what Chair Powell said at Wednesday's press conference, so obviously this was discussed at this week's FOMC amid the decision to end QT effective Dec 1). So far as we can tell, consensus is for such reserve management purchases to begin around Q1 2026.

- She repeats her metrics for assessing whether the reserve regime has shifted from abundant to ample: "There are many indicators of reserve ampleness, but the most significant one to me is the position of money market rates relative to IORB. In an efficient system, market rates should be close to, but perhaps slightly below, interest on reserves on average over time."

- In particular she highlights what has become her preferred metric, TGCR-IORB (note that she has promoted the idea of abandoning the Fed funds rate as the policy rate in favor of adopting another rate, with her preferred one being TGCR): "In recent months, money market rates have moved up toward and sometimes above IORB. After averaging 8 to 9 basis points below IORB in the first eight months of 2025, the tri-party general collateral rate (TGCR) averaged slightly above interest on reserves in September and October. TGCR is a rate on overnight repos collateralized by Treasury securities. It's a safe rate in a liquid and competitive market, and I view it as the cleanest single measure of money market conditions. TGCR is now running at or above where I'd like to see relative to IORB for a long-run environment of ample reserves. That makes it appropriate to end asset runoff, as the FOMC decided to do."
- As for future policy, she notes that it's possible that if recent repo pressures don't subside, the Fed may need to start buying assets to meet the apparent demand for Fed liabilities: "It is not certain where money market spreads will go from here and how the supply of reserves will need to evolve...Once runoff ends, the Fed can further reduce reserve supply by holding assets constant for a time and allowing decreases in reserves to offset trend growth in other liabilities such as currency. But if the recent rise in repo rates turns out not to be temporary, the Fed in my view would need to begin buying assets to keep reserves from falling further and maintain an ample supply of reserves."
- She goes on: "The size and timing of these reserve management purchases should not be mechanical, in my view. While purchases will need to offset relatively predictable trend growth in currency, reserve demand will likely also change over time in response to economic growth, changes in the banking and payments businesses, and adjustments in regulations. Reserve supply will need to roughly track those developments to remain efficient. I currently view the average spread of TGCR to IORB as the central, though certainly not only, indicator of how reserve supply needs to evolve."

Schmid Doesn't See Rate Cut Supporting Labor Market In Dissent Statement (Oct 31)

Kansas City Fed's Schmid ('25 voter, hawk) has published his dissent statement having voted to keep rates on hold at Wednesday's decision as opposed to the 25bp cut agreed by the FOMC.

- He doesn't see an interest rate cut doing much to address stresses in the labor market that are likely arising primarily from structural changes in technology and demographics. It would instead keep feeding inflation pressures.
- "By my assessment, the labor market is largely in balance, the economy shows continued momentum, and inflation remains too high. I view the stance of policy as only modestly restrictive. In this context, I judged it appropriate to maintain the policy rate at this week's meeting."
- In the Kansas City Fed's district, Schmid is hearing widespread concern over continued cost increases and inflation. "Rising healthcare costs and insurance premiums are top of mind".
- "Inflation has been running above the Fed's 2% objective for more than four years. As I have said before, I take small comfort in most measures of inflation expectations having not moved up. I view inflation expectations not as an input into Fed's decisions, but as the outcome of the policy decisions that the Fed makes".

STIR: Implied Rates Surge As Hawkish Powell Casts Doubt On December Cut Confidence

- Powell warning that a December cut isn't a foregone conclusion saw rate cut pricing fall from 22.5bp for the next meeting to 16bp shortly after the press conference concluded and now 14bp as we near the end of the week.
- Friday saw sizeable volumes at the very strong end of the SOFR strip and further modest losses, which were supported a little further by a collection of hawkish Fedspeak with Logan having the largest market reaction.
- The SOFR terminal implied yield is closing out the weak at ~3.10% having on Thursday closed at its highest since August.
- Fed Funds futures cumulative cuts from an assumed 3.87% effective: 14bp Dec, 22bp Jan, 31bp Mar, 37.5bp Apr and 52.5bp Jun.
- Cleveland Fed's Hammack added support to looking more broadly outside of Fed Funds, echoing Dallas Fed's Logan who in the past has promoted abandoning the Fed Funds rate as the policy rate with a preference for TGCR.

