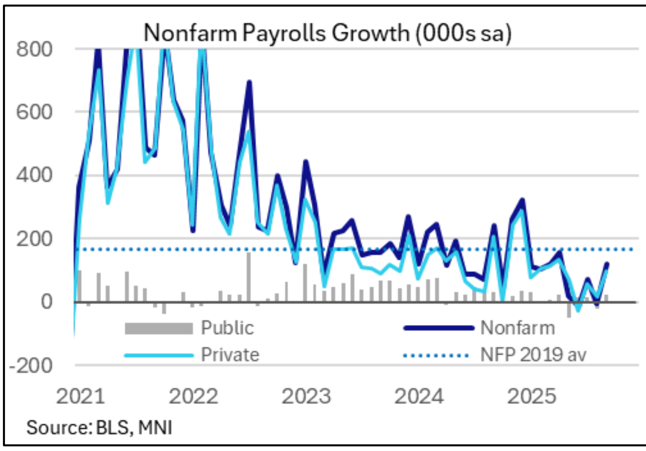
MNI U.S. Macro Weekly

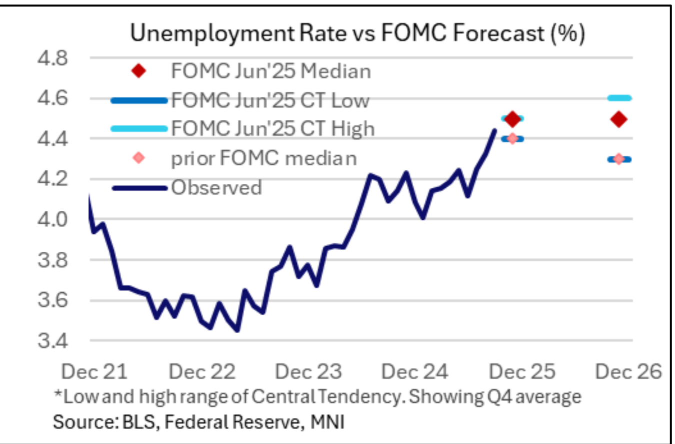
MNI View: Fed Stays Divided As Data Trickles Back In

November 21, 2025 – By Chris Harrison and Tim Cooper

Executive Summary

- The “fog” of data following the federal government shutdown is only slowly lifting, with the return of official national-level reports this week largely limited to August and September-vintage releases.
- The long-postponed September Employment Situation report delivered a largely solid if slightly stale snapshot of the US labor market, with an unexpectedly large uptick in the unemployment rate to a 4-year high appearing to outweigh consensus-beating payrolls growth to deliver a slightly dovish market reaction.
- NY Fed’s Williams however had the largest impact of the week on Friday, in an uncharacteristic steer from a core member of the FOMC towards a further adjustment in the “near term”. We end the week with 16bp of cuts priced for Dec (vs 6bp pre-payrolls), 25bp for Jan and 58bp for June.
- The minutes for the Oct 28-29 FOMC meeting were hawkish, at the time suggesting that it may only be a minority of the Committee that is pushing for a follow-up cut in December. And most other Fedspeak erred on the hawkish or at least cautious about a December cut side, with various speakers most sounding concerned about the latest increase in the unemployment rate in September.
- But Williams reinforced our view that FOMC voters are leaning to deliver a “hawkish cut” in December, with Williams part of a core bloc including Chair Powell in support.
- The latest BLS reschedulings mean the Fed won't get October or November nonfarm payrolls or CPI reports ahead of its Dec 10 decision, and the October data will be heavily truncated.
- As such the assessment of the current state of play will largely come down to interpreting alternative data points. Again, activity data is showing little sign of relenting, “alternative” measures of labor market health show conditions certainly haven’t improved since September but neither is it likely that the bottom is falling out; and unfortunately the lack of reliable inflation data stands out and is likely to keep hawks cautious.
- The Fed speaker schedule next week – the last before the pre-FOMC meeting blackout period begins – is barren as usual for Thanksgiving. In previous years we’ve had only one or two regional Fed presidents make television appearances, but there are no speeches scheduled (merely underlining how important Williams’s appearance was as a potential steer from Fed leadership on their pre-meeting rate preference).
- That will keep attention on the Beige Book release, an especially important edition given Fed policymakers’ increased reliance on anecdotal information from contracts.
- We also get delayed retail sales and PPI reports for September, while jobless claims will be watched particularly closely, both for latest initial claims for signs of layoffs and a notable update for continuing claims. The latter covers the payrolls reference period for November and will be an important reference point for FOMC members trying to get a sense of latest unemployment rate clues.





Labor Market: U/E Rate Climbed Further In September In Last Update FOMC Will Have Before December

Payrolls Won't Sway Foggy Fed Views: Fed Doves Will Point To Unemployment, Hawks To Job Gains

- The long-postponed September Employment Situation report delivered a largely solid if slightly stale snapshot of the US labor market, with an unexpectedly large uptick in the unemployment rate to a 4-year high appearing to outweigh consensus-beating payrolls growth to deliver a slightly dovish market reaction.
- The payrolls data in the Establishment Survey were stronger than expected, with gains of 119k (cons 51k), following a downward revised August to -4k (22k initially) after 72k in July (from 79k) and -13k in June. This means trend job growth rates are at the lower end of the range of "breakeven" estimates, rather than pushing more materially below, and a very strong response rate to the survey should give more confidence that September's gains won't be revised away.
- While private payrolls were on the weaker side when considering downward revisions, we note September saw the first net job creation for private industries outside of health & social assistance since April.
- But to our eye, the Household Survey broadly leaned to a conclusion that the labor market is loosening or at least, not showing material improvement in demand. The 4.44% unemployment rate in September is the highest since October 2021 (4.32% prior) and was above the consensus expectation of 4.3%.
- While it could be argued this represented a "healthy" rise, given that it came with a rise in participation, we didn't see it as unambiguously so as other metrics continued to point to continued soft labor demand.
- Indeed we don't think the FOMC's doves will see much in this report to change their perception of risks to the labor market as a whole, though by the same token the expectation-beating payroll gains will be taken by hawks as evidence that downside has not materialized to a point that warrants further easing just yet.
- With no October or November payrolls data available going into the December 9-10 FOMC, policymakers will have to wade through the data "fog" and ascertain whether the "alternative" measures of labor market health show a trajectory since September that would warrant a further risk-management cut.
- While most such data suggests conditions haven't improved since September, neither is the bottom falling out of the labor market.
- Post-NFPs, some analysts shifted their views for the December Fed meeting, now seeing a hold whereas they had previously expected a cut, with none that we are aware of doing the converse.
- That was slightly at odds with market-implied prospects for a cut at next month's meeting which shifted back to 9-10bp vs 6bp beforehand, though larger moves are seen further out the curve.

Payrolls Summary Statistics For September 2025

	Actual	Cons.	Surprise on mth	2-mth Rev	Aug	Jul	Net Surprise
Monthly growth (000s)							
NFP	119	51	68	-33	-26	-7	35
Private	97	65	32	-41	-20	-21	-9

	Actual	Cons.	Prior mth	Cycle low		2019 av
U/E rate (%)	4.44	4.3	4.32	3.45	Apr'23	3.67

	M/M Growth		Y/Y Growth	
	Actual	Cons.	Actual	Cons.
AHE (%)	0.25	0.3	3.79	3.7

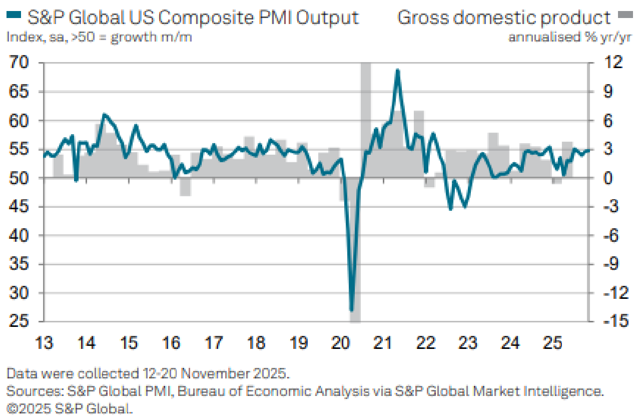
Source: Bloomberg Finance L.P., BLS, MNI

See the MNI US Employment Insight for a comprehensive look at the key labor releases in detail this week:
https://media.marketnews.com/US_Employment_Report_Nov2025_88793f8985.pdf

Business Sentiment: Generally Solid November Surveys

Flash PMIs Point To Faster Growth and Input Cost Inflation

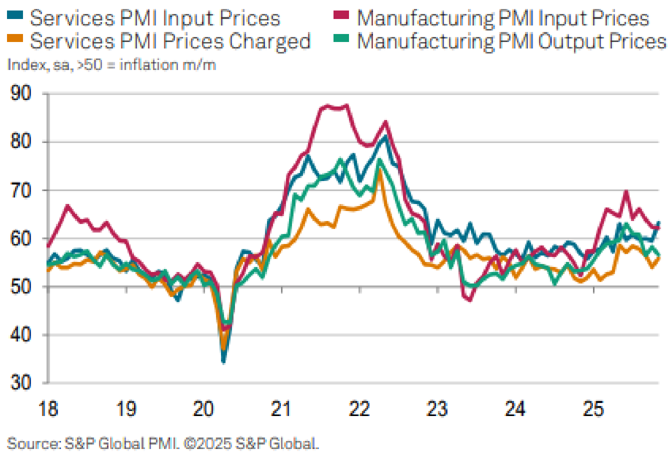
The S&P Global US PMIs were on balance stronger than expected in the flash November release, led by services increasing slightly whilst manufacturing fell a little more than expected. Overall activity saw the largest rise in new business seen so far this year whilst selling prices reaccelerated on the back of one of the fastest rates of input cost inflation in the past three years. Composite output price inflation however is still lower than earlier this year.

