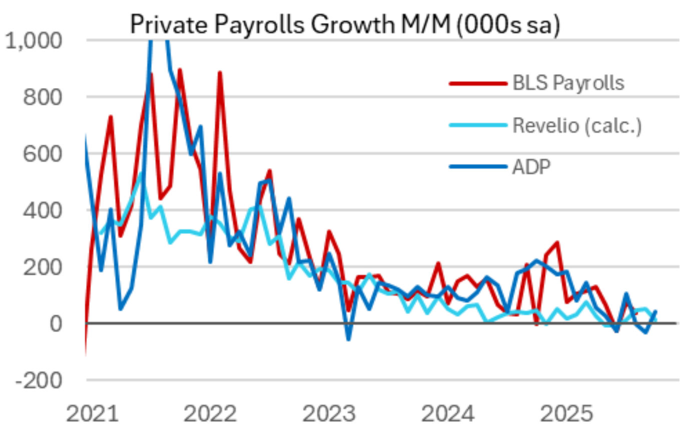
MNI U.S. Macro Weekly

MNI View: Alternative Labor Data Mostly Disappoint

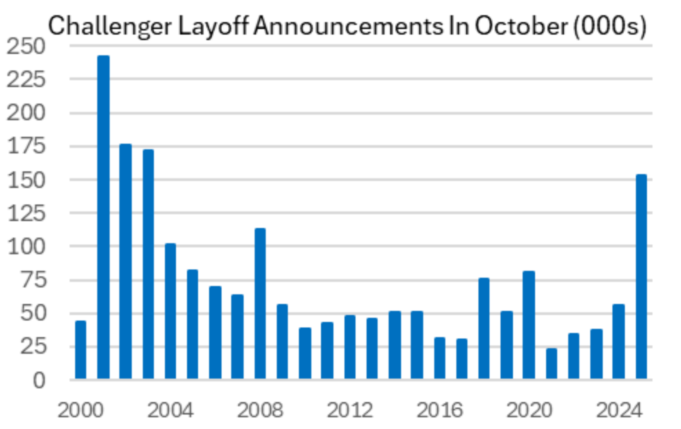
November 7, 2025 – By Chris Harrison and Tim Cooper

Executive Summary

- Our mantra throughout the increasingly lengthy federal government data blackout has been: no “official” data, no problem. There’s been enough “alternative” data to get a sense of underlying economic currents even without the touchstone nonfarm payrolls and GDP releases, and overall they continue to suggest solid economic activity but a continued slow cooling in the labor market.
- ADP employment was firmer than expected for October and the NFIB jobs report showed little deterioration on the small business front, but most other labor releases have disappointed, most notably a negative Revelio labs nonfarm payrolls estimate and a spike in job cut announcements in the Challenger report.
- The ISM mfg survey for October underwhelmed across the board, undershooting regional Fed surveys, the MNI Chicago PMI and what continues to be a much more optimistic S&P Global PMI. New orders disappointed a bounce seen elsewhere and prices paid fell to the lowest since January.
- However, the ISM services report was the strongest overall since early in the year, with its headline index rising 2.4pts to 52.4 for an 8-month high. This easily exceeded the expectation and came with improvements in most of the key subcomponents, though employment remained weak and there were signs of continuing acute inflationary pressures.
- The preliminary U.Mich consumer survey for November saw a sharp decline in consumer sentiment as the perception of current conditions slid to their lowest on record. We continue to advise caution with these preliminary surveys as they can be more susceptible to a heavier weighting of certain political affiliation.
- Growth tracking looks solid on net though, with the Dallas Fed weekly growth indicator continuing to slow but from high levels whilst the Atlanta Fed’s GDPNow sees 4.0% annualized Q3 real GDP growth.
- US rates head towards the end of the week at their most dovish of the week, paring some of the hawkish shift after Powell drove uncertainty over a December rate cut at the Oct 29 FOMC press conference.
- The week ahead sees a quieter data calendar, with focus likely on the second publication of ADP’s new NER Pulse on Tuesday before state-level claims on Thursday. The spike in Challenger layoff announcements this week should have further increased sensitivity to higher claims.



Source: ADP, BLS, Revelio, MNI



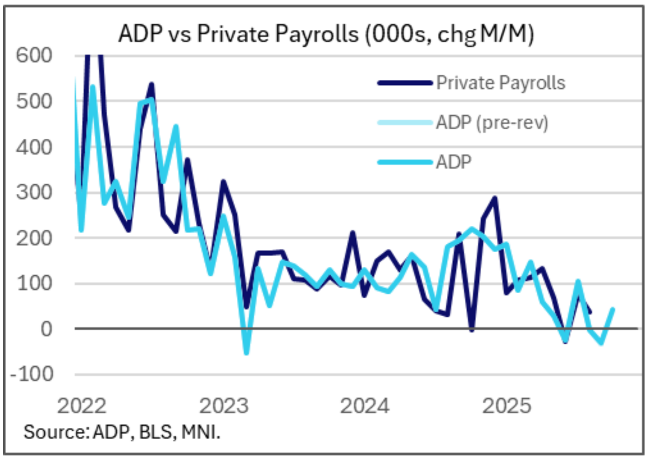
Source: Challenger, Gray & Christmas, MNI

Labor Market: ADP Stabilizes As Expected, Daily Job Openings Steadily Drift Lower

ADP Confirms Payroll Stabilization In October, Trend Still Very Soft

ADP private payrolls growth stabilized in October after two monthly declines, coming in between Bloomberg consensus and last week's fresh ADP New Pulse report along with minimal revisions. The combination drove only a marginal hawkish reaction.

- ADP employment chg: 42k (cons 30k) in October after -29k (initial -32k) in Sept and -3k (initial -3k) in Aug.
- Whilst a small beat of consensus at 30k, it's also not as solid as the 57k implied by last week's newly published weekly series for the four weeks ending Oct 11, i.e. just shy of the reference period used for this month's October report.
- The three-month average now stands at just 3k despite this latest increase. It has steadily declined from a recent peak of 206k in Nov 2024, moderating in all but one month since then.
- These private sector job gains look concentrated, with "trade, transportation & utilities" seeing +47k after two weak months, "education & health" +25k and "financial activities" +11k.
- Largest declines were seen with information -17k, professional business services -15k and other services -14k. That's a third straight monthly decline for professional business services, information and leisure & hospitality.
- Largest firms continue to see most resilience: those with 500+ employees saw headcount rise by 74k compared to a next highest of 5k for those with 20-49 employees. That follows September when only firms with 500+ employees saw net job creation.
- There's no clear story behind which of the smaller firms are most heavily affected though, with firms with 50-249 employees seeing a second month of largest declines, outstripping declines in the smallest 1-19 employee category.



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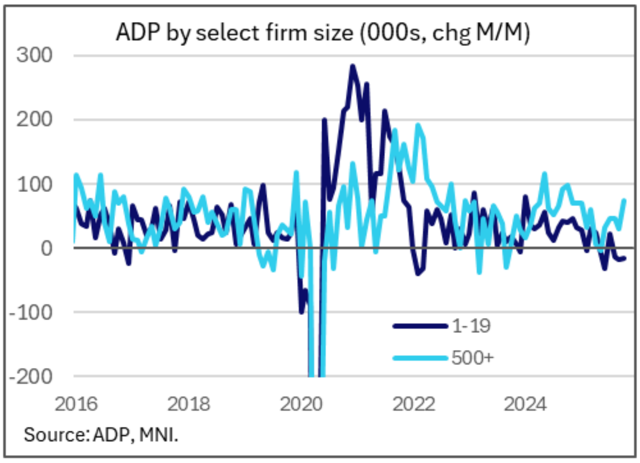
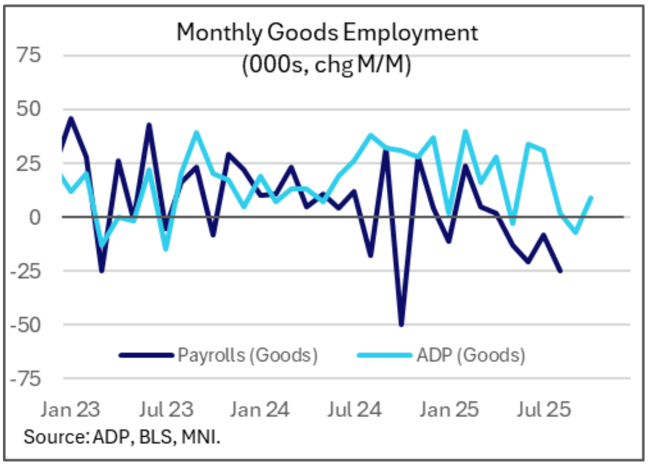


Source: ADP, MNI.



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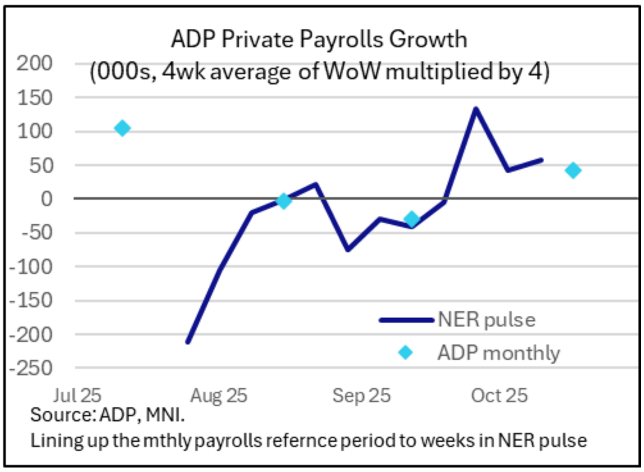
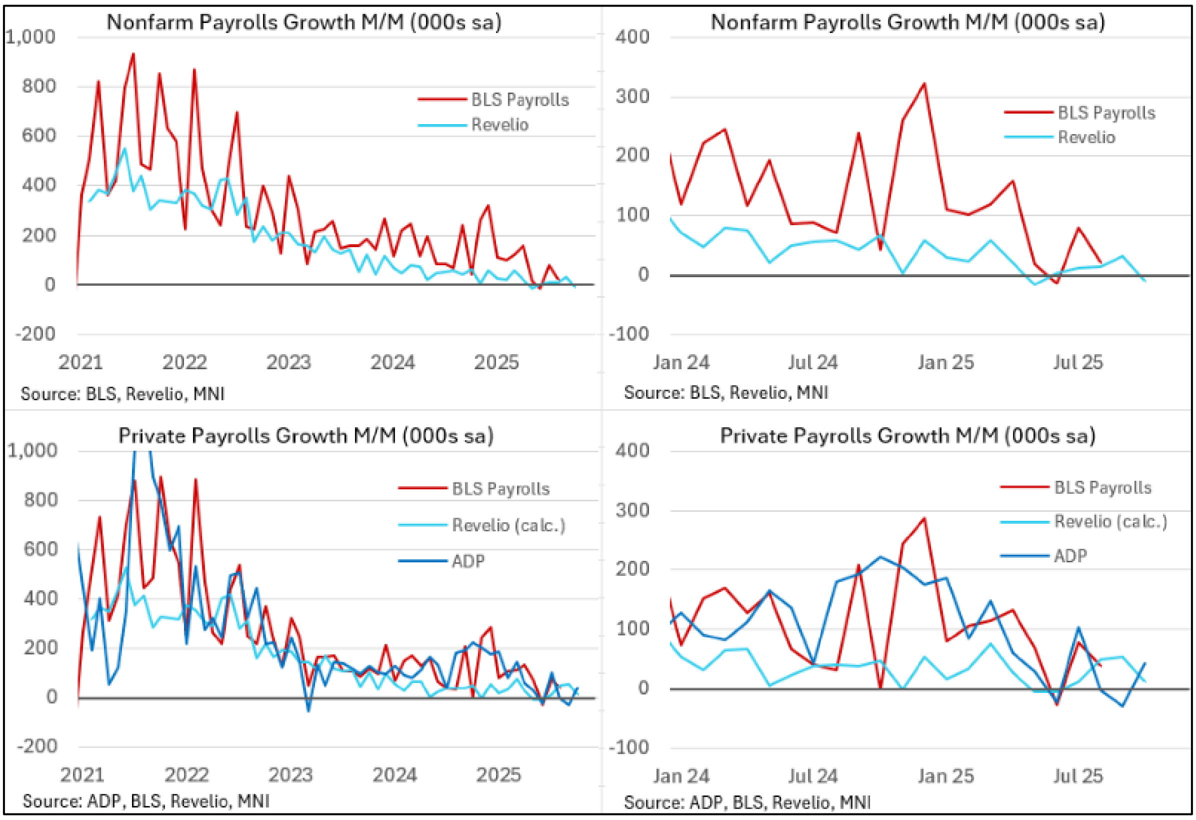


Source: ADP, MNI.
Lining up the mthly payrolls refernce period to weeks in NER pulse

Oct Revelio Nonfarm Payrolls Drop For First Time Since May (1/2)

Revelio Labs' estimate of October nonfarm payrolls growth came in at -9.1k vs +33.0k prior (rev from +60.1k) and August's actual figure reported by the BLS of +22k (Revelio estimates Aug at +14.5k). That is the first negative M/M reading for the Revelio series since May.

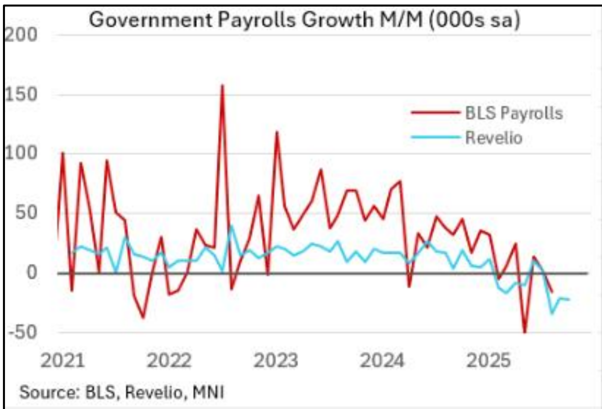
- While Friday's nonfarm payrolls report for October (not to mention September's) is postponed indefinitely, Revelio comes alongside other "alternative" data this week in suggesting a further deterioration in labor market conditions in October, or at best, mixed (to name a few: high Challenger Job Cut announcements, Chicago Fed unemployment rate uptick; continued fall in Indeed.com job vacancies; ADP private payrolls relatively more solid).
- Before going any further, a note on Revelio's methodology: they estimate monthly changes in unemployment by looking at professional profiles sourced from professional networking websites eg LinkedIn: "RPLS provides a set of employment statistics derived from over 100 million professional profiles sourced from professional networking websites. After deduplication, adjustments for reporting lags, and reweighing to ensure that the data resembles the national distribution of the workforce, these data yield timely and detailed measures of employment dynamics."
- They claim a correlation coefficient of 0.74 with monthly changes in the BLS's establishment survey payrolls and overall has been good at capturing the overall trends in NFPs - see chart pack below.