Fed Funds effective rate with Dec 2025 meeting (%) (Bloomberg Finance L.P.)

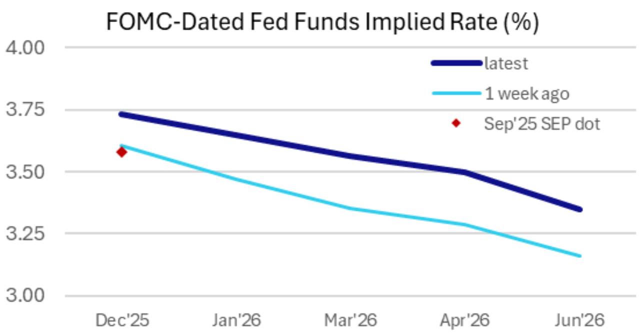
FOMC-dated Fed Funds futures implied rates

Meeting	Latest			pre Powell (Oct 29)			chg in rate	pre FOMC announce (Oct 29)			chg in rate
	%	step (bp)	cum. (bp)	%	step (bp)	cum. (bp)	bp	%	step (bp)	cum. (bp)	bp
Effective	3.87			3.87				3.87			
Dec'25	3.73	-14.0	-14.0	3.65	-22	-22.4	8.4	3.64	-23	-23	8.9
Jan'26	3.65	-8.2	-22.2	3.52	-13	-35.3	13.1	3.52	-12	-35	13.1
Mar'26	3.56	-8.6	-30.8	3.42	-10	-45.2	14.4	3.42	-10	-45	14.4
Apr'26	3.50	-6.5	-37.3	3.35	-7	-51.8	14.5	3.36	-6	-51	13.9
Jun'26	3.35	-15.0	-52.3	3.22	-13	-64.8	12.5	3.22	-13	-65	12.3

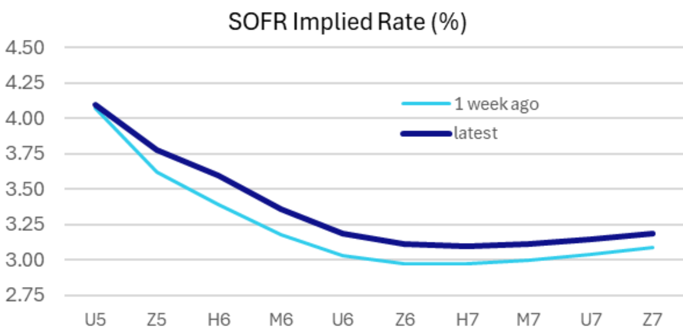
Source: Bloomberg Finance L.P., MNI.

Note: Assuming the same EFFR-target lower bound spread from Tuesday's fix going ahead, and have also factored in the Oct 29 cut into the pre-announce EFFR shown

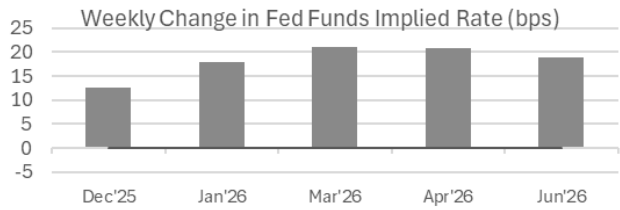
Weekly changes:

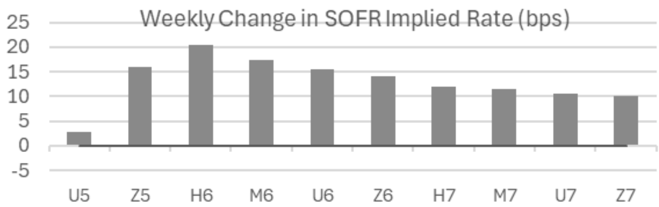


Source: Bloomberg Finance L.P., MNI. SEP median dot shows implied effective basis with current spread to lower bound



Source: Bloomberg Finance L.P., MNI.