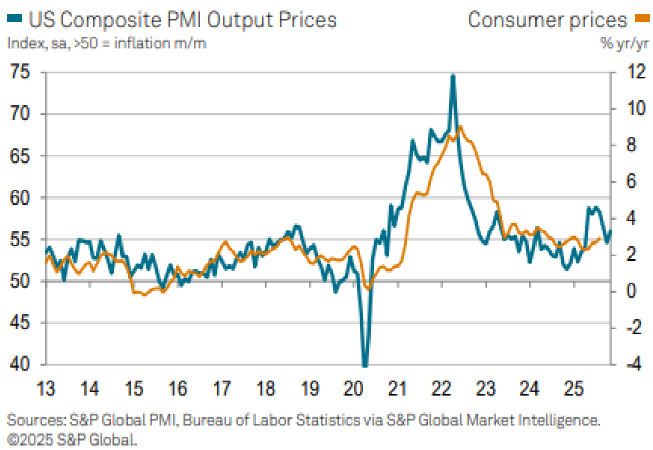


- S&P Global US manufacturing PMI: 51.9 (cons 52.0) after 52.5 in October
- S&P Global US services PMI: 55.0 (cons 54.6) after 54.8 in October
- S&P Global US composite PMI: 54.8 (cons 54.5) after 54.6 in October

PMI highlights from the press release (link):

- "US business activity growth accelerated for a second successive month in November, according to early 'flash' PMI data, accompanied by the largest rise in new business seen so far this year. Confidence in the year ahead outlook also improved markedly, notably reflecting reduced worries over the political environment and hopes for increased policy support to business."
- "The improvement was led by the service sector, accompanied by a robust rise in manufacturing output. However, the factory sector also reported a marked slowing in order book growth alongside an unprecedented buildup of unsold stock."
- "The pace of job creation meanwhile remained only modest, due principally to cost concerns. Input costs rose at one of the fastest rates seen over the past three years, driving a reacceleration of selling price inflation. Higher costs and prices were again commonly attributed to tariffs."

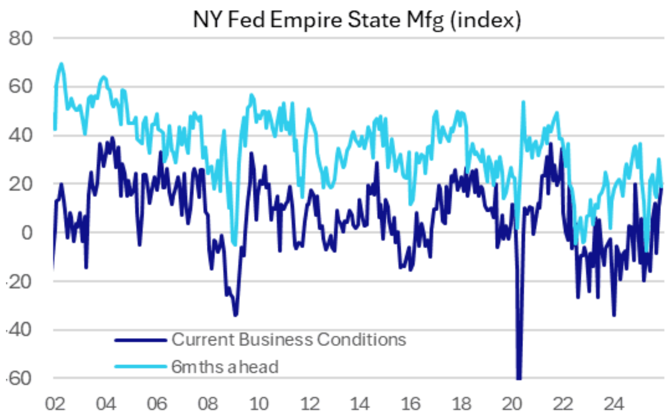




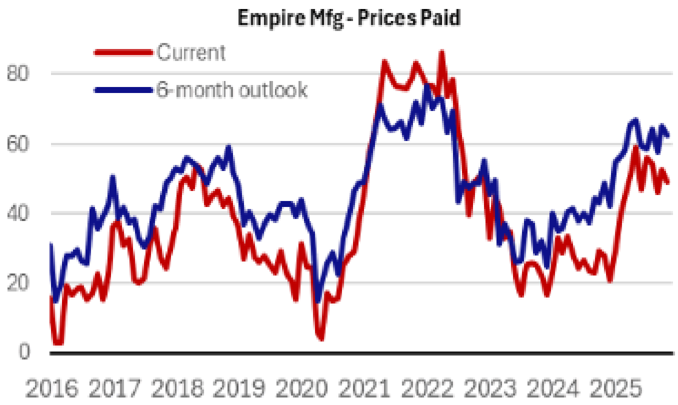
Empire Manufacturing Solidifies For 2nd Consecutive Month

The NY Fed's Empire State Manufacturing Survey impressed in November, with the current General Business Conditions index rising 8 points to a 1-year high 18.7 (well above the 5.8 expected). As such it's the 2nd highest reading since April 2022, with solidly-above-long-term average-readings now for 2 consecutive months, the first time we've seen that since 2021 for this notoriously volatile survey.

- The 6-month outlook pulled back 19.1 from to 30.3 prior, which had been the highest optimism since January.
- Activity indices were strong. New orders jumped to 15.9 from 3.7, setting a 12-month high just 2 months after setting a 17-month low; shipments rose 2 points to 16.8 while inventories turned positive after 3 consecutive negative months.
- The employment gauge edged up to 6.6 from 6.2, for a fresh 4-month high, while the average workweek rose to a multiyear high.
- Inflation remained stubbornly high but didn't show signs of worsening. Current prices paid fell to 49.0 after 52.4, with expected prices paid 6-months ahead down to 62.5 from 65.0. Both are elevated but suggest some moderation after October's sharp M/M rise that suggested inflation was picking up alongside with activity.
- In short, a solid start to the month's regional Fed manufacturing surveys.



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

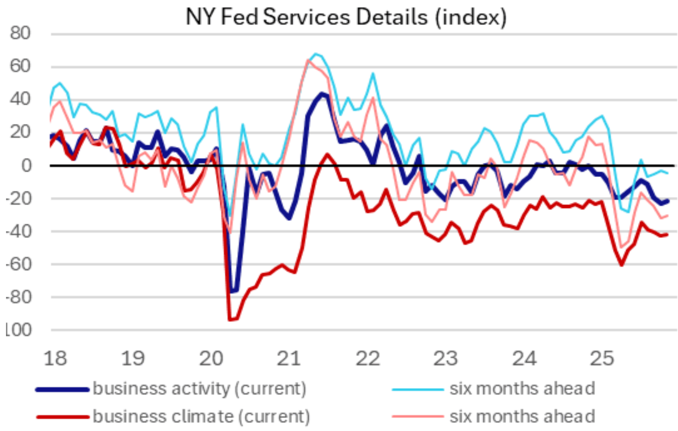


Source: NY Fed, Bloomberg Finance L.P., MNI

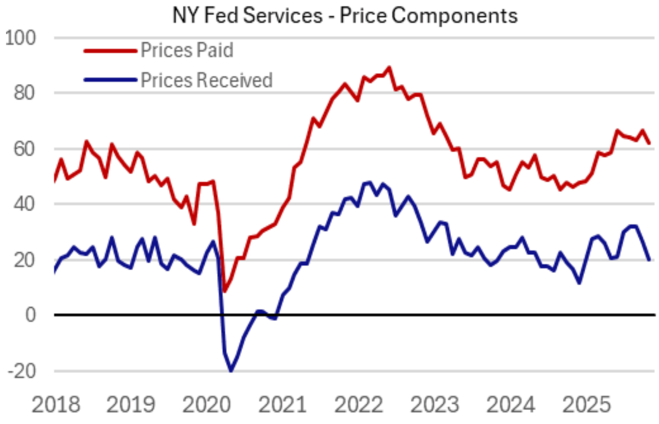
Another Weak NY Fed Services Shows Softer Inflation, Falling Employment

The NY Fed's services ("Business Leaders") survey showed only marginal improvement in November, with the current general activity index ticking up to -21.7 from -23.6. October's figure had been the lowest since the start of 2021, with a lack of notable improvement this month underlining that regional services activity remains poor - in contrast to the latest Empire State Manufacturing survey which showed some of the strongest results in 3+ years in November. This is an early negative sign for November's national ISM Services though October's strength in the latter defied the NY Fed's poor reading in the month.

- The current business climate index was basically unchanged (-42.2 after -42.9), while forward looking indicators were mixed (6-month general activity a little worse, 6-month business climate a little better).
- The employment gauge fell to the weakest since early 2021, suggesting continued job-shedding, while capital expenditures dipped to a 4-month low and 6-month capex intentions remained negative.
- The report sums it up: "Business activity continued to decline substantially in the New York-Northern New Jersey region's service sector in November. The employment index remained negative and fell to a multiyear low. Firms do not expect conditions to improve much in the months ahead."
- One silver lining for the sector: inflationary pressures appeared to abate significantly, with the current paid gauge down to 61.9 (66.4 prior) for the lowest since May, with the 20.1 (26.4 prior) in prices received the lowest since January.



Source: NY Fed Business Leaders Survey, MNI.