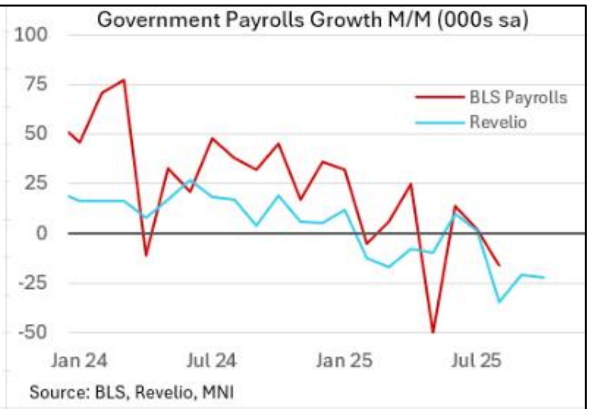


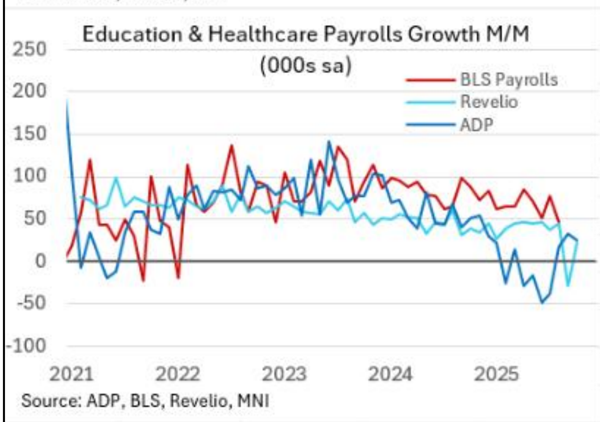
Weak Revelio Private Payrolls; May Understate Gov't Job Drop (2/2)

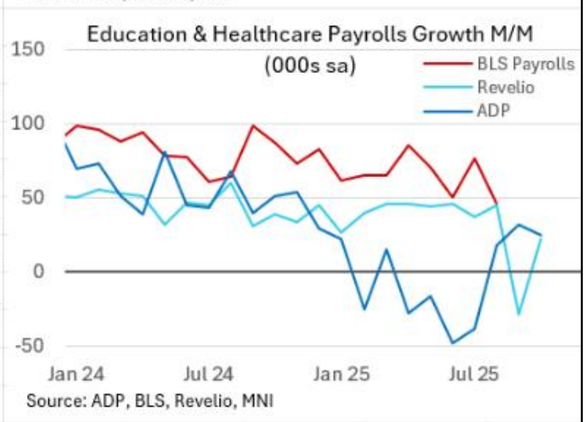
Revelio's sectoral breakdown of October's payroll changes showed a 13.1k gains in private payrolls (+54k prior), versus a 22.2k drop in government employment (-21k prior). The latter would be on the low side of expectations for the "DOGE" effect on October payrolls: recall that deferred resignations for tens of thousands of federal workers that had effectively been laid off earlier in the year were set to impact the month's job numbers, with a drag on the establishment survey that we've seen estimates for of 75-100k.

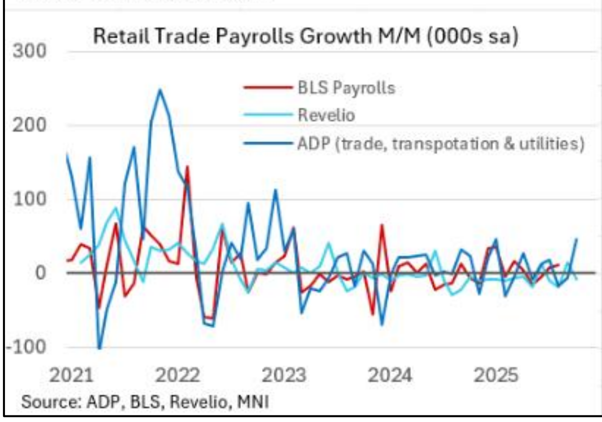
- As such the Revelio reading appears to understate the drop. There's no discussion of this in the release, though given the methodology we wonder whether there is some difficulty in capturing "sudden" job losses for employees who haven't updated their LinkedIn profiles or perhaps updated them earlier in the year.
- On the other hand, Revelio has undershot BLS government payrolls growth estimates anyway most of the last couple of years, so we pay more mind to the overall downward trend in the series which has been getting increasingly negative (see chart).
- We also note a 22.0k gain in Education and Health Services, a non-cyclical sector that's helped buoy overall payrolls for many months now, and without which private payrolls would have been firmly negative.
- Of the 15 non-government sectors in the report, just 7 including Education/Health (Agriculture +0.7k, Construction +1.6k, Transportation/warehousing +1.6k, Financial activities +9.6k, professional and business services +0.2k, and "unclassified" +0.8k) saw growth in October.
- ADP estimated 42k private payroll gains in October by comparison, after -29k. Revelio and ADP have undershot the BLS estimates Education/Healthcare for years, with ADP undershooting by the most, but both appear to have converged in October (see chart).

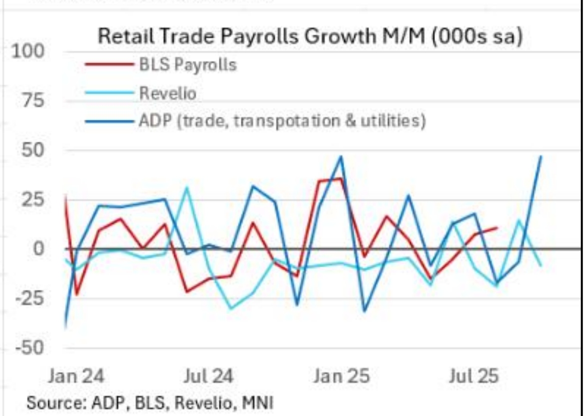








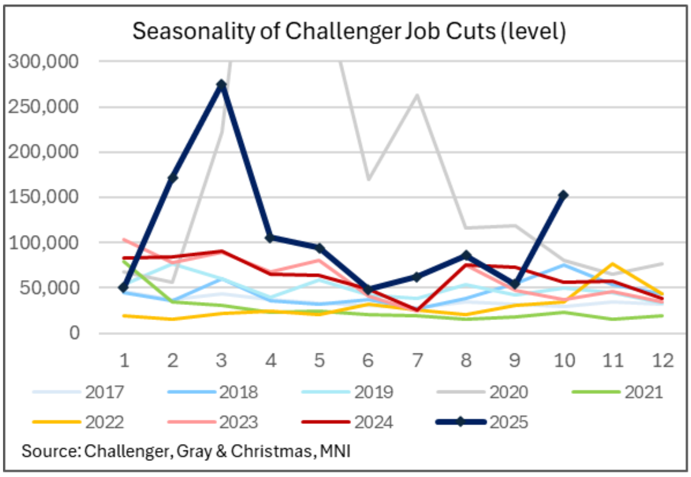


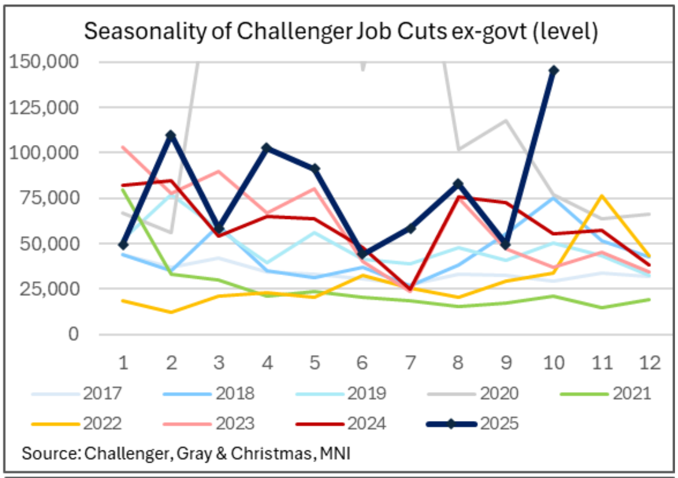


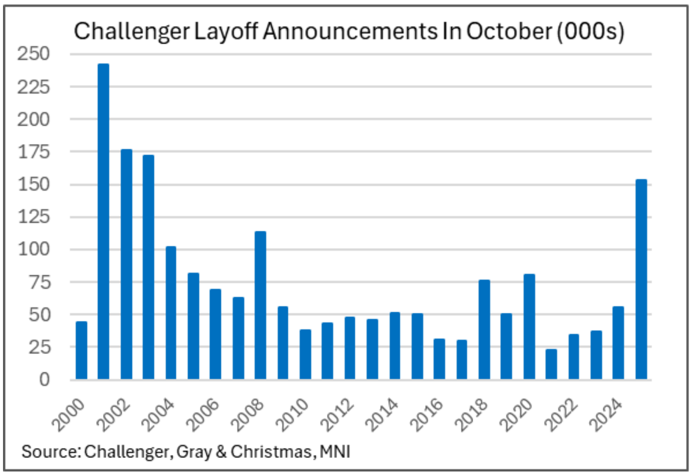
Challenger Layoffs Surge To Highest October Since 2003 [1/2]

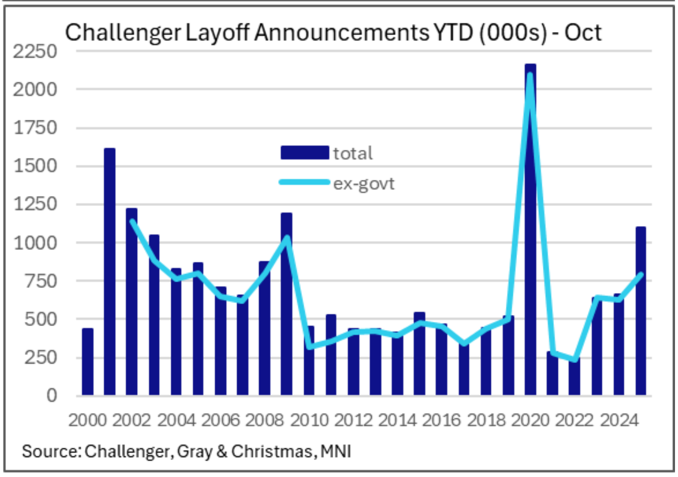
An earlier than scheduled release of the Challenger jobs report has recorded a surge in job cut announcements in October to its highest for an October since 2003. The increase is driven by warehousing and tech with the press release citing cost-cutting and AI.

- Challenger job cut announcements jumped 175% Y/Y to 153k in October, the highest for an October since 2003, having easily surpassed the 113k of Oct 2008 for a striking comparison.
- As opposed to the DOGE-induced surge in layoffs at the beginning of the year, government layoffs were only 8k in October.
- Instead, warehousing layoffs drove the rise with 48k vs 1.4k a year ago (“The surge suggests ongoing overcapacity and automation-driven restructuring following pandemic-era growth”), followed by tech layoffs at 33k vs 3.6k a year ago.
- Job cut announcements have summed to 1.1mn in the year to date for the highest outside of the pandemic since the 1.2mn in 2009, up from 664k in 2024 and 641k in 2023 for this time of year. Whilst these won’t correct for any announcements that then weren’t followed through with, it’s still a notable comparison.
- Ex-government layoffs meanwhile sum to 792k for a still sizeable increase from the 627k in 2024 and 640k in 2023. This is also the highest since 2009 outside of 2020.
- The Challenger press release on this comparison with Oct 2003: “That month, large announcements occurred in Retail due to acquisitions and in Telecommunication as cell phones gained wide adoption.” Today’s release for Oct 2025 sees “the highest total for a single month in the fourth quarter since 2008. Like in 2003, a disruptive technology is changing the landscape.”
- “Some industries are correcting after the hiring boom of the pandemic, but this comes as AI adoption, softening consumer and corporate spending, and rising costs drive belt-tightening and hiring freezes.”





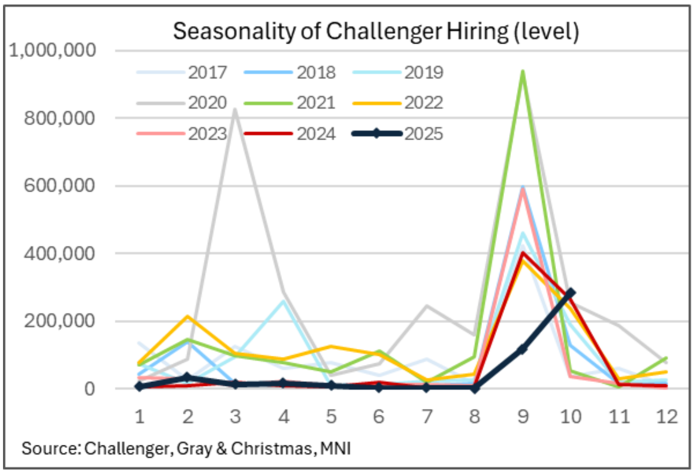


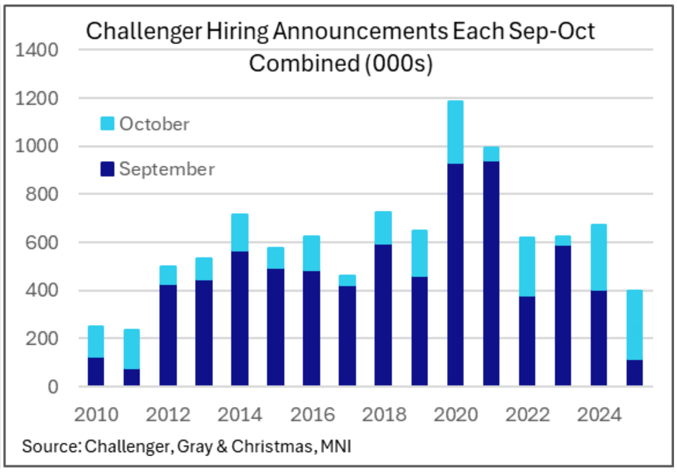


Challenger Hiring Announcements Show Little Hiring Appetite [2/2]

Challenger hiring announcements failed to materially bounce in October after a particularly soft September, leaving a cumulative 400k over the two key hiring months for seasonal workers some 40% lower than last year.

- Challenger hiring announcements increased 6% Y/Y to 283k in October but that stops a long way short of recovering from a particularly disappointing 117k (-71% Y/Y) in September.
- With Sep-Oct typically the two key months for hiring announcements, capturing seasonal hiring ahead of the holidays, the combined 400k over the two months is 40% lower than in Sep-Oct 2024 and the lowest since 2011.
- We knew that Amazon was going to account for 250k of the announcements in October (the same as in 2024), leaving little by way of hiring plans elsewhere.
- As discussed yesterday, anecdotal evidence ahead of the report pointed to broader hiring lethargy, with Target for instance usually hiring 100k of seasonal workers at this point of the year but this year only offering additional hours to its current employees. Indeed, Target's column in today's report still only showed the same 4.2k as from September's report.
- From the press release: "It's possible with rate cuts and a strong showing in November, companies may make a late season push for employees, but at this point, we do not expect a strong seasonal hiring environment in 2025".
- On that basis, we'd note that the last time there was a meaningful round of hiring announcements in November was back in 2020.