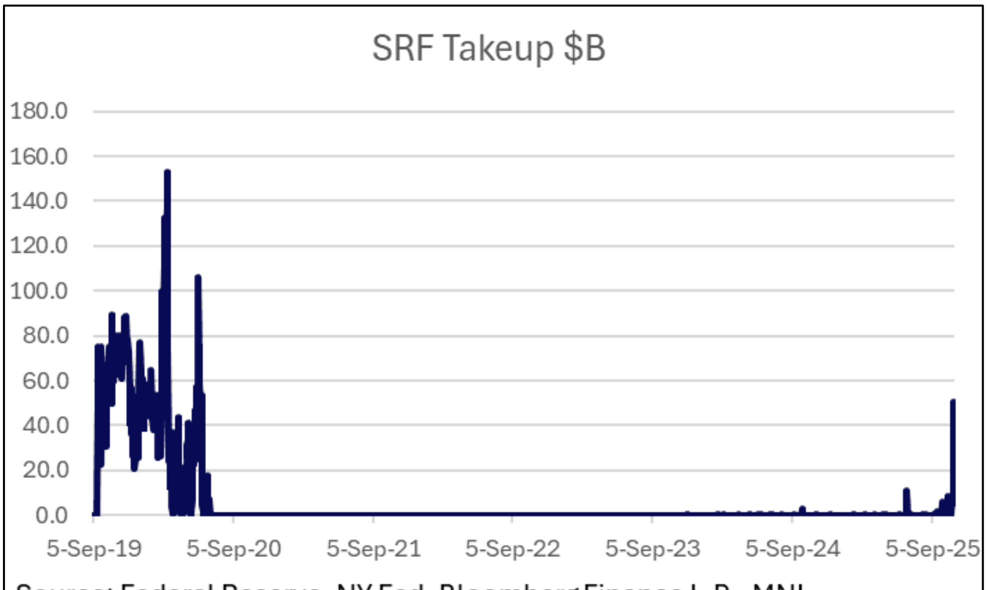




A special mention this week for this publication on continued funding market pressures.

SRF Takeup Hits Fresh Post-2020 Record

- The $30.0B in takeup of the Fed's standing repo facility in the Friday afternoon window was alone a new post-2020 high, beating this morning's operation ($20.4B).
- Combined that's $50.4B for the day, easily the highest since 2020. While takeup is likely to subside next week as month-end will have concluded, at least the latest daily amount is registering on the chart vs periods of funding market tensions in 2019-2020.
- Here is what Dallas Fed President Logan had to say about the SRF in comments earlier today: - note her "disappointment" that repo rates exceeded the SRF rate (which is now 4.0%). "The Fed's Standing Repo Facility (SRF) also offers funding to eligible counterparties at the top of the target range against Treasury and agency mortgage-backed securities. I was disappointed to see rates on a large share of tri-party repo transactions exceed the SRF rate at times this week. I anticipate that primary dealers will use the facility to obtain repo funding when it is economical to do so. Drawing on the SRF when the rate is economical is a sound way for a primary dealer to serve the market. With rates averaging higher than they were just a few months ago, the likelihood of the SRF rate becoming economical on some days is higher. Dealers may now need to step up their readiness to access the SRF in response to rate moves."