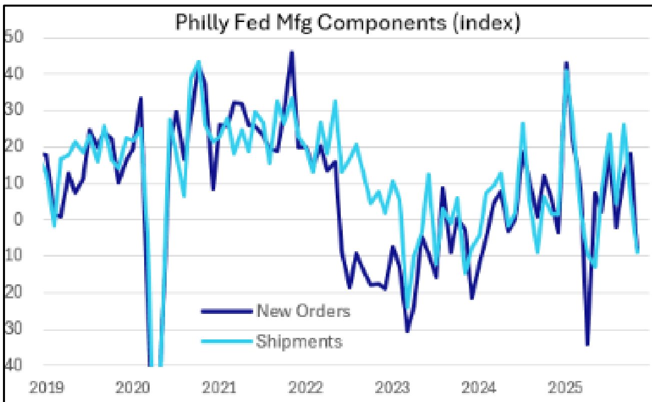


Source: NY Fed, MNI

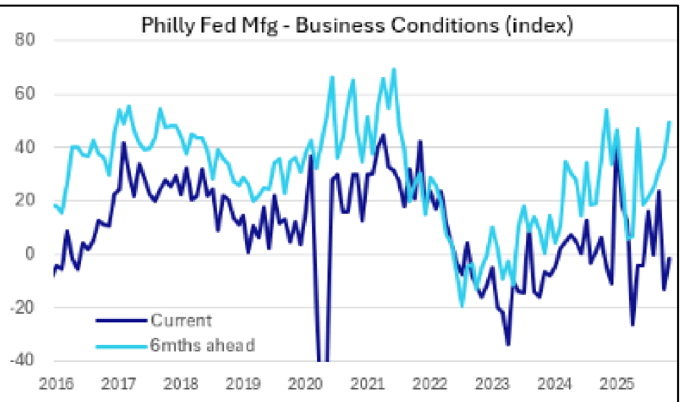
Sustained Price Pressures Loom Over Philly Fed Manufacturing Uptick

The Philadelphia Fed manufacturing survey's activity index improved by less than expected in November, to -1.7 from -12.8 (a rise to 1.0 had been expected). Overall this was a mixed-to-weak report whose main takeaway may be that price pressures in the region's manufacturing sector are failing to moderate as we approach year-end.

- Current activity indicators were poor: shipments dropped to a 6-month low -8.7 (6.0 prior) with new orders plummeting to a 7-month low -8.6 (18.2 prior).
- Perhaps counterintuitively, the 6-month ahead index rose over 13 points to year's high 49.6, with future new orders up to 55.6, highest since January, and future capex up 2 points to 26.7, suggesting an optimistic appraisal of the outlook vs current weak conditions.
- Employment ticked up to 6.0 from 4.6 prior for a 4-month best.
- As such the Philly Fed report showed some improvement in November, though not to the same extent as the very strong Empire survey.
- And in contrast with Empire, inflationary pressures picked up strongly, with prices paid at 56.1 (49.2 prior), a 3-month high, while expected prices paid neared July's high of 75.3, coming in 15 points higher than October at 75.1.
- Current prices received however fell to an 11-month low, potentially indicative of margin pressures for manufacturers. And special questions in the survey suggested lower expected inflation across both the firm-level and the national economy vs the last time the special question was asked in August.
- The survey highlights one of the concerns seen by FOMC members about price increases being passed through in coming months: "Almost 61 percent of the firms indicated they anticipate changes in their industry's costs in the near term, and nearly 69 percent of those firms expect their competitors to raise prices in response. Regarding when these price changes will occur, the firms' median expectation was for competitors to change prices in the next three months."



Source: Philadelphia Fed, MNI.



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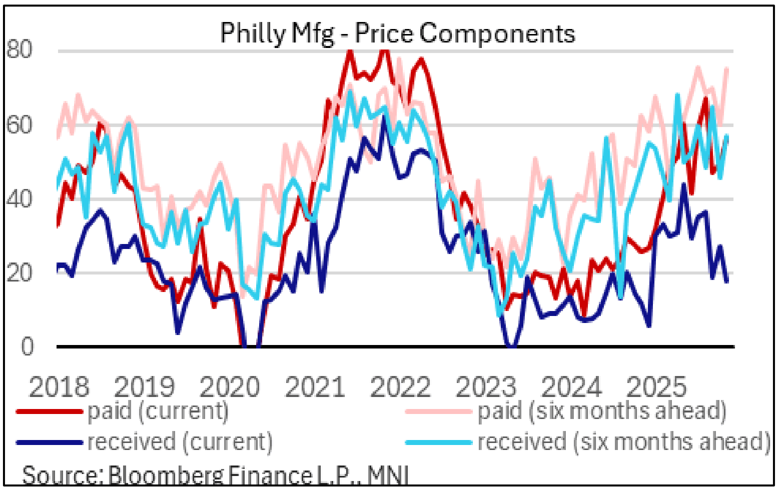
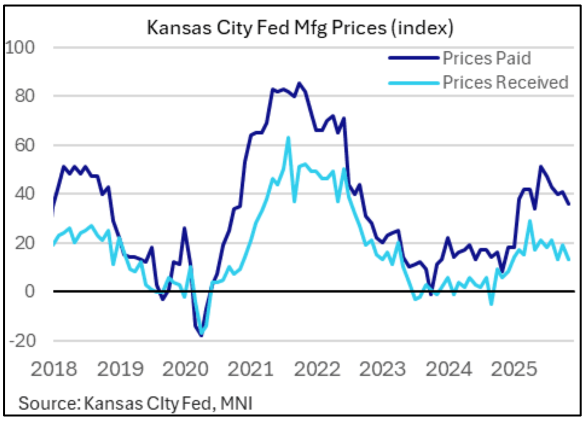
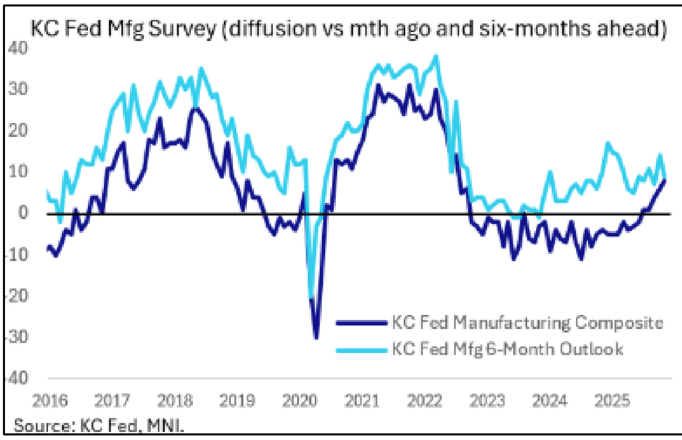


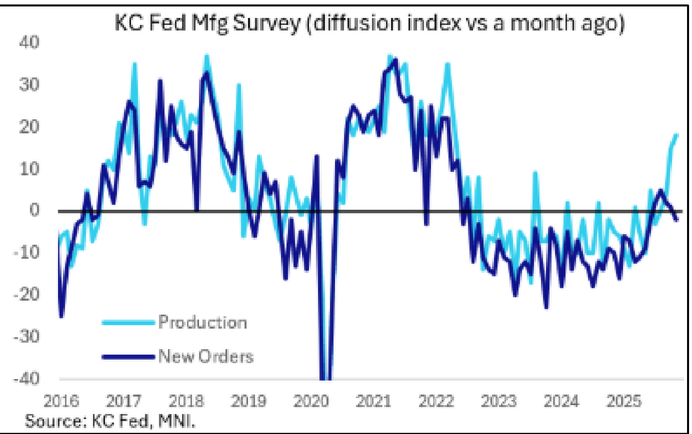
Strong KC Fed Report Maintains Theme Of Solid November Survey Readings

The Kansas City Fed's manufacturing survey showed a solid improvement in November, with the composite index at 8 from 6 prior (3 had been expected). The latest reading was the highest since mid-2022, and came with mostly though not entirely solid component readings. Either way this was the 3rd of 3 regional Fed manufacturing indices so far to show improvement in activity in November vs October, after New York and Philadelphia (we get Dallas and Richmond next week).

- The most impressive reading in the report was the rise in production to 18 from 15 prior, of which both were post-April 2022 highs. Employment rose 10 points to 11 for the best since 2023, and shipments rose to 22, the highest since 2022.
- Taking the sheen off an otherwise solid report: the new orders index has failed to gain any traction after seemingly picking up over the summer, dipping for a 3rd consecutive month, to -2 from +1 prior for a 5-month low.
- Inflation appeared to abate, with the prices paid gauge down to a 6-month low 36 and received at an 11-month low, with 6-month ahead expectations also pulling back (echoing November's Empire manufacturing survey, but not the Philly report).