Challenger To Boost Sensitivity To Jobless Claims Increases

A sharp rise in layoff announcements in the Challenger report should increase sensitivity to the weekly claims data, which for now see initial claims at healthy levels. We watch for any softening in tone from today's heavy Fedspeak schedule.

- The October Challenger report confirmed the low hiring state of the labor market but will also start to see greater questions on the low firing characterization in place for some time.
- Initial jobless claims data have clearly been evidence of low firing, including most recently with state-level data suggesting nationwide initial claims at just a seasonally adjusted 219k per MNI calculations in latest data to the week to Oct 25. That's close to the average through 2019 when the unemployment rate had a 3-handle although clearly re-hiring conditions are softer now as evidenced by continuing claims and broader labor data.
- Today's jump in forward-looking layoff announcements should see greater sensitivity to increases in the weekly claims data, starting with today's state-level data this afternoon (we believe ~1700ET), something likely needed to drive a stronger market reaction. Indeed, Powell noted as such at last week's press conference (excerpt below).
- It will be interesting to hear whether today's weak Challenger report is acknowledged in today's deluge of Fedspeak (in chronological order from Williams, Barr, Hammack, Waller, Paulson and Musalem). Waller is clearly the most dovish of those speakers and has warned on risks to the labor market, but such comments

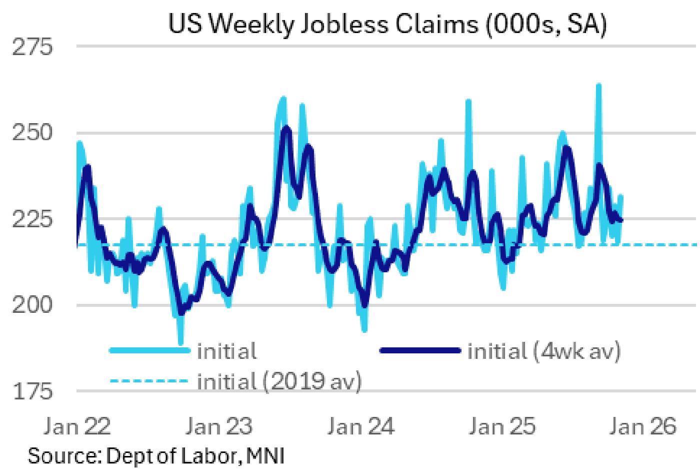
would still be notable as it would go against the topic of central banking and payments. Most impactful though should be any softening in tone from hawks Musalem ('25 voter) and Hammack ('26).

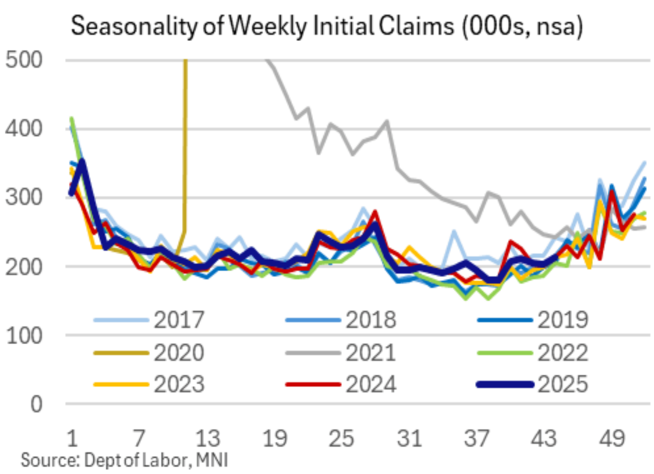
- Fed Chair Powell when asked about big layoff announcements coming from Amazon and others: *"So those are -- those are both things that we're watching very -- very, very carefully. To start with the layoffs, you're right, you see a significant number of companies either announcing that they are not going to be doing much hiring, or actually doing layoffs, and much of the time they're talking about AI and what it can do. So, we're watching that very carefully. And yes, it could absolutely have implications for job creation. We don't really see it in the initial claims data yet. Now, it's not a surprise that we don't, it takes some time for it to get in there, but we're watching that really carefully. But again, don't see it yet in the -- in the initial claims data."*
- Some further context on the then lack of a big spike in layoffs from Chicago Fed's Goolsbee on Monday, a '25 voter typically at the dovish end of the FOMC spectrum but who has also been recently cautioning on still stubborn inflation. He sees a higher threshold for cutting in Dec than last month: *"If you look over the last 12 months, the unemployment rate has not been going up. We haven't seen a big uptick in layoffs, which, if this were the beginning of recession or deterioration of the labor market, that was rapid, you would expect to see higher layoffs or firing and we haven't seen that. There's still concerns on that side. I'm not decided going into the next meeting. I want to see how things are playing out. I do think the public announcements of layoffs you would expect, if that is an immediate business cycle-driven matter that you would start to see an uptick in the official unemployment insurance statistics or the layoff statistics, or you would get WARN Act type data of that form that would give you a little bit of a heads up of what was coming in the job market. I do think the hiring rate is low. That's among the weakest things in the economy at the moment."*

MNI Estimates Initial Jobless Claims Pick Up To 5-Week High, Still Low

MNI estimates that initial jobless claims rose 13k in the week of Nov 1 to 232k (our latest estimate is 218k prior, just below MNI's initial 219k estimate). That estimate, based on state-by-state data, would mark the highest reading since the week of Oct 4.

- That said it would largely be within the recent range and the 4-week moving average dipped 1k to 225k, and we would continue to characterize this indicator as consistent with a "low hiring, low firing" labor market environment.
- Data available for all states (except New Mexico) showed non-seasonally adjusted claims of 214k, the highest since mid-July.
- Amid the government shutdown, there was no noticeable spike in initial claims in the Washington D.C. area, with Maryland/Virginia/DC seeing NSA claims at a 5-week low 6.9k.
- Michigan stood out with a 3.3k NSA increase on the week but this looked to be reasonably consistent with the seasonal uptick in the state.

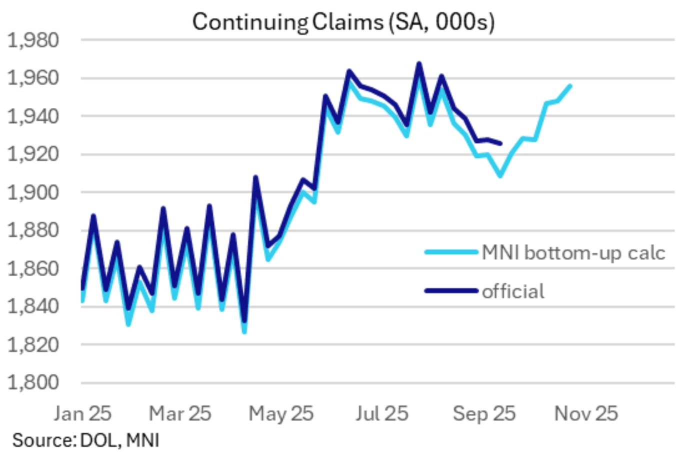


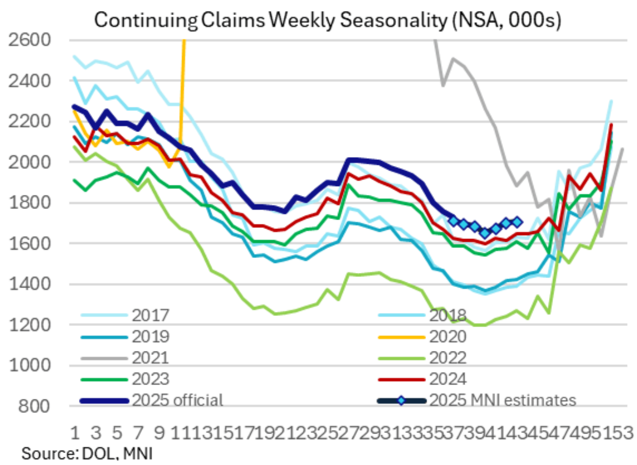


Continuing Jobless Claims Continue To Trend Up

MNI estimates that continuing jobless claims rose for the 3rd consecutive week in the Oct 25 week, to 1,956k from 1,948k prior (we had initially estimated ~1,950k), based on state-by-state data.

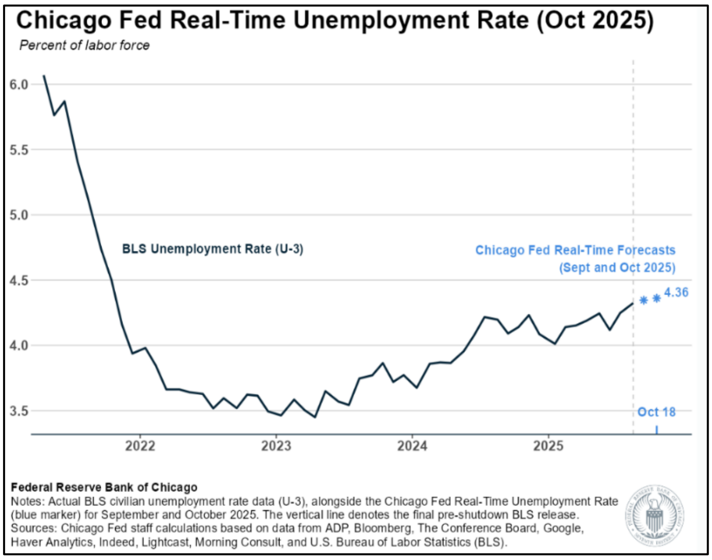
- That would mark the highest since the 1,962k recorded 13 weeks ago and is nearing the cycle high of 1,968k hit in July (which was the highest since 2021).
- We're less confident on the continuing figure than for initial claims due to a lack of data for federal and some other employees available to make the calculation, and additionally there have historically been downward revisions to continuing claims that become evident in subsequent weeks.
- But overall it is clear that claims are continuing to trend higher and clearly up from the recent low of 1,909k recorded in the Sept 13 week.
- As such it's a sign of gradual loosening in the labor market, aligning with some of the softer data we've seen across "alternative" (ie non-federal government produced) job indicators.





Chicago Fed Estimates A Second Month Of Marginal Climb In U/E Rate

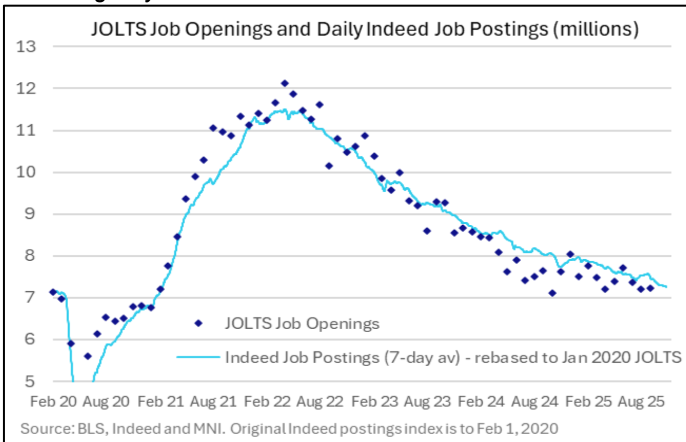
- The final release of the Chicago Fed's Labor Market Indicators report for October saw its unemployment rate nowcast broadly unrevised at 4.36% from the 4.35% in the advance.
- Full Indicators Report found here.
- It follows an estimated 4.34% for September, pointing to little change from the 4.32% in August in what was the last release from the BLS payrolls report before the government shutdown.
- It confirms what has been a mild nudge higher in the unemployment rate since August, pushing above a range of 4.0-4.25% that had held through May 2024 to Jul 2025.
- A reminder that the median FOMC member forecast an unemployment rate of 4.5% in 4Q25 (central tendency 4.4-4.5%) at the last two SEP rounds in June and September, which is then seen dipping to 4.4% in 4Q26 and 4.3% in 4Q27.

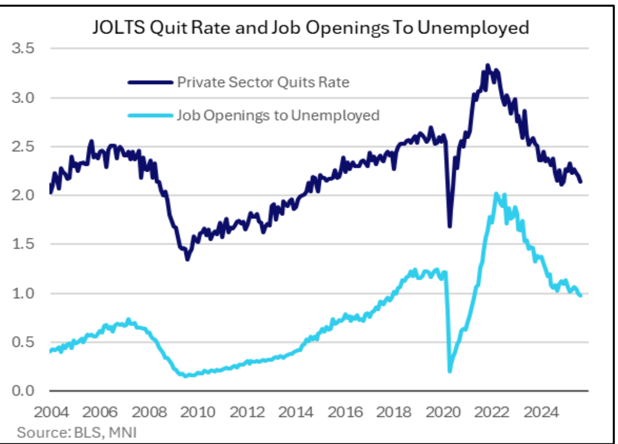


- Chicago Fed staff calculations for this indicator are based on data from ADP, Bloomberg, The Conference Board, Google, Haver Analytics, Indeed, Lightcast, Morning Consult and the BLS.