Source: Federal Reserve, NY Fed, Bloomberg Finance L.P., MNI

The US Macro Week Ahead: Alternate Labor Data To The Fore Along With ISM Surveys

Next week sees another week of US government shutdown restricted data releases. That means no BLS nonfarm payrolls report for October (a second month now without one) but labor data will nevertheless see plenty of attention from alternative sources. That includes ADP private payrolls and Revelio Labs' labor statistics along with the final version of the Chicago Fed's unemployment rate nowcast after its advance release penciled in 4.35% for little change from its 4.34% estimate for September after 4.32% in the actual BLS data for August. We will also continue to receive another set of state-level weekly jobless claims which can be used to reasonably accurately gauge a nationwide estimate. Latest claims data pointed to a five-week low for initial claims, coming a day after Fed Chair Powell drew "some comfort" from claims and vacancies data suggesting "maybe continued gradual cooling, but nothing more than that". Elsewhere, October business surveys will be in focus, especially the ISM manufacturing and services releases. Flash PMIs from S&P Global suggested that US business activity growth accelerated in October to the second-fastest so far this year, accompanied by the largest rise in new business seen in 2025 to date. The PMIs have however been notably more optimistic than the ISM surveys for a few months now.

See MNI's updated guide to the next 7 days of US data releases here.

mni Guide To U.S. Data Releases In Federal Government Shutdown

- Data will not be released
- Data unlikely to be released, some uncertainty
- Data to be released until further notice

Release schedule assuming shutdown continues. Updated: Oct 31 0800ET

Date	Time ET	Impact	Event	
Friday, Oct 31	830	***	PCE / Core PCE	BEA (Dept of Commerce)
Friday, Oct 31	830	***	Employment Cost Index	BEA (Dept of Commerce)
Friday, Oct 31	830	***	Chicago Fed CARTS Retail Sales Ex-Autos	Chicago Fed
Friday, Oct 31	945	***	MNI Chicago PMI	MNI/Chicago ISM
Monday, Nov 03	945	***	S&P Global Manufacturing PMI (f)	S&P Global
Monday, Nov 03	1000	***	ISM Manufacturing Index	ISM
Monday, Nov 03	1000	*	Construction Spending m/m	Census Bureau
Monday, Nov 03	1700 (est)	***	Wards Automotive light vehicle sales	Wards Automotive
Tuesday, Nov 04	830	**	Trade Balance	BEA (Dept of Commerce)
Tuesday, Nov 04	855	**	Redbook Retail Sales	Johnson Redbook
Tuesday, Nov 04	1000	**	Durable Goods Orders (Final)	Census Bureau
Tuesday, Nov 04	1000	**	Factory New Orders	Census Bureau
Tuesday, Nov 04	1000	***	JOLTS job openings level	BLS (Dept of Labor)
Wednesday, Nov 05	700	**	MBA Mortgage Applications w/w	MBA
Wednesday, Nov 05	815	***	ADP Private Payrolls (Monthly For Oct)	ADP
Wednesday, Nov 05	945	***	S&P Global Services Index (f)	S&P Global
Wednesday, Nov 05	945	***	S&P Global US Final Comp PMI	S&P Global
Wednesday, Nov 05	1000	***	ISM Services Index	ISM
Thursday, Nov 06	830	**	Revelio Public Labor Statistics	Revelio
Thursday, Nov 06	830	**	Chicago Fed Labor Market Indicators	Chicago Fed
Thursday, Nov 06	830	***	Jobless Claims	BLS (Dept of Labor)
Thursday, Nov 06	830	**	Non-Farm Productivity / Unit Labor Costs	BEA (Dept of Commerce)
Thursday, Nov 06	1000	**	Wholesale Inventories / Sales	Census Bureau
Thursday, Nov 06	1130		Dallas Fed Weekly Economic Index	Dallas Fed
Thursday, Nov 06	1300	**	NFIB Small Business Jobs Report	NFIB
Thursday, Nov 06	Est 1700	***	Weekly Initial / Continuing Jobless Claims Estimates Derived From State-Level Data	Analysts / Dept of Labor Data
Friday, Nov 07	830	***	Nonfarm Payrolls	BLS (Dept of Labor)
Friday, Nov 07	900	***	Manheim Used Vehicle Prices	Manheim
Friday, Nov 07	1000	***	U. Mich. Survey of Consumers	UMichigan
Friday, Nov 07	1100	**	NY Fed Survey Consumer Expectations	NY Fed
Friday, Nov 07	1500	*	Consumer Credit m/m	Federal Reserve