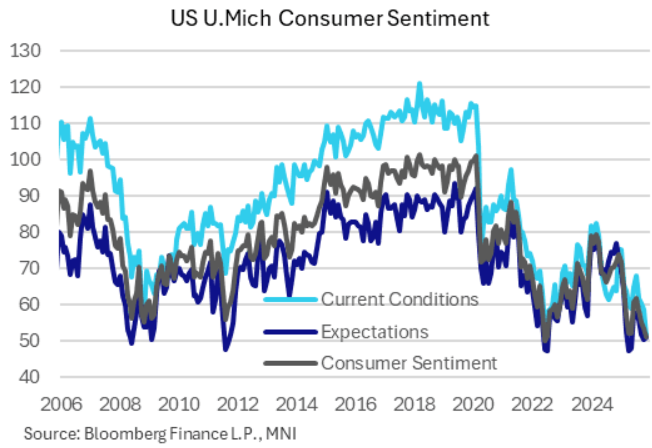




Consumer Sentiment: Recessionary

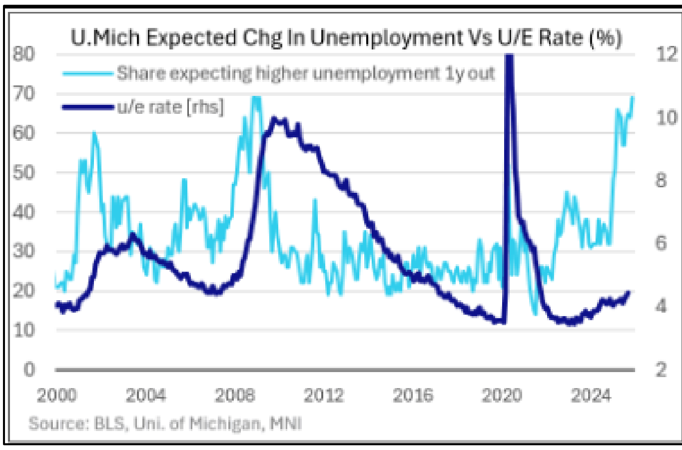
UMichigan: Inflation Expectations Softens Amid Recessionary Sentiment

The final University of Michigan consumer survey for November represented an upgrade from the preliminary readings on overall sentiment with inflation expectations showing continuing signs of moderation at a high level. However, current conditions fell to an even poorer level than the all-time worst recorded in the preliminary survey, with extremely pessimistic sentiment regarding the labor market, signaling that consumer conditions remain weak.

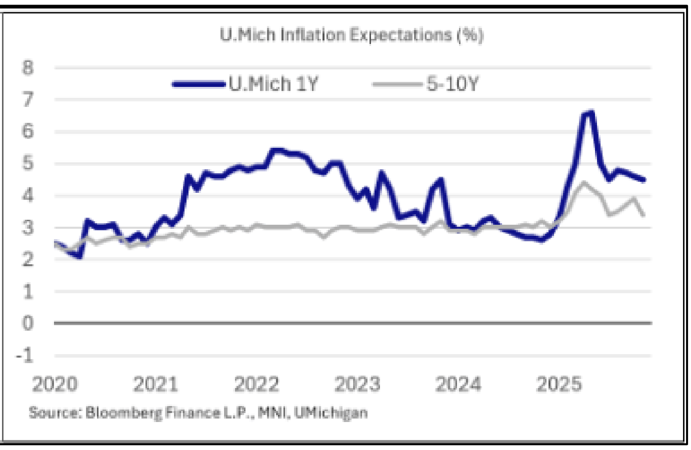


Source: Bloomberg Finance L.P., MNI

- Regarding the upgrade to the headline sentiment reading (51.0, lowest since June 2022) from the prelim (50.3), the report notes: "Following the end of the federal shutdown, sentiment lifted slightly from its mid-month reading. However, consumers remain frustrated about the persistence of high prices and weakening incomes."
- Current economic conditions were downgraded however to 51.1 from 52.3 (still way down from October's 58.6), with expectations bumped up to 51.0 from 49.0 (just up from October's 5-month low 50.3). That's especially noteworthy for current conditions since the preliminary reading was already the lowest on record.
- On that note, the report highlighted "considerable differences in economic views across the wealth distribution", which manifested itself in a downgrade to prelim readings in one regard: "current personal finances and buying conditions for durables both plunged more than 10%, whereas expectations for the future improved modestly. By the end of the month, sentiment for consumers with the largest stock holdings lost the gains seen at the preliminary reading. This group's sentiment dropped about 2 index points from October, likely a consequence of the stock market declines seen in the final two weeks of the interview period."
- Also regarding socioeconomic divides, "income expectations declined from last month for younger consumers, while middle age and older consumers held steady or inched up to relatively low levels." Sentiment worsened across all political affiliations, with the gauge of opinion of government policy at new lows.
- The report notes that the overall probability of personal job loss rose to the highest since July 2020; the percent expecting higher unemployment in 1 year was the highest since the 2008-09 financial crisis.
- The 4.5% 1Y inflation expectations reading was a 3rd consecutive monthly dip (vs the uptick to 4.7% seen in the prelim vs 4.6% in October), while the long-run gauge pulled back considerably to 3.4% (vs 3.6% in the prelim and 3.9% in October). But the report notes "Despite these improvements in the future trajectory of inflation, consumers continue to report that their personal finances now are weighed down by the present state of high prices."



Source: BLS, Uni. of Michigan, MNI



Source: Bloomberg Finance L.P., MNI, UMichigan

Growth: Even Stronger Tracking For Q3 But Softer In Q4

Atlanta Fed GDPNow Sees Cycle High 4.2% GDP In Q3

The Atlanta Fed's GDPNow estimate for Q3 is now up to a cycle high 4.23% Q/Q SAAR - up from 4.05% prior. That is the highest estimate yet for Q3 from the Atlanta Fed, and if their model is correct, it would be the strongest since Q3 2023.

- "After recent releases from the US Census Bureau and the US Bureau of Economic Analysis, a decrease in the nowcast of third-quarter real gross private domestic investment growth from 4.9 percent to 4.8 percent was more than offset by an increase in the nowcast of the contribution of net exports to third-quarter real GDP growth from 0.57 percentage points to 0.78 percentage points."
- Indeed inventories and net exports make up 1.11pp of that growth, so final domestic demand is running closer to 3%, but apart from weak structure (both residential and nonresidential) investment, the economy looks to be firing on all cylinders with PCE estimated to grow 3.4% Q/Q SAAR.
- As noted earlier, MNI expects the BEA to be able to provide a Q3 advance GDP estimate by early December.

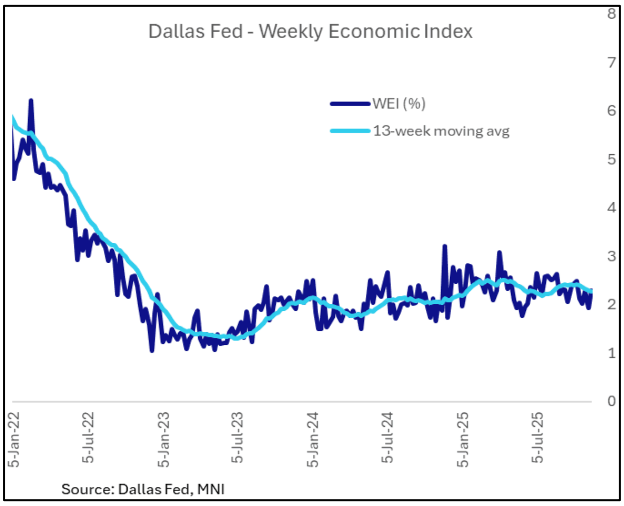
Atlanta Fed GDPNow estimates for 2025: Q3, growth rates and changes

Date	Major Releases	GDP	PCE	Equip-ment	Intell. prop. prod.	Nonres. struct.	Resid. inves.	Govt.	Exports	Imports	Change in net exp.	Change in CIPI
25-Sep	Latest BEA estimate for 25:Q1	-0.6	0.6	21.4	6.5	-3.1	-1.0	-1.0	0.2	38.0	-312	155
25-Sep	Latest BEA estimate for 25:Q2	3.8	2.5	8.5	15.0	-7.5	-5.1	-0.1	-1.8	-29.3	323	-190
31-Jul	Initial GDPNow 25:Q3 forecast	2.3	1.9	2.6	5.5	-2.3	1.8	1.7	7.8	8.5	-26	36
29-Aug	Q2 GDP (8/28), Adv. Econ. Ind., Personal income & outlays	3.5	2.3	11.7	5.5	-3.5	-8.2	1.5	7.9	1.8	35	34
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	3.4	7.2	5.4	-5.3	-4.6	1.8	3.4	-1.5	37	23
1-Oct	ISM Manufacturing Index	3.8	3.2	8.2	5.4	-5.5	-4.9	1.8	3.1	-1.8	37	22
3-Oct	ISM Services	3.8	3.2	7.9	5.4	-5.6	-5.1	1.8	2.9	-2.1	38	22
16-Oct	Monthly Treasury Statement	3.9	3.3	8.6	5.4	-5.4	-4.6	1.5	3.4	-1.6	37	22
23-Oct	Existing-home sales	3.9	3.4	8.7	5.4	-5.3	-4.4	1.5	3.5	-1.4	36	22
24-Oct	Consumer Price Index	3.9	3.4	8.7	5.4	-5.3	-4.4	1.5	3.5	-1.4	36	21
3-Nov	ISM Manufacturing Index	4.0	3.4	9.0	5.5	-5.2	-4.2	1.5	3.7	-1.3	36	21
5-Nov	ISM Services	4.0	3.4	8.9	5.5	-5.2	-4.2	1.5	3.7	-1.3	36	21
17-Nov	Construction spending	4.1	3.4	8.9	5.5	-5.1	-2.7	1.6	3.7	-1.3	36	21
18-Nov	M3-2 Manufacturing	4.0	3.4	8.9	5.5	-5.1	-2.7	1.6	3.7	-1.3	36	20
19-Nov	International trade	4.2	3.4	8.6	5.5	-5.1	-2.7	1.6	5.2	-1.6	49	20
Maximum forecast of real GDP growth												
19-Nov	International trade	4.2	3.4	8.6	5.5	-5.1	-2.7	1.6	5.2	-1.6	49	20
Minimum forecast of real GDP growth												
1-Aug	Employment report, ISM Manufacturing Index, Construction spending	2.1	1.6	2.0	5.0	-3.4	1.9	1.4	7.6	8.3	-25	43