Indeed Job Openings Suggest Same Gradual Cooling In Lieu Of JOLTS

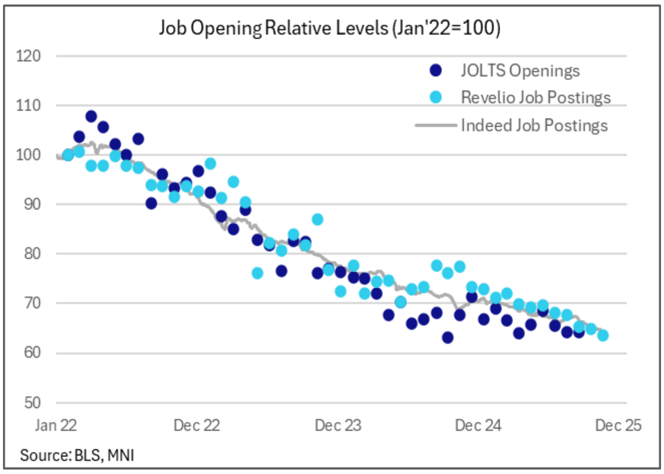
- In light of there being no JOLTS report for September from the BLS on Tuesday due to the ongoing government shutdown, we take another look at the latest daily job openings data from Indeed, provided with a 7-day rolling average up until Oct 26.
- These openings suggest there was a sizeable 2.4% decline through September since end-August (the latest period we have for JOLTS openings), before a steadier decline thereafter for a cumulative 3.1% drop in almost two months.
- Analysts estimated 7.13mn for what would have been JOLTS job openings in September, a 1.3% decline from 7.23mn in August, with Indeed openings a little more pessimistic. [Note the 12 analyst estimates for today's 'release' vs closer to 30 responses usually]
- These daily openings are at lows since 2021 but they're roughly consistent with JOLTS figures when indexing them to pre-pandemic levels. A further decline ahead would be more notable.
- Fed Chair Powell on Wednesday wasn't overly concerned about the labor market at Wednesday's press conference as part of remarks aimed at instigating some uncertainty over a December rate cut. Talking on what to watch during the government shutdown: *"The labor market is a place where we get, for example, we get the state level data on initial claims, which are sending sort of a signal of more of the same. We also get job openings, and we'll get lots of survey data, we'll get the Beige Book and things like that. So we'll have a -- we'll have a picture of what's going on in the labor market. And the fact that we're not seeing an uptick in claims, or a downtick really in openings, suggests that you're seeing maybe continued very gradual cooling, but nothing more than that. So that does give you some comfort."*





Further Decline In Revelio Labs Job Postings Echoes Indeed Metric [1/2]

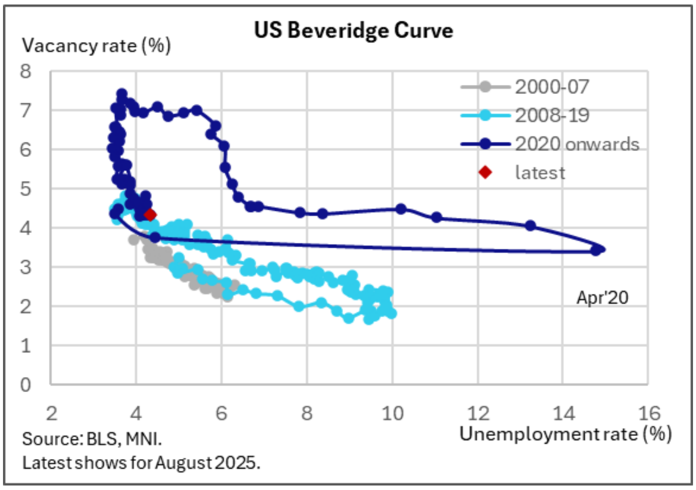
- Within the Revelio labor data release, which prompted a dovish reaction in rates space with a 9k decline in its estimate for nonfarm payrolls growth in October, job postings fell further to a seasonally adjusted 16.25mn.
- It was a 307k monthly decline in postings to a new low for the cycle although with data only starting in 2022.
- Whilst it points to some further downside momentum in the JOLTS data that is currently only up to August under the government shutdown, it's relatively modest and chimes with that seen in the daily Indeed postings we have intermittently written about in recent weeks.
- We focus on the direction in these data rather than the outright level, with the Revelio figure of 16.25mn far larger than the 7.2mn in August JOLTS job openings (the figure that goes into the vacancy to unemployed ratio that still carries weight in Fed labor market analysis). That said, this much higher Revelio series could at least partly suggest that the labor market is stronger than what the JOLTS data suggest.
- Revelio on some potential factors behind such a large difference (methodology note):
  - "JOLTS applies a restrictive criterion, counting only jobs that are actively recruiting and intended to be filled within 30 days. By contrast, Revelio Labs includes any active posting, regardless of



employer hiring horizon. This is particularly relevant for positions with longer recruitment cycles (e.g., senior roles, government jobs, or specialized technical occupations), or evergreen job openings."

- "The Revelio Labs dataset reflects openings scraped from across the web, including company career sites, job boards, and staffing firms. This broader scope captures multi-channel labor demand that may be underrepresented in JOLTS, especially for smaller firms or rapidly emerging occupations."

Slowly Getting Closer To Flatter Beveridge Curve [2/2]

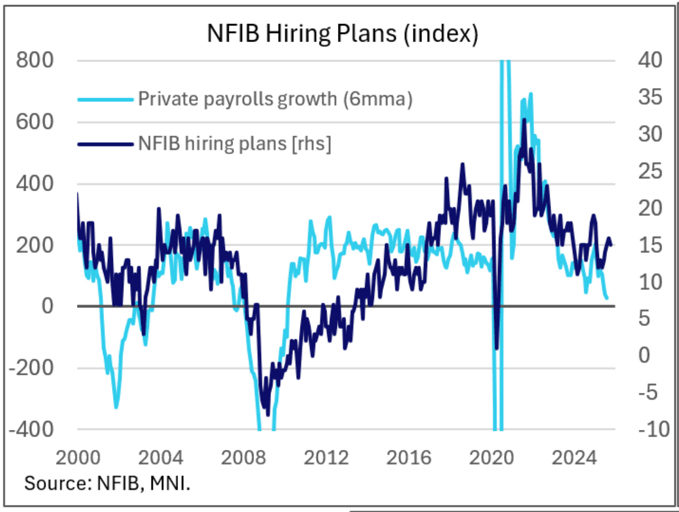


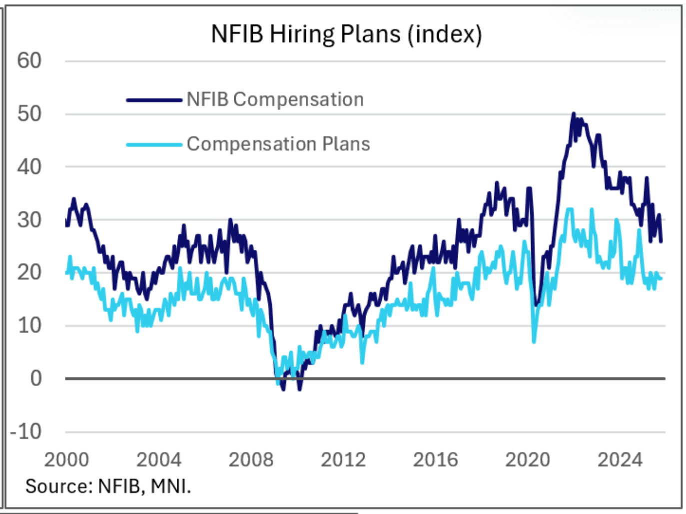
- The Indeed job postings data have been referenced by multiple FOMC officials including Powell as one metric the Fed can watch to monitor job openings amidst a lack of JOLTS data during the government shutdown.
- These latest data from both Indeed and Revelio point to a further modest decline in the vacancy rate, at a point that could start to become more pivotal for the Beveridge curve.
- Powell in the Q&A of last month's NABE speech specifically pointed to this relationship to suggest that *"You're at a place where further declines in job openings might very well show up in unemployment. You've had this amazing time where you came straight down, but I just think you're going to reach a point where unemployment starts to go up."*
- Of course, the unemployment rate has seen slow trend increase from consistent readings around the 3.6% mark in 2022-23 to 4.32% in latest data for Aug (or 4.36% in the Chicago Fed's nowcast for October also released today) after a stabilizing between 4.0-4.25% through May 2024-Jul 2025.
- We're now getting towards what has historically been a flatter section of the Beveridge curve – see chart.

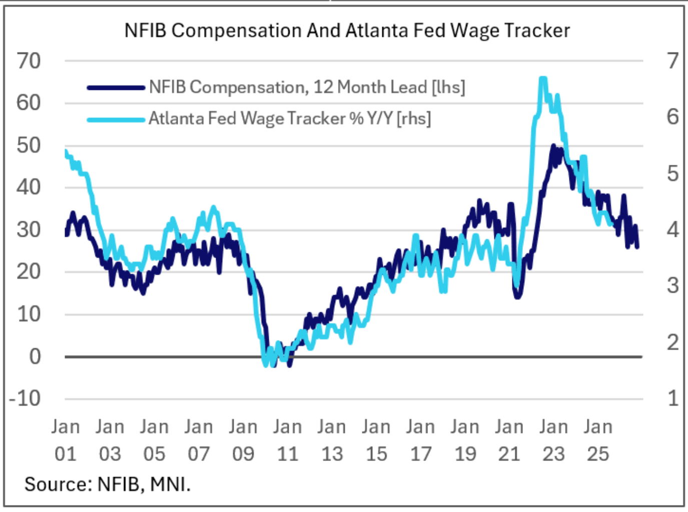
NFIB Survey Points To Little Deterioration In Labor Market

The National Federation of Independent Business's October Jobs report showed limited signs of significant deterioration in the month, and indeed, even some signs of renewed labor tightness. Overall small business hiring plans appear to be faring better than actual private payrolls growth would suggest, though forward-looking indicators of wage pressures continue to subside.

- The most notable sign of weakness was that just 15% of small business owners planned to hire in the next three months, 1pp down from September and the first decline since May. But like other indicators in the survey, this is more of a sign of stability in a normal (ie not pandemic-reopening) environment, albeit slightly on the soft side vs 2016-19. And indeed the report explained this as "Firms remain interested in hiring but are finding it difficult to fill openings", suggesting it's not a demand, but a supply issue.
- 27% of owners named labor quality as their single most important problem (up 9pp from prior), the highest since the all-time high 29% in November.
- Drilling deeper, "Labor quality reported as the single most important problem was the highest in the construction, transportation, and professional services industries, and lowest in finance and agriculture. Nearly half (49%) of small businesses in the construction industry reported labor quality as their single most important problem, 22 points higher than for all firms. Only 13% of businesses in the finance industry reported labor quality as their single most important problem."
- Conversely though, labor costs as the single most important problem fell 3pp to 8%, and the net 26% of respondents reporting raising compensation marked a 5pp drop - equal to May's post-2021 low. The 19% planning to raise compensation was unchanged.





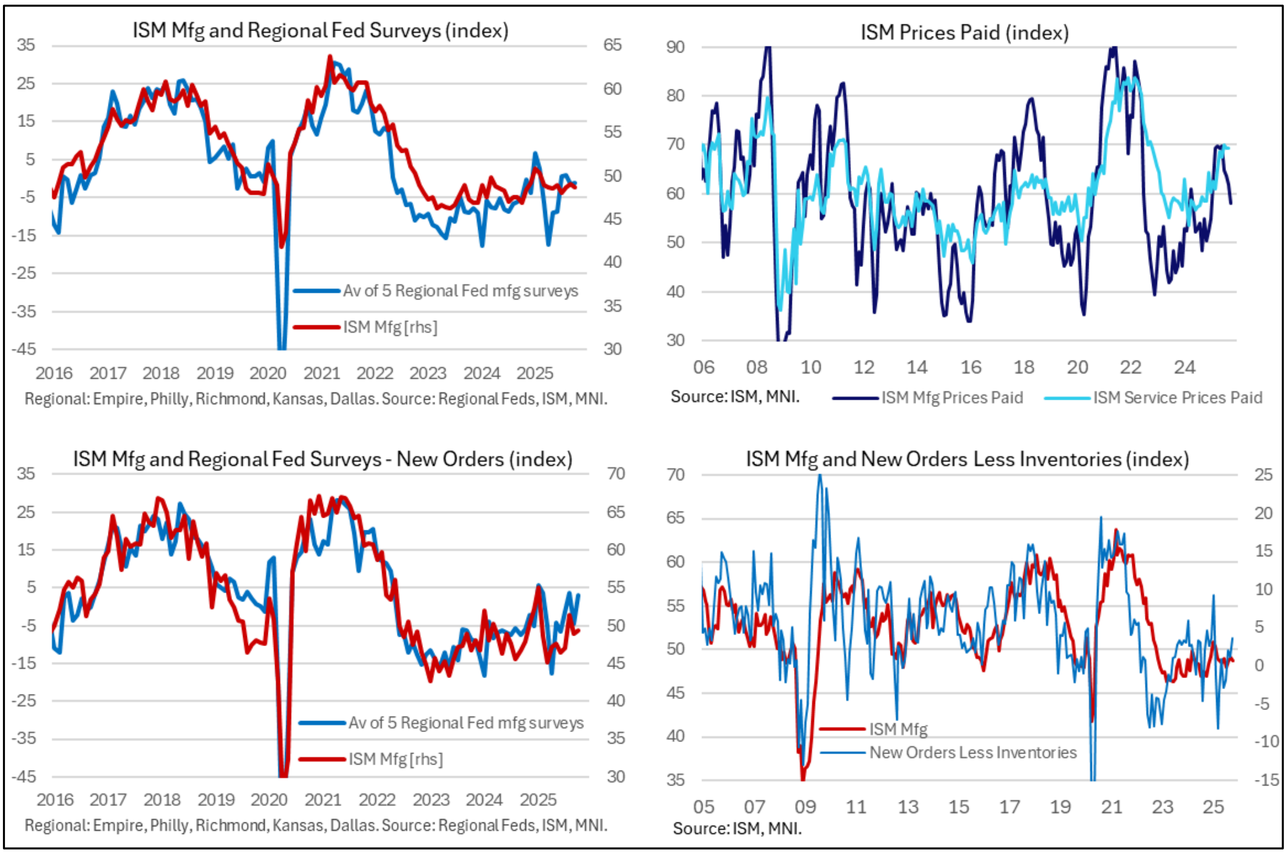


Business Sentiment: ISM Mfg Bucks Stronger Trends Elsewhere But Services Strength Offsets It

A Broadly Disappointing ISM Manufacturing Survey For October
The ISM manufacturing survey for October underwhelmed across the board, undershooting implications from regional Fed surveys, the MNI Chicago PMI and what continues to be a much more optimistic S&P Global PMI. New orders disappointed a bounce seen elsewhere and prices paid fell to the lowest since January.

- ISM manufacturing: 48.7 in Oct (cons 49.5) after 49.1 in Sep. We saw mild upside risk beforehand although as we wrote we didn't want to overemphasize it.
- New orders: 49.4 in Oct after 48.9 in Sep. The small 0.5pt increase after the -2.5 drop in September is disappointing considering the regional Fed surveys along with the MNI Chicago PMI had pointed to a solid bounce in new orders.
- Interestingly however, inventories didn't echo the sharp increase from the S&P Global US PMI (its sharpest increase since the data started in 2007) but instead fell 1.9pts to 45.8 for the lowest since Oct 2024. That in turn meant that the new orders less inventories metric increased to 3.6 for its highest since January, at least implying some upside to manufacturing activity ahead.
- Prices paid: 58.0 in Oct (cons 62.5) after 61.9 in Sep. Consensus came from a typically limited survey of six analyst estimates but had looked reasonable considering the regional Fed surveys were on average were little changed on the month whilst continuing to run at higher outright levels.
- Prices are an area where the ISM report is more in line with the PMI, with prices paid at their lowest since January vs February in the PMI.
- Employment: 46.0 in Oct after 45.3 in Sep, marking a third consecutive increase for its highest since May but still firmly in contraction territory. The index has been in expansionary territory (>50) in just two months

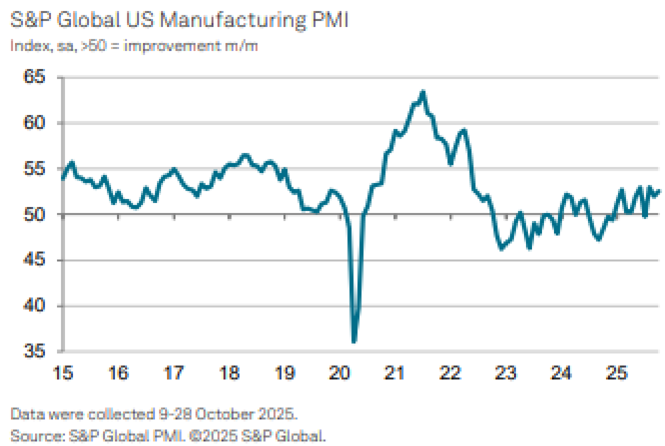
of the past two years, with a high in that period of 50.4. We put much more weight on the ISM services survey for this component.