Note: The first two rows are published BEA estimates for the most recent two quarters. Rows including and below row three are GDPNow forecasts. CIPI is "change in private inventories." Changes in net exports and CIPI are both in billions of 2017 dollars (SAAR). All other numbers are quarterly percent changes (SAAR). The table does not necessarily include all estimates for the quarter; see tab "TrackingHistory" in the online Excel file for the entire history.
Sources: US Bureau of Economic Analysis and Federal Reserve Bank of Atlanta

Dallas Fed Weekly Index Points To GDP Slowdown In Q4 After Strong Q3

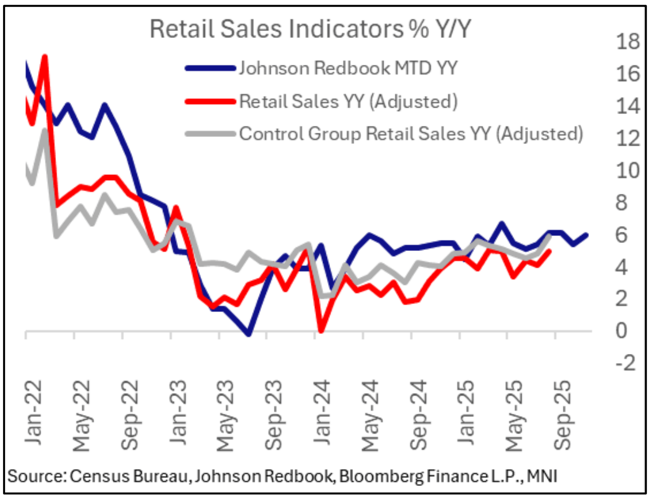
The latest Dallas Fed weekly economic index (WEI) showed a solid rebound in the week of Nov 15, showing 2.29% Y/Y GDP growth scaled to a 4-quarter basis, up from the prior week's 23-week low 1.94%.



- The 13-week (ie quarterly) moving average ticked slightly lower, to 2.27% from 2.29%, for the lowest since early August.
- Translating this from Y/Y to Q/Q SAAR GDP, the WEI's readings are roughly consistent with 4+% GDP growth in Q3, falling to 1.5-2.0% in Q4.
- Such a Q3 reading would be roughly in line with the Atlanta Fed GDPNow estimate of 4.2%, though indications are that growth has peaked for the year with Q4 set to be sequentially slower.
- Note this is the first time since September that the Dallas Fed has had a full complement of data to assess, including jobless claims which were backfilled post-shutdown by the Department of Labor on Nov 20.

Redbook Retail Sales Maintain Robust Pace, Q4 Still Looking Solid

In yet another indicator of solid retail sales continuing into Q4, the latest Johnson Redbook Retail Sales Index posted a 6.1% Y/Y rise in the week ending Nov 15, a pickup from 5.9% the prior week. This brought month-to-date sales gains to 6.0% Y/Y (note, retailers target a 6.7% gain).



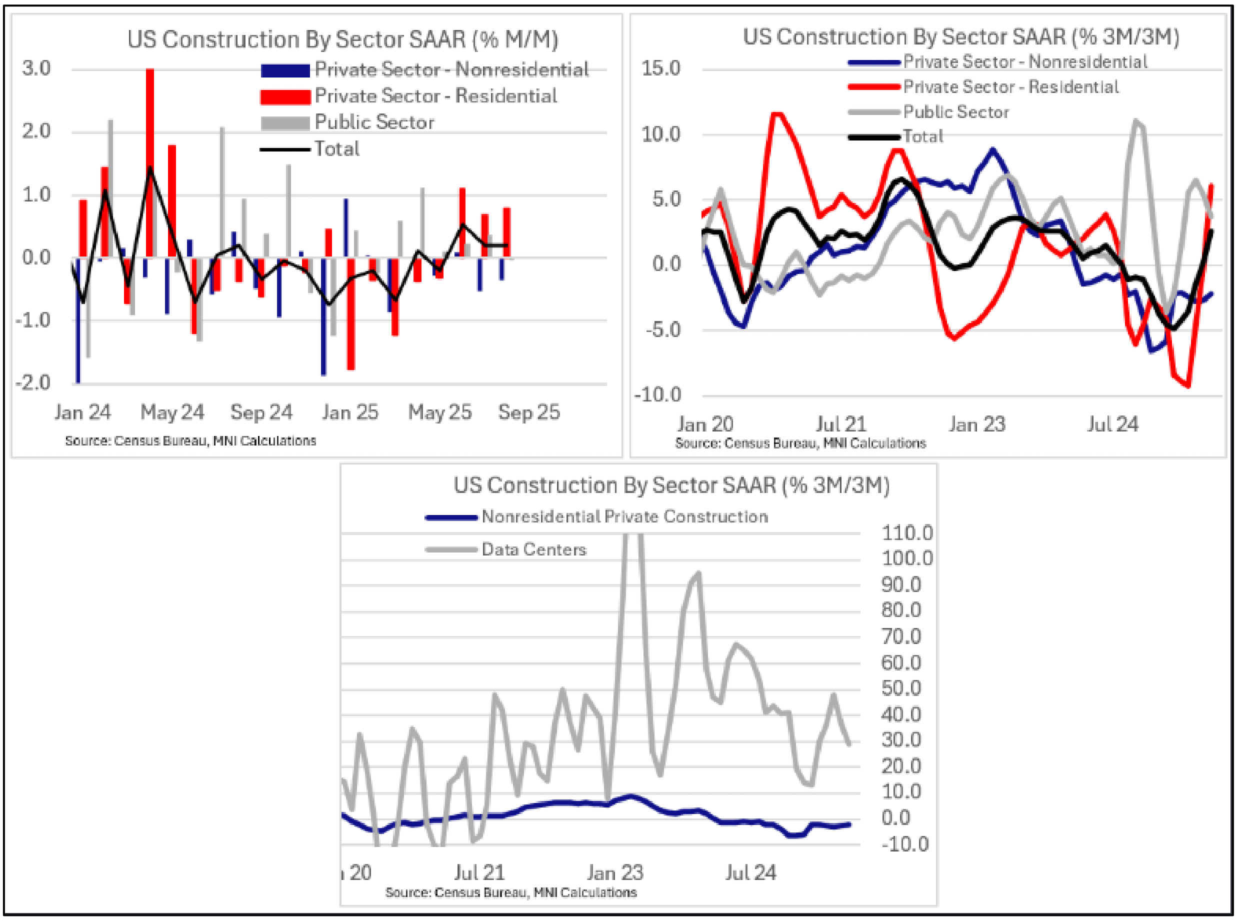
- We still don't have release dates for the delayed September and October reports, but we expect them to print solidly, at least in nominal terms (which is how US retail sales are expressed).
- Between the Chicago Fed's CARTS retail sales ex-autos estimates for September and October, and Redbook, Control Group sales looks to be running at the fastest quarterly-equivalent pace since Q3 2024 as of October, with November looking good as well so far.
- Per Redbook, "Promotions for Veterans Day contributed to an increase in foot traffic and sales at the beginning of the week."
- The report notes that this is a "crucial month for retail, as it coincides with the third quarter reporting season and the holiday promotional calendar, which is already in full swing. Holiday merchandise has begun to be displayed in stores. Retailers have introduced online and in-store Pre-Black Friday deals earlier than ever to encourage shoppers to make purchases. Sales are expected to gradually strengthen as we approach Thanksgiving and the start of the holiday season."

Housing Is Starting To Lead Construction Growth As Data Centers Slow

August construction data - whose Oct. 1 release was delayed 6 weeks due to the federal government shutdown - showed a 0.2% M/M rise in spending (-0.1% expected, 0.2% prior rev from -0.1%). Overall construction looks to be stronger on the residential side than it did earlier in the year, boding positively for that side of the GDP equation, with public sector construction also looking solid enough. However, non-residential construction growth has stalled amid policy uncertainty, with even the vaunted data center boom showing signs of moderating over the summer.

- This was the 3rd consecutive rise in construction (which is expressed in seasonally-adjusted annual rate and nominal terms), the longest expansion since 2023. And the recent pickup is being driven by private sector construction: it rose 0.3% for a 3rd consecutive gain and is now rising 2.3% on a 3M/3M annualized basis following 11 consecutive declines.

- Somewhat surprisingly given the travails of the housing market, the pickup is being driven by residential construction - a 0.8% rise saw the 3M/3M rate jump to 6.1% for the first positive reading since August 2024 and the highest overall since April 2022 (the level is now at the highest of the year).
- Conversely nonresidential construction has contracted 2 months in a row, including manufacturing, both of which are at the lowest levels since 2023.
- One trend worth noting is an apparent slowdown in data center construction. It's still growing at an extremely elevated pace overall, 29% 3M/3M annualized in August, but this is down from nearly 100% at peaks in 2023/24.
- Public sector spending has been consistently positive for the last 6 months, making October's flat reading the weakest since February, but this is still an overall contributor to construction spending. There was virtually no growth in data center construction by value between June and August. That being said, this series has increased 4-fold since the end of 2021 and is worth about 5.5% of total non-residential private construction, up from 2% in that span.