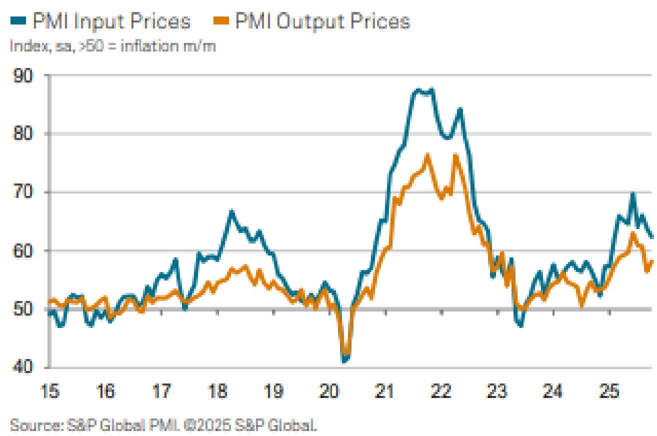


PMIs Point To Robust Manufacturing As Inventories Climb

The manufacturing PMI was revised higher in the final October print to 52.5, leaving a larger increase from 52.0 in September but still below the 3+ year high of 53.0 in August. Inventory accumulation continued with the highest since stock of finished goods since the data began in 2007, hinting at further volatility within national account data details ahead, whilst input cost inflation confirmed its softest since February.

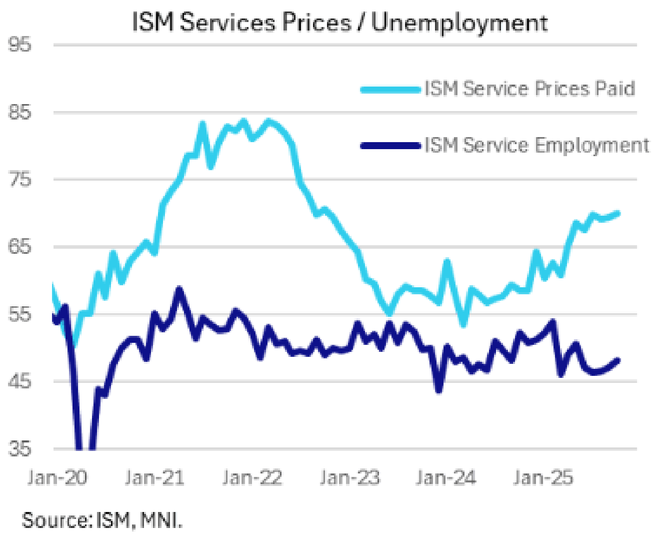
- S&P Global US Mfg PMI: 52.5 (cons & flash 52.2) in Oct after 52.0 in September.
- The press release (in full here) points to similar drivers to the flash release of Oct 24 including input cost inflation at its softest since February, but goes into more detail.
- Domestic-led growth: “The performance of the US manufacturing economy improved again in October, with both output and new orders rising at stronger rates. However, growth was domestic led as new exports fell due to tariffs reportedly negatively impacting international trade.”
- Limited optimism but some eye onshoring gains: “Challenges in predicting future trade policy also served to limit confidence in the outlook, although some manufacturers expect to benefit in time from the reshoring of industrial output to the United States.”
- Lowest input cost inflation since February: “Tariffs remained a key source of higher input costs during October with latest data showing another round of historically elevated inflation – albeit the lowest since February. Selling prices were raised markedly in response, and to a quicker degree than September’s recent low.”
- Strong inventory build: “Stocks of finished goods rose to an extent not previously recorded since data
- were first available in 2007, while stocks of purchased inputs showed the second-largest rise seen for over three years. While stock building was partly fueled by expectations of rising demand, some factories also reported increased safety-stock building amid fears of supply shortages or to protect against further price rises, in turn reflecting the recent impact of import tariffs.”





ISM Services Activity Bounces Strongly In October, But Prices Edge Up

October's ISM Services report was the strongest overall since early in the year, with the headline PMI index rising to 52.4 from 50.0 for an 8-month high. This easily exceeded the expectation for a slight uptick to 50.8 and came with improvements in most of the key subcomponents, though employment remained weak and there were signs of continuing acute inflationary pressures.

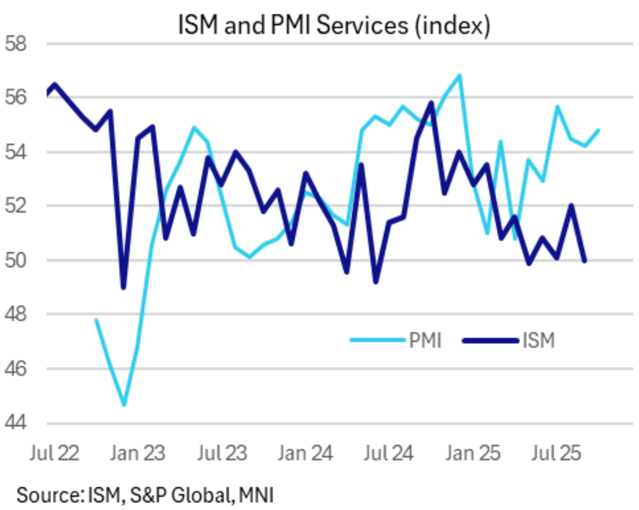


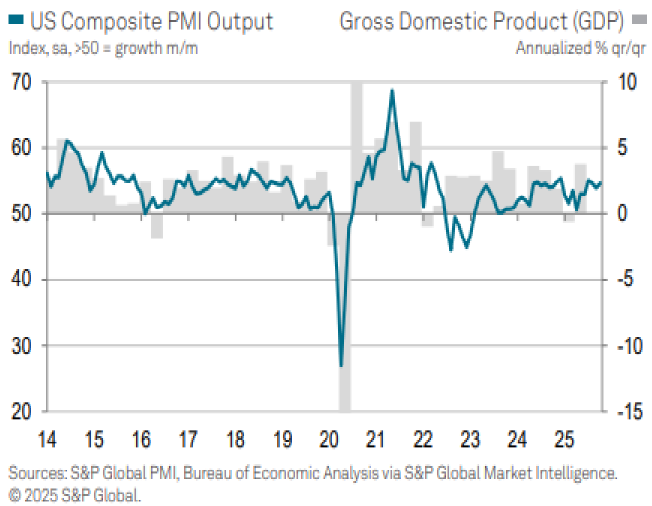
- October saw better readings in Business Activity/Production (+4.4 to 54.3, largely reversing a 5.1 point drop in September), New Orders (+5.8 to a 12-month high 56.2 vs 51.0 expected, likewise reversing a 5.6 point fall in September), Employment (+1.0 to a still-contractionary 48.2 but vs 47.6 expected and a 5-month high), New Export Orders (+1.3 to 4-month high 47.8), and Inventories (+1.7 to 49.5).
- Overall, "comments from many industries mentioned continuing demand stability."
- On the employment and activity readings, the ISM points out "There was no indication of widespread layoffs or reductions in force, but the federal government shutdown was mentioned several times as impacting business activity and generating concerns for future layoffs."
- Backlog of Orders notably fell 6.5 points to 40.8 for the 2nd lowest reading since May 2009 (per the ISM this hints at increasing productivity: "even with a contracting Employment Index, companies can more than keep up with new orders to reduce backlogs"), while Supplier Deliveries slowed 1.8 points to 50.8. Imports fell 5.5 points to 43.7 suggesting continued impairment of normal trade amid tariff/supply chain uncertainty.
- Inflation remained a problem. The increase in Prices Paid to 70.0 from 69.4 marked the highest print since October 2022 in a continuation of the increases seen more or less since early 2024. This defied consensus expectations for a pullback to a 4-month low 68.0, but corroborates the S&P Global PMI's finding of costs increasing sharply in the month. Per the ISM: "Respondents continued to mention the impact of tariffs on prices paid."
- Indeed this brought the activity gauge a little closer to the S&P PMI which has been signalling robust Services expansion in contrast to a relatively flat ISM.

October Services PMI Trimmed In Final Print, Margin Compression Noted

The S&P Global service PMI saw a reasonably large downward revision in the final October print although still firmed from September for still its highest since July. At 54.8, it's still likely to show a much more optimistic business activity than the 50.8 expected for ISM services after its 50.0. Within the S&P Global survey, note growing margin compression in the comment below.

- S&P Global US services PMI: 54.8 in Oct final (cons & flash 55.2) after 54.2 in September
- S&P Global US composite PMI: 54.6 in Oct final (cons 54.9 & flash 54.8) after 53.9 in September
- PMI press release (link: https://www.pmi.spglobal.com/Public/Home/PressRelease/2e4923c8117a4397a6d6a90 7dd3e6df2): "Latest PMI survey data from S&P Global showed that the US service sector registered a solid and accelerated pace of activity growth during October."
- "Higher service sector output was accompanied by a firm rise in incoming new business, although an uncertain economic and political outlook reportedly meant that hiring growth was modest and confidence about the future fell to a six-month low."
- "Moreover, selling price inflation was limited by competitive pressures, dropping to its lowest level since April despite elevated cost pressures from tariffs and rising employee expenses."
- Further on margin compression from the S&P Global Chief Business Econ: "However, there are signs that new business is coming at the cost of service providers having to soak up continued high input price growth to remain competitive. Customers are often pushing back on price rises, especially in consumer-facing markets. While good news in terms of inflation, this lack of pricing power hints at weak underlying demand and lower profits."



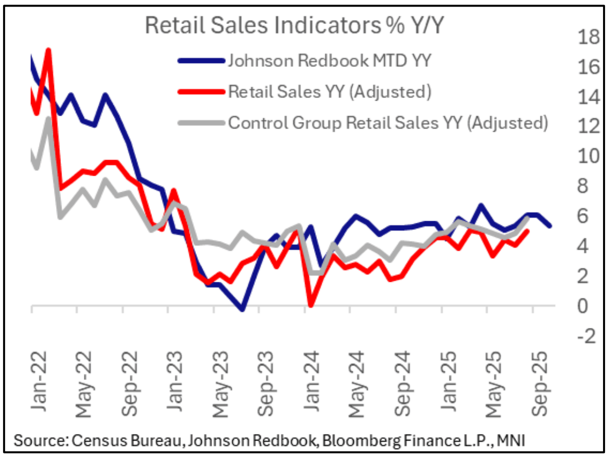


Growth: Mostly Solid Tracking

Redbook Retail Sales Close Out October On Solid Footing

Retail sales growth picked up in the final week of October to 5.7% Y/Y from 5.2% prior, per the Johnson Redbook index. This kept October's sales at +5.4% Y/Y, same as the month-to-date figure estimated for the prior week albeit slightly below retailers' targeted 5.6% gain.

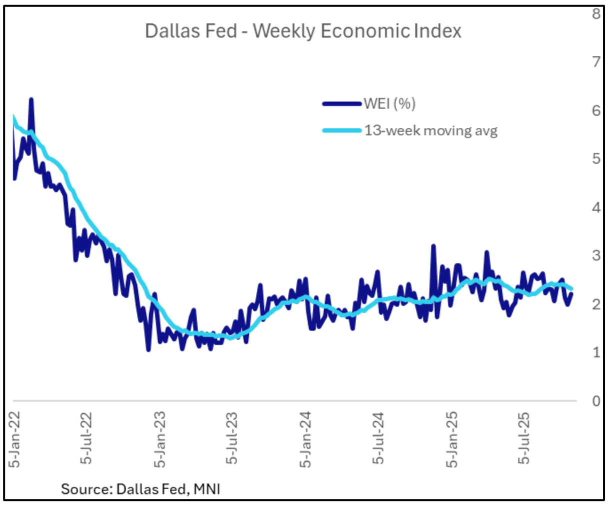
- The report notes that "the past week saw an increase in customer traffic and sales, primarily driven by demand for Halloween merchandise. However, the holiday may have negatively impacted shopping patterns on Friday, a key day for retailers, by diverting customers away from stores while boosting sales at those catering to Halloween shoppers."
- There will be more detail on October sales out this Thursday with the Johnson Redbook Same-store Flash Report based on stores' reported sales for the month that are out that day. For now Johnson Redbook is targeting 6.2% Y/Y sales growth in November, noting " This month features several significant shopping promotions, including those around Election Day, Veterans Day, and Thanksgiving."
- Overall October retail data look to have been solid, between Redbook's figures and Chicago CARTS' preliminary estimate of ex-auto sales equivalent to a 4.3% Y/Y rise in ex-auto sales gains for a 2nd consecutive month (though of course we don't yet have official September data let alone October due to the federal government shutdown).



Dallas Fed Weekly Growth Indicator Continues To Slow From High Levels

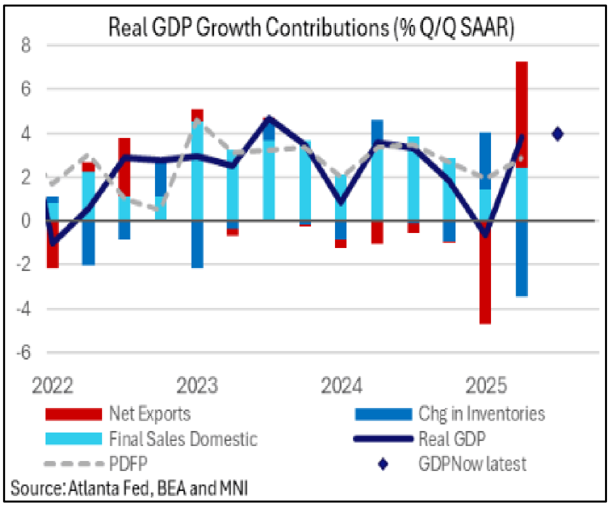
The Dallas Fed's Weekly Economic Index (WEI) showed a pickup in growth in the week ended Nov 1, to 2.22% from 1.99% prior (scaled to 4-quarter growth).

- On a quarterly (13-week moving average) basis though, growth is slowly moderating: from a near 2-month stretch of printing above 2.4% Y/Y, it's now edged lower to the slowest since mid-August.
- Overall we've seen this index as largely consistent with the strong GDP readings observed through Q2 and (likely) Q3 north of 3+ Q/Q SAAR.
- The prints may be obscured by the lack of official continuing/initial jobless claims data (which instead are imputed by the Dallas Fed for the purposes of its estimates), but he recent moderation suggests that whatever pickup in activity was occurring in Q3 may be abating slightly but underlying growth remains robust.



GDPNow Firms Further To 4.0% For Q3

- It has less to go on under the government shutdown but the Atlanta Fed's GDPNow estimate has been revised up marginally to 3.99% annualized for Q3 real GDP growth, a fresh high, after 3.93% on Oct 24.
- Whilst it isn't a material departure from the 3.8-3.9% updates seen through October, it's still solid considering today's ISM manufacturing report surprised to the downside.
- The small upward revision from Oct 24 is led by an additional 0.04pps coming from personal consumption. Equipment investment tracking was also revised up from 8.7% to 9.0% but that's only worth 0.01pp to GDP.
- It points to robust GDP growth after the 3.8% in Q2 and -0.6% in Q1, or an average of 1.6% through 1H25 when trying to control for tariff front-running, after the 2.4% through 2024.
- Alternatively, private domestic final purchases (PDFP – a favorite of Fed Chair Powell) is seen on track for a strong



~3.2% in Q3. That would be a further recovery from the 2.4% averaged in 1H25 after the 2.9% through 2024.