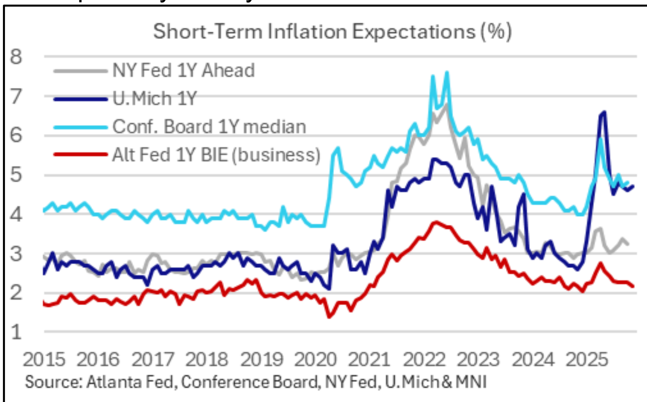
Inflation: Little To Go Off

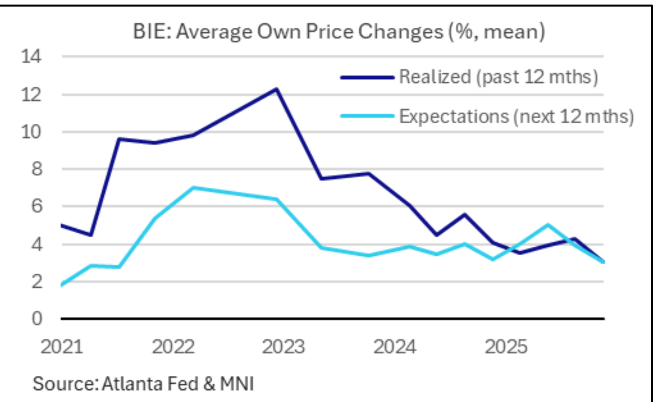
Business Inflation Expectations Ease

Business unit cost inflation expectations ebbed lower in the Atlanta Fed's November survey, hitting it lowest since December, whilst realized own price setting reported its lowest for a quarterly question that started in late 2020.

- The Atlanta Fed's Business Inflation Expectations survey saw a small dip in year-ahead expectations for unit costs from 2.27% to 2.18% in November.
- This is the lowest since Dec 2024 having averaged 2.3% through Jul-Oct, whilst for context it peaked at 2.8% in April on tariff announcements and was a little below 2.0% pre-pandemic.

- This month saw a return of the quarterly question on firms own price setting, with the average firm reporting a 3.1% price increase over the past year. That's after 4.3% when asked in August and 3.9% in May, hitting its lowest since the question started in late 2020.
- Looking ahead, the average firm expected to increase prices by 3.0% over the year ahead vs 3.9% in August and 5.0% in May. That's the lowest since mid-2021.
- The median response for price expectations held at 3.0% although has been at 3.0% for 7 of the past 10 quarterly surveys.



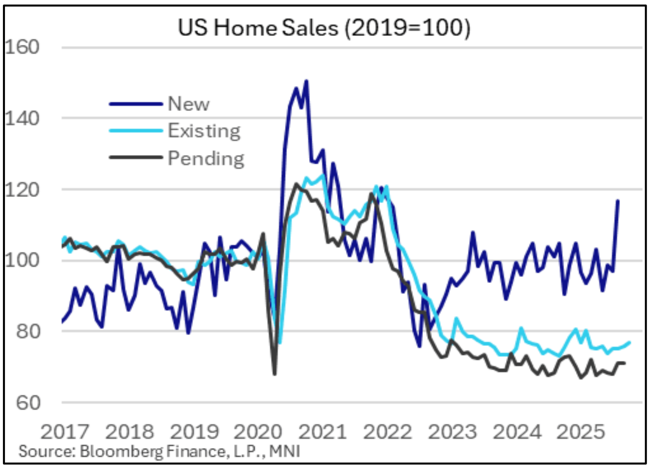


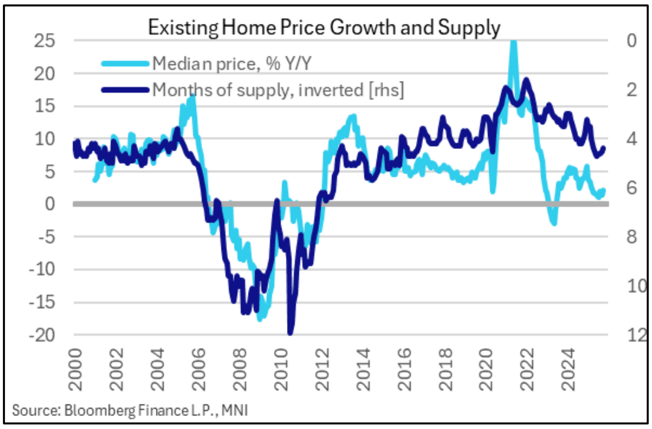
Housing & Financing: Stabilizing

Existing Home Sales Stabilizing At Low Levels

Existing home sales remained relatively stable in October per NAR data, showing a modest improvement to 4.10M (on a seasonally-adjusted annualized basis - was 4.05M prior, 4.08M consensus). The bigger picture of course is of fairly subdued activity, with sales settling around 75-80% of pre-2020 levels and 1/3 lower than the pandemic peak.

- Inventories dipped slightly, allowing the implied months of supply to fall to a slightly tighter 4.4, a 6-month low, having picked up to 4.7 as recently as June which was a post-2016 high. And the geographic distribution was mixed, with the midwest seeing 5.3% M/M growth in sales, but the other 3 regions flat/negative.
- We haven't received any new home sales data since the unusually strong August report due to shutdown (the September report still doesn't have a release date set), but clearly the existing home market looks to remain stalled with high prevailing mortgage rates stymying both supply (existing homeowners don't want to give up low rates) and demand (high rates at current house prices mean affordability is at multi-year lows).
- Affordability is the central issue - NAR Chief Economist Lawrence Yun noted in the report that sales "increased in October even with the government shutdown due to homebuyers taking advantage of lower mortgage rates. Rents are decelerating which will reduce inflation and encourage the Federal Reserve to continue cutting rates and pulling back their quantitative tightening. This will help bring more homebuyers into the market since the Fed rate has an indirect impact on mortgage rates."
- On that front, median prices were up 2.1% Y/Y, having steadied out in the low-$400k area.

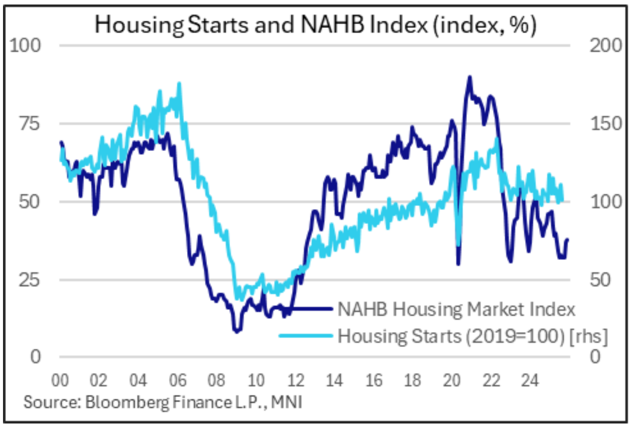


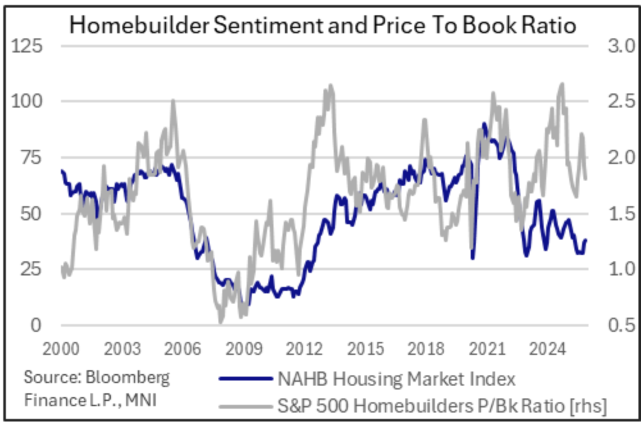


Mixed Consolidation Of Improvement In NAHB Homebuilder Sentiment

NAHB homebuilder sentiment firmed marginally in November in a mixed report, building on a larger improvement back in October. The increase over the past two months is likely helped by lower mortgage rates (aided by a reasonable decline in mortgage swap spreads) but the tailwind appears marginal with sentiment still depressed historically.

- The NAHB housing market index was roughly as expected in its November release at 38 (cons 37), slightly extending what had been a 5pt increase to 37 in October.
- It leaves homebuilder sentiment at its highest since April, having improved from the low 30s at what had been close to lows since 2012. Still, it's comfortably below the 66k averaged in 2019 or a long-term post-2000 average of ~50.
- Latest drivers on the month were mixed, with present sales +2pts to 41 and prospective traffic +1pt to 26, but the outlook for sales in six months' time -3pts to 51 (albeit after an unusually strong 9pt increase in October).
- Broad sentiment by region was also mixed, with the south (easily the largest for new home sales) and west (second largest) rising 2pts, the midwest falling 2pts and northeast sliding 10pts to also fully reverse an 11pt jump.

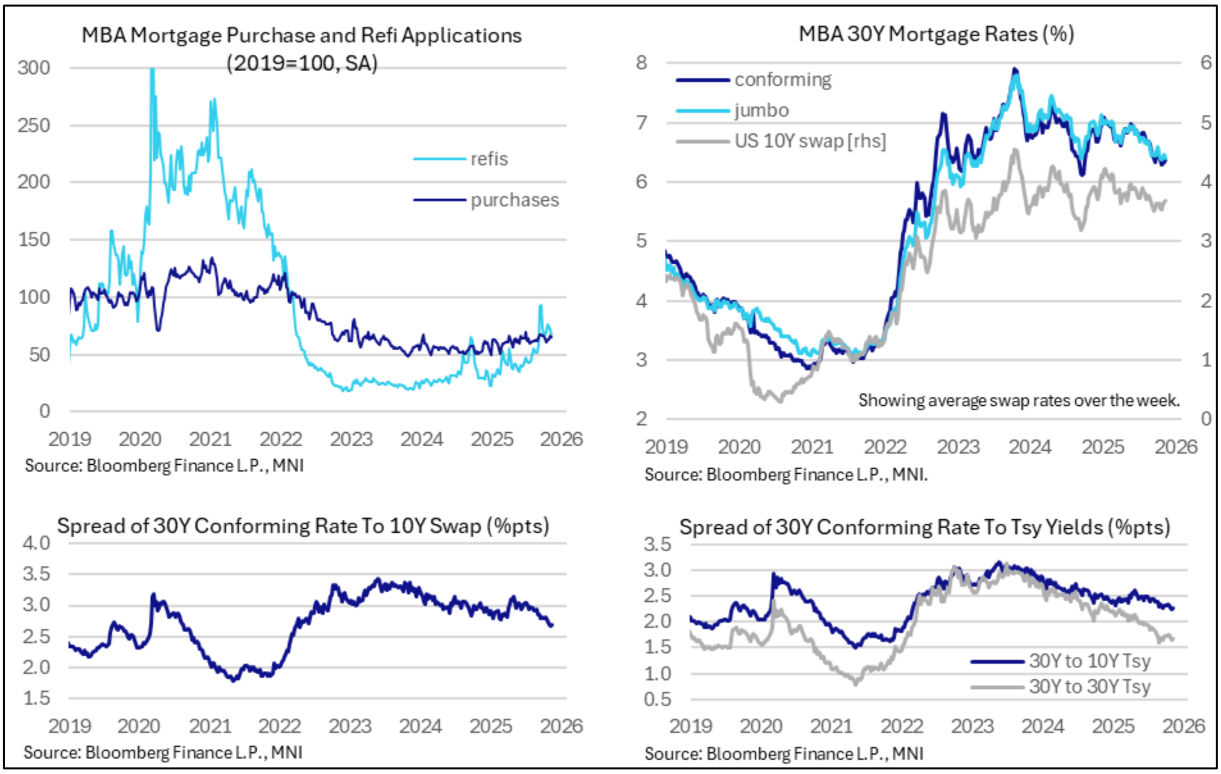




Mortgage Applications Reverse Refi Uptick

Mortgage applications last week fully unwound what had been a strong refi-driven increase seen back in late October when rates fell to their lowest in over a year. Rates have only increased modestly in recent weeks whilst mortgage swap spreads have seen a narrowing trend barring a small widening in the latest week.

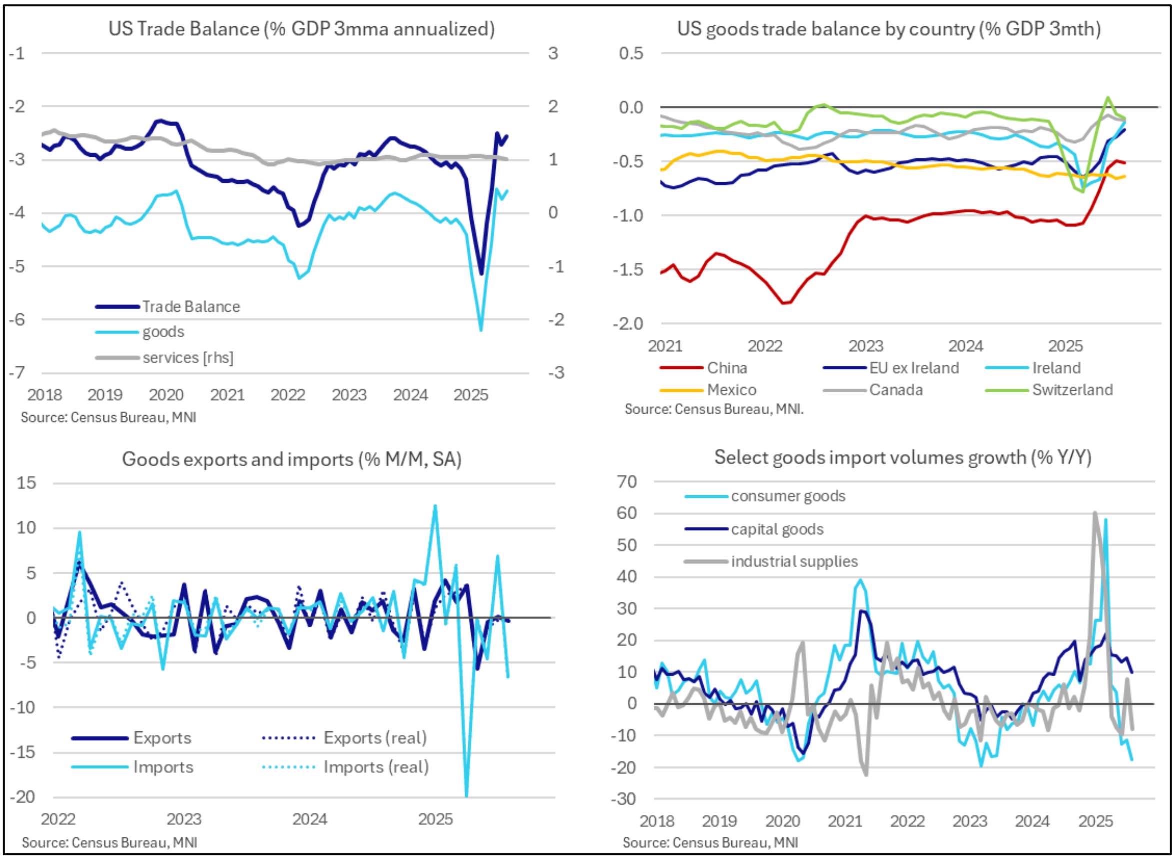
- MBA composite applications fell a seasonally adjusted -5.2% last week, now fully unwinding a strong increase in late October with its largest single week decline since September.
- Refis led the latest drop (-7.3% after -3.4%) and are now at their lowest level since early September, whilst new purchase applications dipped after a previously strong increase (-2.3% after +5.8%).
- Levels relative to 2019 average for context: composite 66%, new purchases 65%, refis 67%.
- The 30Y conforming mortgage rate inched up another 3bps to 6.37% to continue a slow lift off the 6.30% from the week to Oct 24 being its lowest since Sep 2024.
- There was a minor widening in mortgage spreads but it doesn't materially alter the trend of reasonable tightening in recent months.
- Specifically, the spread to 10Y swap rates ticked up 2bps to 269bps although last week's 267bp had been a fresh low since Apr 2022. It compares 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.



External: Tariff Ripples Continued In August As Data Starts Catching Up

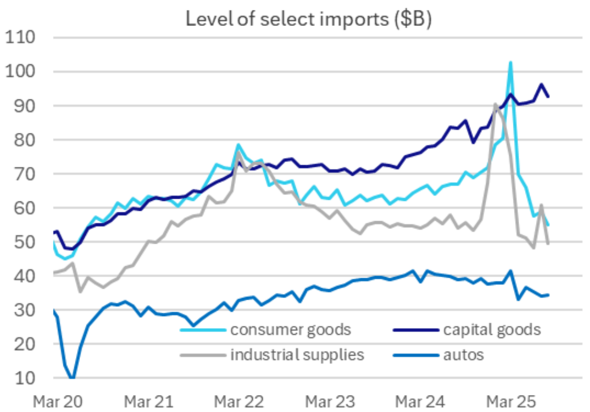
China And EU Leading Largest Adjustments In Trade With US [1/2]

- The goods & services trade deficit was close to expectations in August at $59.6bn (cons $60.4bn) after a marginally revised $78.2bn in July.
- This is the full August release that was delayed by the government shutdown, after the initial advance covering just goods trade had been reported on Sep 25.
- Exports increased 0.1% M/M, with reasonable services growth of 0.8% M/M offsetting softer goods at -0.3% M/M as broadly indicated by the advance release.
- Imports were confirmed to have fallen firmly, with -5.1% M/M after bouncing 5.9% M/M in July, driven primarily by goods (-6.6% after 6.9%) whilst services increased a little further (0.4% after 2.3%). The swing in imports was due to monetary gold - to be discussed in part two.
- The $264.6bn of goods imports poked below the $264.9bn in June for its lowest since Jan 2024 - of note for a nominal series - although the subsequent uplift in services imports saw broader goods & services imports hold above its June recent low.
- Driving these trends, goods imports volumes are currently -4.0% Y/Y for their most negative since mid-2023. Consumer goods have clearly been adversely impacted by tariffs (-18% Y/Y) along with industrial supplies more recently (-8% Y/Y). Capital goods (10% Y/Y) continues to be an important offsetting driver, having been growing strongly since mid-2024 and with 10% Y/Y actually its softest since October.
- It left the goods & services trade deficit at 2.6% GDP on a three-month basis in August vs 5.1% GDP in Q1 on peak tariff front-running and 3.4% GDP in Q4.
- Latest updates on country trade balances vs Dec'24 levels: China -0.6% GDP vs -1.1%, EU -0.4% vs -0.8%, Switz. -0.1% vs -0.3% and then less change for Canada at -0.1% vs -0.2%, UK 0.1% vs 0.0% and Mexico -0.6% vs -0.6%.