Atlanta Fed GDPNow estimates for 2025: Q3, contributions to growth

Date	Major Releases	GDP	PCE	Equip-ment	Intell. prop. prod.	Nonres. struct.	Resid. inves.	Govt.	Net exports	CIPI
25-Sep	Latest BEA estimate for 25:Q1	-0.6	0.42	1.00	0.34	-0.10	-0.04	-0.17	-4.68	2.58
25-Sep	Latest BEA estimate for 25:Q2	3.8	1.68	0.44	0.78	-0.23	-0.21	-0.01	4.83	-3.44
31-Jul	Initial GDPNow 25:Q3 forecast	2.3	1.29	0.14	0.30	-0.07	0.07	0.29	-0.31	0.63
29-Aug	Q2 GDP (8/28), Adv. Econ. Ind., Personal income & outlays	3.5	1.55	0.61	0.30	-0.11	-0.34	0.26	0.59	0.59
11-Sep	CPI, Monthly Treasury Statement	3.1	1.54	0.62	0.29	-0.18	-0.19	0.27	0.23	0.54
16-Sep	Retail trade, Import/Export Prices, Industrial production	3.4	1.85	0.63	0.29	-0.15	-0.19	0.27	0.08	0.63
17-Sep	Housing starts	3.3	1.85	0.62	0.29	-0.16	-0.26	0.27	0.08	0.63
24-Sep	New-home sales	3.4	1.85	0.63	0.29	-0.16	-0.19	0.27	0.08	0.63
26-Sep	Q2 GDP (9/25), Adv. Econ. Ind. (9/25), Adv. Manuf. (M3-1) (9/25), Existing-home sales (9/25), Pers. Inc. & outlays	3.9	2.29	0.38	0.30	-0.16	-0.19	0.31	0.58	0.39
1-Oct	ISM Manufacturing Index	3.8	2.21	0.43	0.30	-0.17	-0.20	0.31	0.59	0.37
3-Oct	ISM Services	3.8	2.16	0.41	0.30	-0.17	-0.21	0.31	0.59	0.37
16-Oct	Monthly Treasury Statement	3.9	2.28	0.45	0.30	-0.16	-0.19	0.26	0.58	0.37
23-Oct	Existing-home sales	3.9	2.31	0.46	0.30	-0.16	-0.18	0.26	0.57	0.37
24-Oct	Consumer Price Index	3.9	2.31	0.46	0.30	-0.16	-0.18	0.26	0.57	0.36
3-Nov	ISM Manufacturing Index	4.0	2.35	0.47	0.30	-0.16	-0.17	0.27	0.57	0.37

Consumer Sentiment: Souring Under Government Shutdown

Consumers See Most Pessimistic Current Conditions On Record – U.Mich

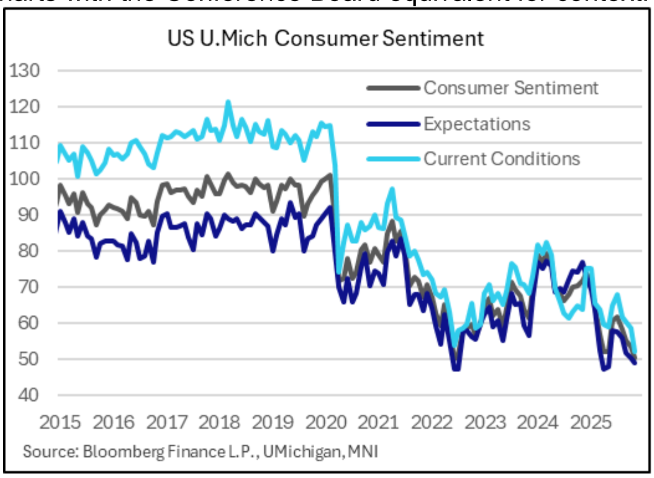
The preliminary University of Michigan consumer survey for November saw a sharp decline in consumer sentiment as the perception of current conditions slid to their lowest on record.

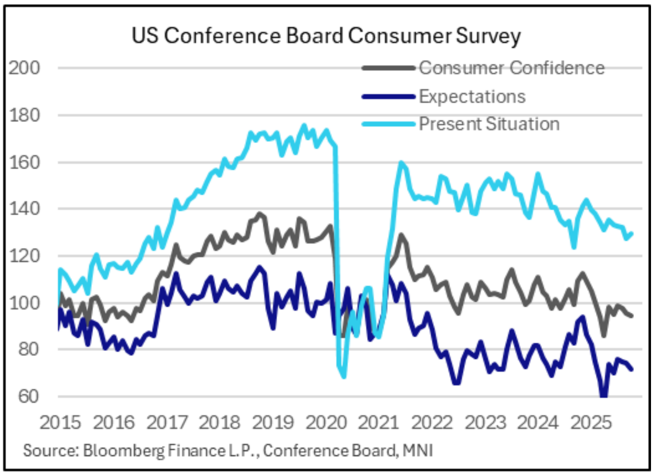
- Consumer sentiment: 50.3 (Bloomberg consensus 53.0) after 53.6 - lowest since Apr 2022
- Current conditions: 52.3 (cons 59.0) after 58.6 - lowest on record
- Expectations: 49.0 (cons 49.0) after 50.3

The press release notes the broad-based nature of declines in sentiment although does allude to the K-shaped nature of the economy:

- *"Consumer sentiment fell back about 6% this November, led by a 17% drop in current personal finances and a 11% decline in year-ahead expected business conditions. With the federal government shutdown dragging on for over a month, consumers are now expressing worries about potential negative consequences for the economy. This month's decline in sentiment was widespread throughout the population, seen across age, income, and political affiliation."*
- *"One key exception: consumers with the largest tercile of stock holdings posted a notable 11% increase in sentiment, supported by continued strength in stock markets. Interviews for this release closed prior to Tuesday's elections."*

Charts with the Conference Board equivalent for context:





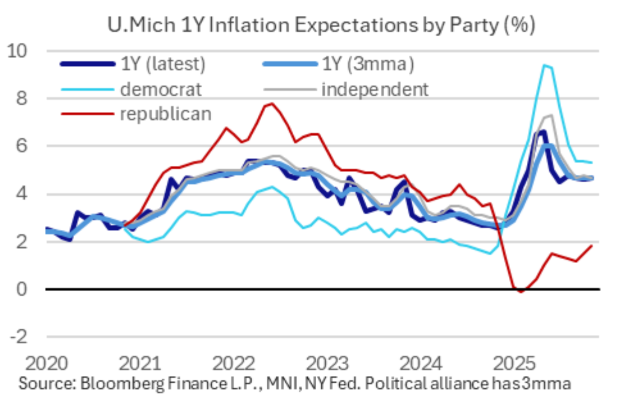
Mixed U.Mich Inflation Expectations But Political Bias Questions Remain

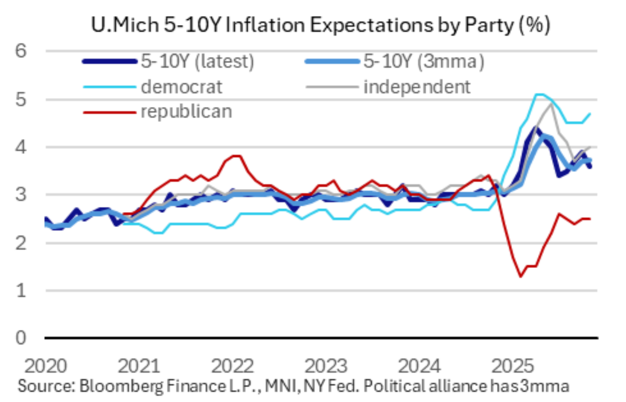
U.Mich inflation expectations were mixed in the preliminary November survey although once again appear to be susceptible to people of differing political affiliations answering the survey at different points in the collection period. We suspect that the decline in long-term inflation expectations came to heavier Republican representation than will be the case come the full month release.

- 1Y inflation expectations: 4.7% (cons 4.6) after 4.6% in October
- 5-10Y inflation expectations: 3.6% (cons 3.8) after 3.9% in October

Press release: “Year-ahead inflation expectations inched up from 4.6% last month to 4.7% this month and remained well below readings in May in the wake of the initial announcements of major tariff changes. Long-run inflation expectations declined from 3.9% last month to 3.6% in November. These expectations are now below the midpoint between the readings seen a year ago and the 2025 peak reading from April."

Inflation expectations by political affiliation:
- The largest increase for the 1Y came from Republicans (from 1.5% to 1.8%) with Democrats down from 5.4% to 5.3%.
- Democrats saw the largest increase for the 5-10Y metric (from 4.5% to 4.7%) followed by Independents (from 3.9% to 4.0%) whilst Republicans were unchanged (2.5%).
- Republicans likely had a greater weight in this preliminary survey. These breakdown values are on a three-month moving average, for which the 5-10Y overall figure was unchanged at 3.7% as opposed to the drop from 3.9% to 3.6% seen on the screens.
- There were 546 responses to this preliminary survey, as is typical about half the size of responses come the final monthly version.

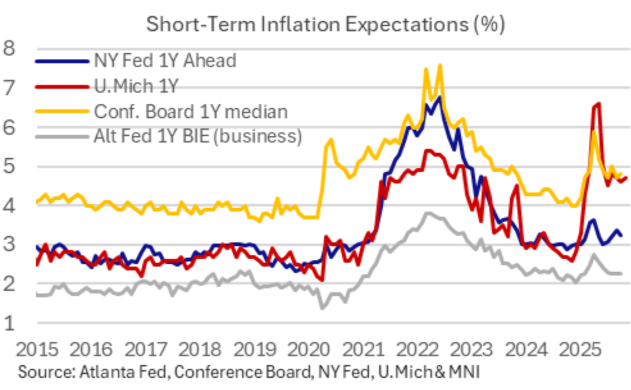


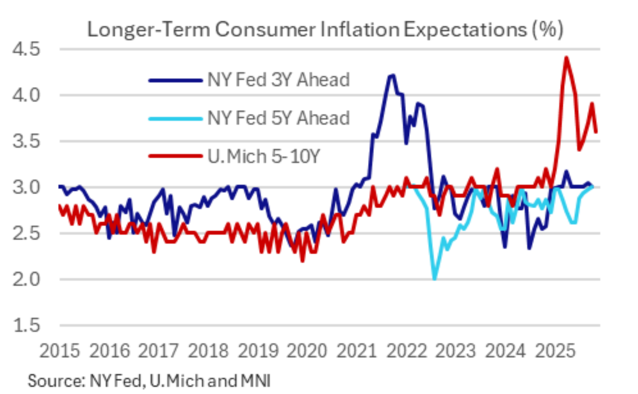


NY Fed Consumer Inflation Expectations Relatively Contained In October

The NY Fed consumer survey for October saw 1Y inflation expectations ease back to keep them relatively contained whilst 3Y and 5Y inflation expectations saw little change.

- 1Y inflation expectations: 3.24% in October after 3.38% in Sept, back close to the 3.20% in Aug.
- They remain below the recent peak of 3.6% in April with the announcement of reciprocal tariffs although are a little elevated compared to the 3.0% seen shortly before that.
- 3Y inflation expectations: Near unchanged at 3.00% after 3.05% in Sept, falling back to the 3.00% that it’s seen in seven of the latest nine months now.
- 5Y inflation expectations: Essentially unchanged at 3.00% after 2.97% in Sept and 2.93% in Aug.
- A reminder that these metrics within the NY Fed survey have shown much less of a surge in inflation expectations under the Trump administration than has been the case with its U.Mich counterpart.



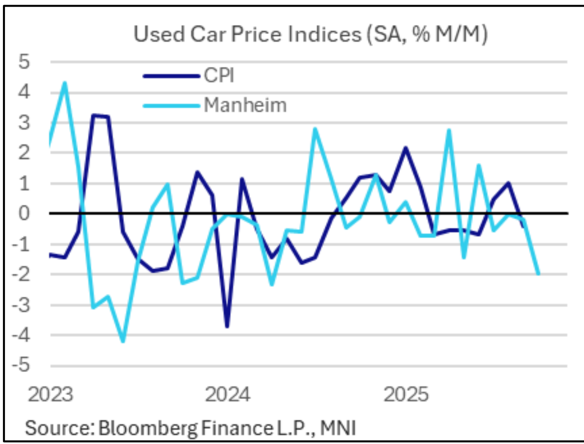


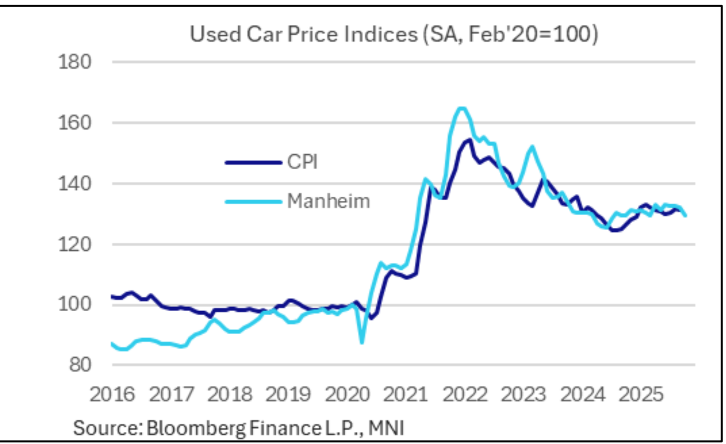
Inflation: Wholesale Vehicle Prices Confirm October Decline

Manheim Used Vehicle Prices Slip 2% M/M In October

Used vehicle prices from Manheim wholesale data point to a sizeable decline in October, which could filter through to CPI used prices at the end of this year, but with tighter inventories suggesting perhaps limited downward pressure beyond that.

- Manheim wholesale used vehicle prices fell -2.0% M/M in October vs the -1.6% M/M indicated in the mid-month estimate, as usual on a mix-, mileage- and seasonally adjusted basis.
- It leaves used vehicles priced “mostly unchanged” compared to Oct 2024.
- However, the press release (link) suggests this comparison with the mid-month estimate is a little misleading when it comes to intra-month dynamics: “As October progressed, used retail sales were higher each week, and we ended with tighter inventory levels. This led to slower rates of depreciation than normal in the last week of the month. With tighter days’ supply and solid demand, we may see lower depreciation trends for the rest of Q4. Consumers should see higher tax refunds next year and as more dealers catch wind of that, we could expect more demand at wholesale and retail earlier than usual next year.”
- It follows -0.2% M/M in September, 0.0% in Aug and -0.5% in July.
- This latest weakness won’t start to show up until the November CPI report (whenever that is released), with typical lags suggesting neutral prints for CPI used car prices in the near-term. Looking beyond that though, the above points on tighter supply indicates downward pressure might be limited.



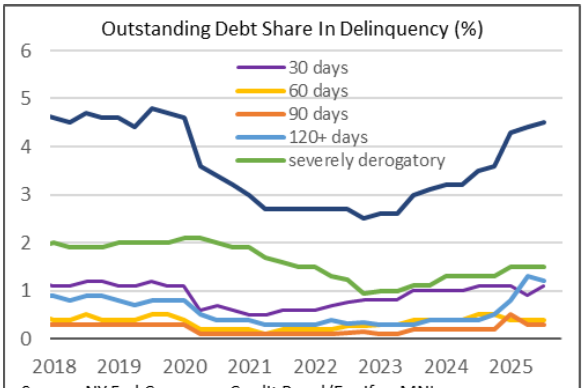


Housing & Household Finances: Student Loan Delinquencies Extend Rise

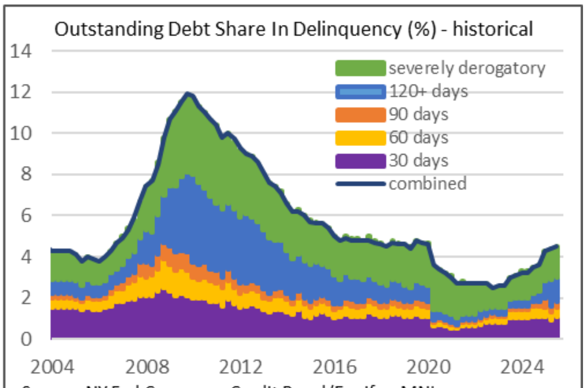
Student Loan Delinquencies Jump Again, Other Categories Steadier

The NY Fed household debt report saw another jump in student loan delinquencies. Transition rates were steadier for other debt products and whilst there was a slight increase for those heading into serious delinquencies, NY Fed researchers note broad stabilization.

- The share of outstanding consumer debt in some form of delinquency increased a tenth to 4.5% in Q3 for a fresh high since 1Q20 according to the NY Fed household debt report.
- It was driven by the 30 days late category bouncing 0.2pp to 1.1% to reverse a drop in Q2, offsetting a 0.1pp drop in the 120+day late category to 1.2% after the 1.3% in Q3 was its highest since 1Q16.
- Transition rates into delinquency were dominated by student loans in a third quarter where missed payments can be reported again. The delinquency of student loans into delinquency increased from 13.0% to 14.4% for a new record high since the data started to be collected in 2004.
- Elsewhere, most categories increased although there was a higher rate of credit card loans falling into delinquency, +0.3pps to 8.9% for the highest since 4Q24.
- There is however a slightly broader drift higher in transition rates into serious delinquency (90+ days). Student loans obviously dominate, jumping from 12.9% to 14.3%, although auto loans, credit cars and HELOCs also all saw small rises on the quarter.
- “Credit card and auto loan delinquencies are elevated but it looks to us like they have stabilized. When you look at the monthly data it looks like it might be turning around a bit but we have to see how that evolves,” New York Fed researchers said.
- “Overall, household balance sheets in the aggregate look pretty good, pretty strong, but there are segments of the population where we are seeing stress.”
- “Household debt balances are growing at a moderate pace, with delinquency rates stabilizing,” said Donghoon Lee, economic research advisor at the New York Fed in a statement. “The relatively low mortgage delinquency rates reflect the housing market’s resilience, driven by ample home equity and tight underwriting standards.”



Source: NY Fed Consumer Credit Panel/Equifax, MNI



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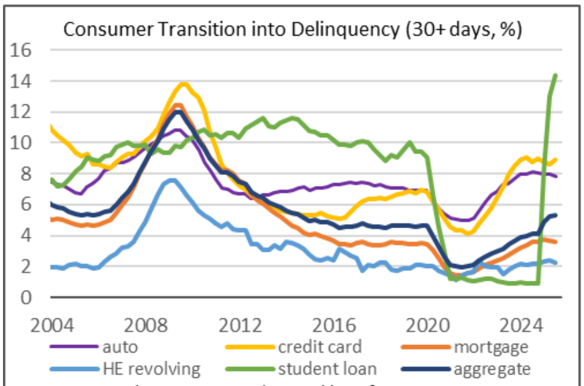

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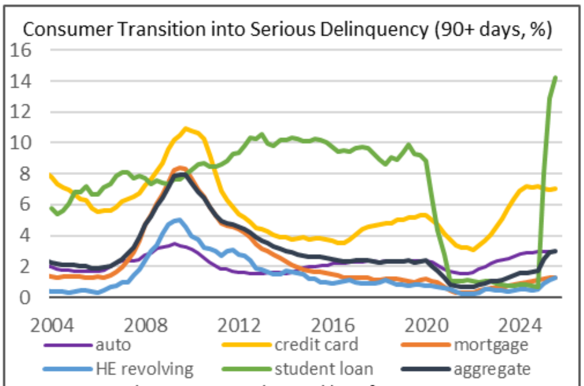
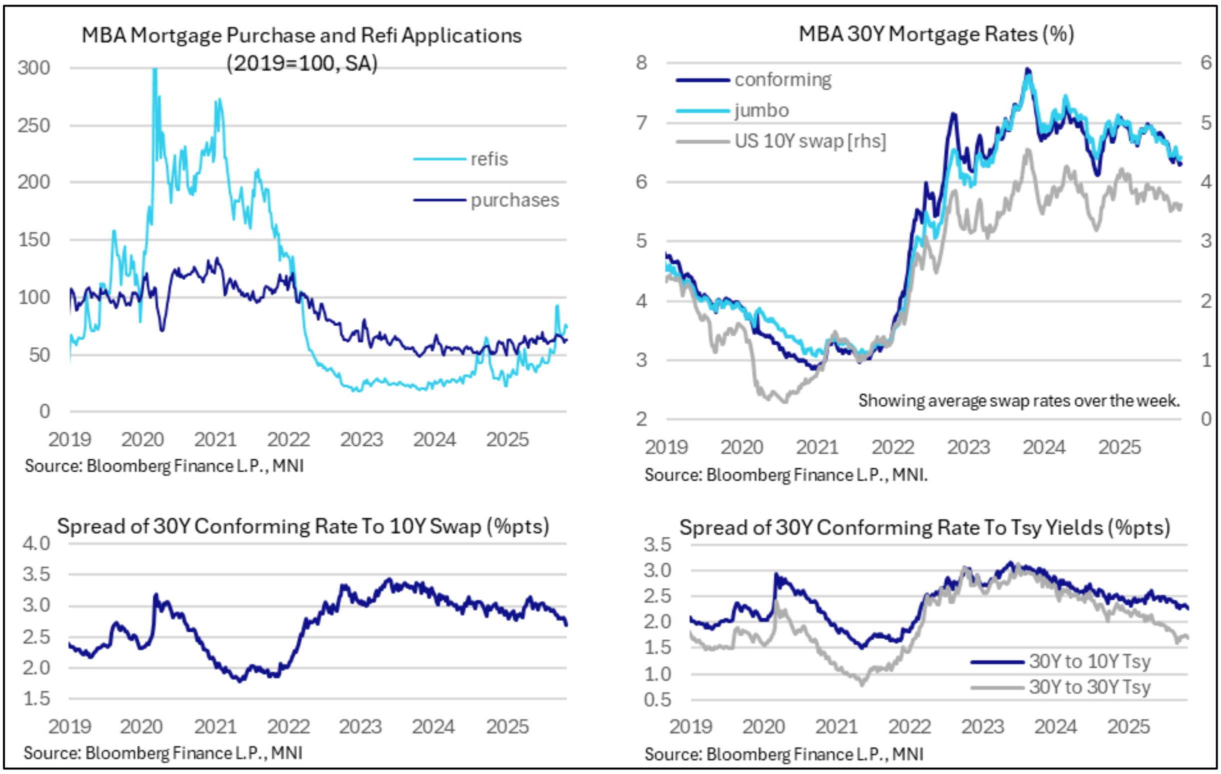


Source: NY Fed Consumer Credit Panel/Equifax, MNI

Mortgage Swap Rate Spread Tilts To Narrowest Since 2022

Mortgage applications saw a small drop last week after a previous push higher, shielded by a further narrowing in spreads to swap rates.

- MBA composite mortgage applications dipped 1.9% last week, chipping away at a 7% increase the week prior when refis had responded to the latest drop in mortgage rates.
- Refis were -2.8% after 9.3% whilst new purchase applications were -0.6% after 4.5%.
- Levels relative to 2019 average for context: composite 70%, new purchases 63%, refis 76%.
- The minor decline came as the 30Y conforming mortgage rate increased 1bp, after a 7bp decline the week prior capped a 16bp decline in four weeks to its lowest since Sep 2024.
- A narrowing in swap rate spreads likely helped limit this week's decline, with mortgage rates fading an 8bp increase in the average 10Y swap rate over the week.
- It left the 30Y mortgage rate to 10Y swap rate spread at 270bp for its tightest since Apr 2022, compared to an average 285bp in Q1 and a rough range of 300 +/-5bp for some months after reciprocal tariff announcements in April prompted some additional caution in lending standards.
- Whilst it remains to be seen whether this recent narrowing trend will continue, it will be well received by the Trump administration.



Fedspeak: A Mixed Week After A Mostly Hawkish Start To Post-FOMC Messaging

- Vice Chair Jefferson supported last month's cut and wants to proceed slowly have moved closer to neutral policy. A meeting-by-meeting approach is especially prudent with a lack of official data.
- Governor Cook sees December as a live meeting, we suspect she's likely to support another cut.
- Governor Miran predictably called for larger cuts, now also citing credit market risks as another reason.
- NY Fed's Williams had nothing to say on current monetary policy but hinted that he could support a further move toward neutral (although along a very uncertain timeframe) in reiterating his view that "the low R star era, I think, is still with us".
- Chicago Fed's Goolsbee ('25) said his bank's October labor estimates (4.36% unemployment rate) are consistent with labor market "stability", with "mild cooling". Speaking earlier in the week, he isn't decided on a December cut whilst worrying about inflation.
- Cleveland Fed's Hammack ('26), perhaps the most hawkish FOMC member - saying last week that she would have preferred to have held rates steady in October rather than cutting - gave a speech decrying current policy as "only barely restrictive, if that", arguing that "at this point, I don't think there is more that monetary policy can do without risking a fall off the wire […] Inflation is the more pressing concern."
- SF Fed's Daly (non-voter) keeps an open mind for the December meeting having "completely supported" last week's cut..

Vice Chair Jefferson Wants To Proceed Slowly As Approaching Neutral (Nov 7)

Fed Vice Chair Jefferson (voter) in a speech on AI and the economy (link) describes wanting to proceed slowly as a result of being closer to a neutral level rather than talking on Powell's "fog" during the government shutdown. He does though note a meeting-by-meeting stance being especially prudent with a lack of official data. We have previously viewed Jefferson as likely one of the nine FOMC dots who anticipated cutting in September, October and December meetings. A December cut is likely still in play in his mind but we'll see if there are any other hints in the subsequent Q&A.

- "I supported last week's decision to reduce our policy rate by a quarter percentage point. That step was appropriate because I see the balance of risks as having shifted in recent months as downside risks to employment have increased. The current policy stance is still somewhat restrictive, but we have moved it closer to its neutral level that neither restricts nor stimulates the economy. Given this, it makes sense to proceed slowly as we approach the neutral rate.
- With respect to the path of the policy rate going forward, I will continue to determine policy based on the incoming data, the evolving outlook, and the balance of risks. I always take a meeting-by-meeting approach. This approach is especially prudent because it is unclear how much official data we will have before our December meeting."

- Fed Chair Powell at last week's FOMC presser on the "fog": "What do you do if you're driving in the fog? You slow down. So that could or could not, I don't know how that's going to play into things. We may get -- the data may come back. But there's a possibility that it would make sense to be more cautious about moving. I'm not -- I'm not committing to that, I'm just saying it's certainly a possibility that you would say, we really can't see, so let's slow down."
- With a dovish Waller's pushback to that: "The fog might tell you to slow down. It doesn't tell you to pull over to the side of the road. You still have to go. You may want to be careful, but it doesn't mean to stop, and ... the right thing to do with policy is to continue cutting."

Hammack, Williams Diverge On R-Star Views; Barr: "Work To Do" On Inflation (Nov 6)

Fed commentary so far Thursday has mostly on the hawkish-leaning side, though overall it shouldn't have moved the needle much on prospects for a December cut.

- **Cleveland Pres Hammack,** perhaps the most hawkish member of the Committee and a 2026 FOMC voter - saying last week that she would have preferred to have held rates steady in October rather than cutting - **gave a speech** decrying current policy as "only barely restrictive, if that", arguing that "at this point, I don't think there is more that monetary policy can do without risking a fall off the wire... Comparing the size and persistence of our mandate misses and the risks, inflation is the more pressing concern. This argues for a mildly restrictive stance for our policy rate to ensure that inflation returns to 2% in a timely fashion." In other words, she remains of the view that no further cuts are warranted until further notice.

- She weighed in on the apparent labor market vs GDP disconnect, saying In Q&A "I wouldn't want to be cutting rates into accommodative territory. Again. I have a lot of humility. So I recognize that my view of r-star is just one person's view. And there's tremendous uncertainty surrounding it. So we need time to see how things play out and to see how the economy is performing. But as I talked about, to me, I think the best, you know, the best indication we get is just the performance of the economy. And when I look at the growth numbers, when I look at the consumption numbers, it seems like we're in a pretty robust, healthy economy right now."
- She noted that "my estimate of r-star leads me to see monetary policy as only barely restrictive, if at all.... My growing sense is that the period of ultra-low rates and low r-star we experienced following the GFC—which was coupled with household deleveraging and regulatory tightening—was an anomaly rather than a new normal".
- **NY Fed's Williams** - on that theme - had nothing to say on current monetary policy at a separate event, though took a different view from Hammack on R-star, hinting that he could support a further move toward neutral (although along a very uncertain timeframe) in reiterating his view that "the low R star era, I think, is still with us".
- **Gov Barr** didn't have much to say in a moderated conversation on community development that would refute that he is one of the FOMC members who doesn't currently support a December cut. He noted "we made a lot of progress on" bringing inflation down, "but we still have some work to do", describing the labor market as "low-hire, low-fire" meaning "we have to pay careful attention to making sure that the labor market is solid".
- **As MNI covered earlier, Chicago Fed's Goolsbee** noted after his bank's release of unemployment estimates for October that he saw the labor market overall as showing "stability", leaving him "uneasy" about not getting sufficient official data showing evidence of inflation subsiding.

Chicago's Goolsbee: Labor Market Stable, Lack Of Inflation Data A Concern (Nov 6)

Chicago Fed's Goolsbee (2025 FOMC voter) says his bank's October labor estimates (4.36% unemployment rate) are consistent with labor market "stability":

- "To me, most of the labor market indicators that we're getting show a lot of stability in the market....I still think there's mild cooling. But this labor market indicator reading that we put out from the Chicago Fed, that shows the unemployment rate is basically unchanged, except for a tiny increase that came from the workers who are not working because the government shutdown. And at that the hiring rate shows a lot of stability and the layoff and vacancy rate also shows a lot of stability. That's what it feels like on the labor side, so far, to me."
- He says that while there remains uncertainty about the degree to which downside risks exist in the labor market, the relative lack of inflation data leaves him uneasy about future cuts: "We have very little private sector information about inflation. ...If there are problems developing on the inflation side, it's going to be a fair amount bit of time before we see that, where if it starts to deteriorate on the job market side, we're going to see that pretty much right away. So that makes me even more uneasy, maybe, I'd say with front loading rate cuts and counting on the inflation that we have seen in the last three months to just be transitory and assume that they're going to go away."

Gov Cook: December Is A Live Meeting, Noting Downside Employment Risks (Nov 3)

Fed Gov Cook says in a speech Monday (link) that she viewed the decision to cut rates in October "as appropriate, because I believe that the downside risks to employment are greater than the upside risks to inflation", while noting that this cut was "another gradual step toward normalization" keeping rates "modestly restrictive, which is appropriate given that inflation remains somewhat above our 2 percent target."

- We continue to believe Gov Cook had 75bp of 2025 cuts penciled into her September Dot Plot, alongside most of the Fed Board, and is probably leaning toward a December cut.

- In the speech she says "policy is not on a predetermined path... Every meeting, including December's, is a live meeting" and reiterates that in Q&A: "We see some softening in the labor market. We don't see extensive softening in the labor market. We see progress towards inflation. ... So I see us moving in the right direction. So given that we are likely moving in the right direction, I thought a 25 basis point cut was appropriate. But again December is a live meeting and I'm attentive to all the indicators that I mentioned and many others...there's a lot to look at."
- While noting in her speech that "this is a challenging time to give an economic outlook speech" given the lack of federal government data, she highlights alternative sources and information from contacts to frame her view.
- **On the labor market:** "the latest available indicators suggest that the labor market remains solid, though gradually cooling...Since August, more recent labor-market indicators, such as UI claims, job postings, and individuals' assessments of job availability, signal little change to the August reading—at most a small uptick. Taken together, the slightly rising unemployment rate indicates the labor market is softening, but only modestly so."
- She indicates in Q&A that the labor market hasn't deteriorated as much as had been feared, though points out that some of her concern over the labor market is "'because of something that we know is a statistical regularity of the labor market. It can turn very quickly, it can deteriorate very quickly. There can be nonlinear effects. So I'm watching this very, very carefully."
- **On inflation:** "I expect inflation to remain elevated for the next year. Nonetheless, the effect of tariffs on prices, in theory, should represent a one-time increase." She notes that long-run inflation expectations "are low and stable at this juncture". "My assessment is that inflation is on track to continue on its trend toward our target of 2 percent once the tariff effects are behind us. The big caveat is that tariff effects must prove not to be persistent and that monetary policy remains appropriately focused on achieving that goal."
- **On economic growth:** "recent readings are consistent with solid overall growth... after a temporary slowdown due to the government shutdown, I expect the economy to grow moderately over the medium term, supported by an AI productivity boom."
- She says in this appearance that it would be inappropriate for her to comment on her ongoing legal battle contesting the White House's attempt to remove her from the Board.

SF's Daly Says To Keep Open Mind On Dec.; Gov Miran Eyes Credit Concerns (Nov 3)

Recapping some of the FOMC commentary earlier on Monday:

- In a Q&A, **SF Fed President Daly** (non 2025/2026 FOMC voter) sounded on balance like she would support the Fed easing for a third meeting in a row in 5 weeks' time, saying that the FOMC should "keep an open mind" about cutting rates in December. "You take 50bp off the policy rate [through the last 2 meetings, it] leaves policy in modestly restrictive territory in my judgment. We're better positioned... Do we need to do further adjustments to further risk manage, or is it a good time to take a breather and actually collect more information. It's not a world where we're not in tradeoffs." She said that she "completely supported" October's cut.
- **Gov Miran** meanwhile in a Bloomberg TV interview predictably called again for the Fed to cut more aggressively, following his dissent in favor of a 50bp cut for the second straight meeting. “The Fed is too restrictive, neutral is quite a ways below where current policy is... Given my rather more sanguine outlook on inflation than some of the other members of the committee, I don’t see a reason for keeping policy as restrictive.”
- More interesting was his mention of credit market risks as another reason to ease policy. “I wonder if what we’re seeing now in some of the distresses that you see in private markets means that financial conditions have actually been tighter, but it’s masked by the fact we don’t get marks for those on a regular basis... When you have a series of seemingly uncorrelated credit problems that had been masked for a while and then suddenly come to light, it tells you something about the stance of monetary policy...The longer you keep policy restrictive the more you run the risk that monetary policy itself causes a downturn in the economy."

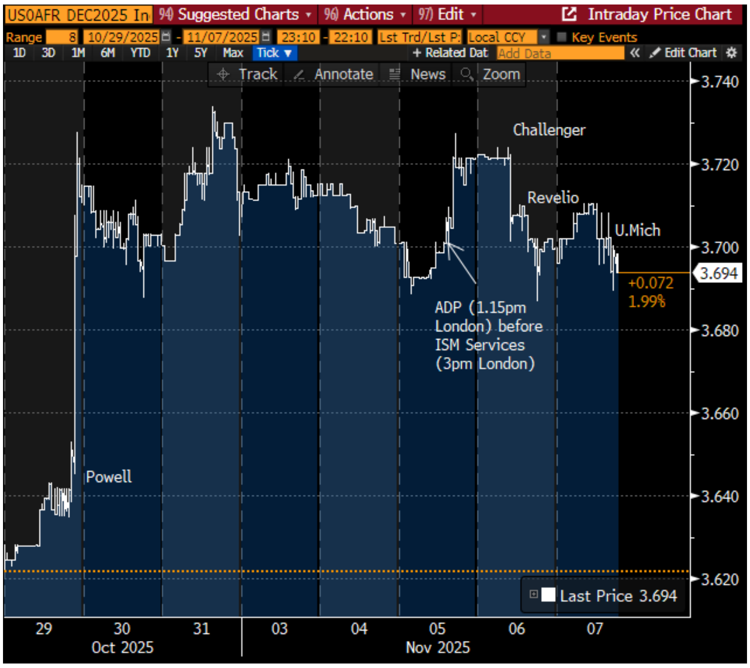
Chicago's Goolsbee: Worried About Inflation, Not Decided On Dec Cut (Nov 3)

Chicago Fed's Goolsbee (a current FOMC voter) says on Yahoo Finance that he sees a higher bar for deciding to cut rates in December than in October. "I'm not decided going into the next meeting. I want to see how things are playing out." But he also points to potential for rates to come down "a fair amount".

- He's "been a little more worried about inflation than the job market" with an economy that "has been pretty strong", and the unemployment rate remaining "pretty stable" and no big rise in layoffs. And "the fact that the last three months inflation is not going down, but is instead going up, including in some categories that are not driven by tariffs, like services, those are areas of concern. And so that's a little bit, you know, the last time you looked out the window, there was a mountain lion sitting in your front yard. So before you let Fluffy out to go run around, just let's at least get one more look."
- Like Powell's analogy last week of driving a car through fog amid the recent lack of federal government data, Goolsbee makes a driving analogy: "one of the hardest things the central bank ever has to do is get the timing right on moments of transition, and that's especially difficult if you have squished bugs covering the windshield and you can't see whether you're still on the road, and when they shut down the data, the official data, that's the circumstance we're in. "
- He concludes: "I'm not decided going into the December meeting, I am nervous about the inflation side of the ledger, where you've seen inflation above the target for four and a half years, and it's trending the wrong way. I believe on the other side, rates can come down a fair amount. It would probably be most judicious to have the rates come down with inflation. So let's get some observations that document that inflation is coming down and that the uptick we've seen is transitory, but we've got to weigh that off if the job market starts to deteriorate in us in a more significant way, then that would change the balance of risks."

STIR: Modest Paring Of Last Week's Hawkish Shift On Powell

- Softer labor data in the second half of the week have seen implied rates finished the week close to the week's lows, more than reversing a hawkish push higher on stronger-than-expected ADP and more notably ISM services reports.
- That said, the path out to mid-2026 is still 5-7bp higher than before Powell injected some uncertainty around a December cut.
- Fed Funds futures cumulative cuts from an assumed 3.87% effective: 17.5bp Dec, 28bp Jan, 39bp Mar, 45bp Apr and 59.5bp June.
- The SOFR terminal implied yield is currently at ~3.05% having pulled back from Wednesday's 3.16% marked its highest close since late July.



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

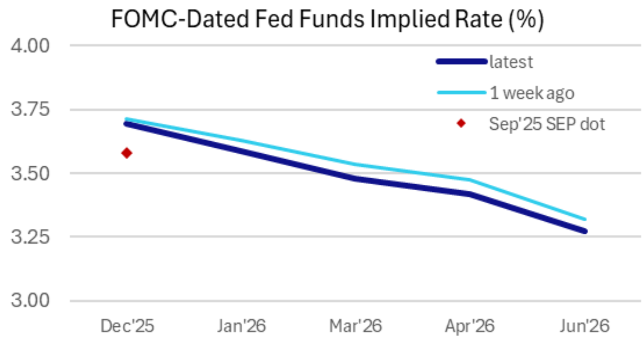
FOMC-dated Fed Funds futures implied rates

Meeting	Latest			pre ADP (Nov 5)			chg in rate	pre Powell (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	3.69	-17.6	-17.6	3.70	-17	-16.9	*-0.7*	3.65	-22	-22	*4.8*
Jan'26	3.59	-10.6	-28.2	3.61	-9	-25.8	*-2.4*	3.52	-13	-35	*7.1*
Mar'26	3.48	-10.8	-39.0	3.52	-9	-35.2	*-3.8*	3.42	-10	-45	*6.2*
Apr'26	3.42	-6.2	-45.2	3.46	-5	-40.7	*-4.5*	3.35	-7	-52	*6.6*
Jun'26	3.27	-14.5	-59.7	3.31	-15	-55.7	*-4.0*	3.22	-13	-65	*5.1*

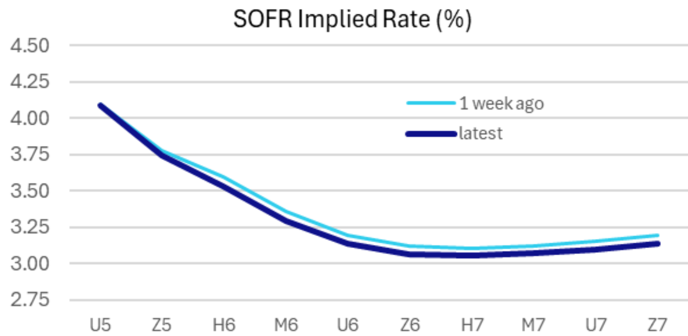
Source: Bloomberg Finance L.P., MNI.

Note: Assuming the same EFFR-target lower bound spread from latest fix going ahead (the pre-Powell fix factored the Oct 29 cut into the pre-announce EFFR shown)

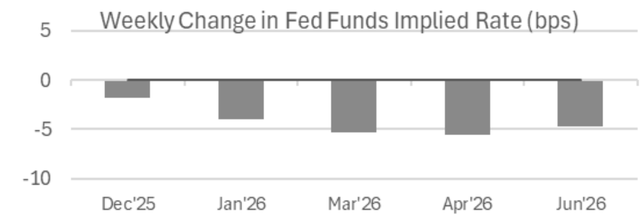
Weekly changes:

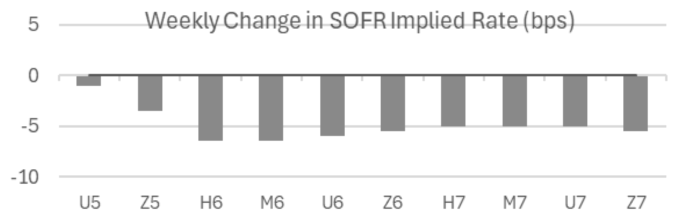


Source: Bloomberg Finance L.P., MNI. SEP median dot shows implied effective basis with current spread to lower bound



Source: Bloomberg Finance L.P., MNI.





The US Macro Week Ahead: A Lighter Week With Alternate Labor Releases Highlighting Again

It's a quieter week for data ahead, probably highlighted by the weekly ADP series after its first publication a week ago. That first week of data appeared to give a reasonable steer on this week's monthly report for October but we'll be watching the extent of any revisions in addition to broader trends. Elsewhere, state-level weekly jobless claims should also remain high on a watchlist for any signs of a push higher after job cut announcements in this week's Challenger report spiked to their highest for an October since 2003, surpassing Oct 2008. For now, latest data point to a healthy level of initial claims although continuing claims have passed back towards cycle highs seen in the summer. A break above this range, with the typical caveat that each latest week tends to be revised lower, would be notable.

See MNI's updated guide to the next two weeks 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: Nov 5 1100ET

Tue, Nov 11	600	**	NFIB Small Business Index	NFIB
Tue, Nov 11	815	**	ADP Weekly Private Payrolls	ADP
Tue, Nov 11	855	**	Redbook Retail Sales y/y (month)	Johnson Redbook
Wed, Nov 12	700	**	MBA Mortgage Applications w/w	MBA
Thu, Nov 13	830	***	Jobless Claims	BLS (Dept of Labor)
Thu, Nov 13	830	***	CPI	BLS (Dept of Labor)
Thu, Nov 13	830	**	Chicago Fed CARTS Retail Sales Estimate	Chicago Fed
Thu, Nov 13	1130		Dallas Fed Weekly Economic Index	Dallas Fed
Thu, Nov 13	1400	**	Treasury Budget Balance	Treasury Dept
Thu, Nov 13	Est 1700	***	Weekly Initial / Continuing Jobless Claims Estimates Derived From State-Level Data	Analysts / Dept of Labor Data
Fri, Nov 14	830	***	Retail Sales	Census Bureau
Fri, Nov 14	830	***	PPI	BLS (Dept of Labor)
Fri, Nov 14	1000	*	Business Inventories	Census Bureau
Mon, Nov 17	830	**	Empire Manufacturing Index	NY Fed
Mon, Nov 17		*	Zillow Rental Prices (Scheduled On 16th Monthly)	NY Fed
Tue, Nov 18	815	**	ADP Weekly Private Payrolls	ADP
Tue, Nov 18	830	**	NY Fed Services Survey	NY Fed
Tue, Nov 18	830	**	Exports / Imports Price Index m/m	BLS (Dept of Labor)
Tue, Nov 18	855	**	Redbook Retail Sales y/y (month)	Johnson Redbook
Tue, Nov 18	915	***	Industrial Production m/m	Federal Reserve
Tue, Nov 18	1000	**	NAHB Home Builder Index	NAHB
Tue, Nov 18	1600	**	Net TICS Flows	Treasury Dept