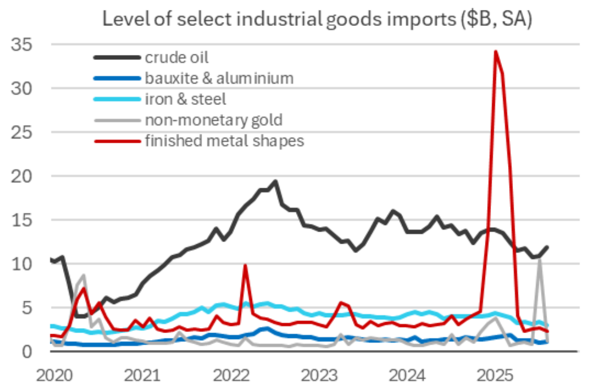


Gold Imports Drove Summer Swing, Computer Surge Continued [2/2]

- The final August details give us a better sense of the drivers behind what we had already known to have been broad-based weakness in imports, with consumer -7.0% M/M after 2.4%, capital -4.4% after 5.1% and industrial supplies -19.6% after 24.3%.
- The swing in industrial supplies was dominated by a pullback in non-monetary gold imports after a surprise jump in July (from $0.9bn in Jun to $10.5bn in Jul and now $1.2bn in Aug).
- This category had picked up earlier this year on tariff front-running with a high of $3.8bn in January but it was tiny compared to the surge in monetary gold which drove the "finished metal shapes" category to $34bn in Jan vs a more typical $3-4bn per month and a latest value of $2.4bn in August. Recall that monetary gold doesn't feed into GDP calculations (but the non-monetary gold category noted above, does) and now sees the Atlanta Fed's GDPNow run on an ex-gold basis, for example.
- Capital goods imports fully reversed July's large increase, falling back from $90.6bn to $86.6bn, despite a further cranking higher in computer imports to $21.7bn (+2.3bn). That's up from $10bn in December. Nearly all other categories fell on the month, with the largest coming from computer accessories (-1.3bn), telecommunications equipment (-1.1bn), medical equipment (-0.4bn) and semiconductors (-0.4bn).
- Consumer goods imports meanwhile continued their downtrend into August compared to some particularly elevated readings earlier this year on Irish pharmaceutical front-running. Latest Eurozone trade data for September suggests this reversed with a sharp increase. For now, the $55bn in August was the lowest nominal level of consumer goods since mid-2020. This category saw $72bn of imports in Dec 2024 before surging to a peak of $103bn in March ahead of telegraphed reciprocal tariff announcements in early April.



Source: Census Bureau, MNI



Source: Census Bureau, MNI.
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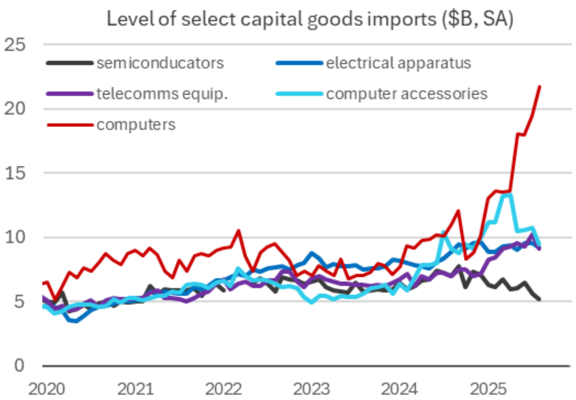
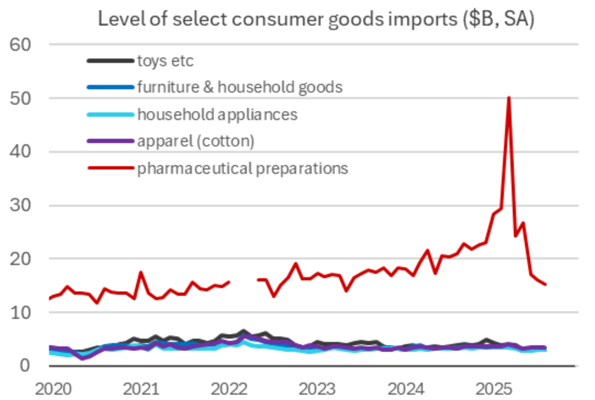


Source: Census Bureau, MNI.



Source: Census Bureau, MNI.

Fedspeak: Williams Sees Room For Near Term Further Adjustment In Uncharacteristic Steer

- NY Fed's Williams on Friday dominated the week's Fedspeak, with an uncharacteristic steer towards a "further adjustment in the near term" towards neutral policy. It drove a larger dovish reaction in front rates than a mixed payrolls report on Thursday.
- Williams reinforced our view that FOMC voters are leaning to deliver a hawkish cut in December, with Williams part of a core bloc of permanent voters including Chair Powell in support - and our breakdown hasn't changed since our FOMC minutes preview: "We now see 10 members who would go into the December meeting supportive of a hold to varying degrees. In terms of the 12 voters, we think it's currently 7-5 in terms of favoring a cut, with a core bloc of 4 members including Chair Powell set to sway the Committee in one direction or another."
- Most other Fedspeak erred on the hawkish or at least cautious about a December cut side, with various speakers most sounding concerned about the latest increase in the unemployment rate in September.
- The minutes for the Oct 28-29 FOMC meeting were also hawkish, at the time suggesting that it may only be a minority of the Committee that is pushing for a follow-up cut in December.

Post-Payrolls

NY's Williams Adds Support To More-Likely-Than-Not December Cut (Nov 21)

NY Fed Pres Williams (permanent FOMC voter) doesn't often provide much clear guidance on his rate cut preferences, which makes his comments **in a speech Friday** indicating his support for a December cut ("in the near term") notable, particularly after the September payrolls release:

- "I view monetary policy as being modestly restrictive, although somewhat less so than before our recent actions. Therefore, I still see room for a further adjustment in the near term to the target range for the federal funds rate to move the stance of policy closer to the range of neutral, thereby maintaining the balance between the achievement of our two goals."
- This reinforces our view that FOMC voters are leaning to deliver a hawkish cut in December, with Williams part of a core bloc of permanent voters including Chair Powell in support - and our breakdown hasn't changed since **our FOMC minutes preview here**: "We now see 10 members who would go into the December meeting supportive of a hold to varying degrees. In terms of the 12 voters, we think it's currently 7-5 in terms of favoring a cut, with a core bloc of 4 members including Chair Powell set to sway the Committee in one direction or another."

Boston's Collins Not Swayed By Payrolls Data, Seems In Dovish Hold Camp (Nov 21)

Boston Fed Pres Collins (2025 FOMC Voter) - who previously suggested she wouldn't support a December rate cut - says on CNBC that the latest jobs data hasn't really changed her view. As such, there's a clear division on the Committee between a hold-leaning set of regional Presidents (Collins and Goolsbee have suggested since the September payrolls data that they still wouldn't support a December cut, and Musalem and Schmid are even more hawkish than they are), and the FOMC core which we still think is more inclined to cut (NY's Williams today).

- Collins says of the jobs data: "It was from September, and it was mixed. It didn't significantly change what I'm seeing. What it showed is a bit more job growth, perhaps, than I'd expected... the unemployment rate ticked up. That wasn't a big surprise, and some of that seems to be higher labor force participation. So I'm still really focused on the weekly claims data, which I think helps to give a pulse of how things are evolving."
- On the upcoming rate decision: "I think a mildly, moderately, mildly restrictive policy is very appropriate right now... that makes me hesitant as I look forward to think about what the next policy move should be. ..here's some reasons why I'm hesitant, but again, I'm going to feature factor in all of the different information. One of them is that resilient demand that I talked about that could put pressures on prices and cause firms to pass more of the tariffs through. You know, at the same time there is weakness for many consumers, especially lower income, watching that really carefully, and what that really seems tied to is high price levels."
- That said she seems in the "dovish hold" camp, still eyeing further cuts further down the line: "My baseline says that maintaining mildly restrictive policy is appropriate to ensure that we get that disinflation and then

over time, I would absolutely expect to normalize further, but I think doing so cautiously, gradually is appropriate, and I'm hesitant to get too far out ahead, given the moves we've already made and some of the inflation concerns that I hear."

Logan Repeats Difficulty In Supporting Dec Cut After NFPs (Nov 21)

Dallas Fed's Logan ('26 voter, hawk) has echoed her prior views. This from last week: "I think it would be hard to support another rate cut unless we were to get convincing evidence that inflation is really coming down faster than my expectations or that we were seeing more than the gradual cooling that we've been seeing in the labor market". Bloomberg headlines:

- “*FED'S LOGAN: WOULD FIND IT DIFFICULT TO CUT AGAIN IN DECEMBER
- *LOGAN: HOLDING RATES WOULD ALLOW FED TO ASSESS RESTRICTION
- *LOGAN: EXPECT TO RESUME GROWTH OF FED BALANCE SHEET BEFORE LONG
- *LOGAN: FED NEEDS TO OFFSET TAILWINDS FROM FINANCIAL CONDITIONS" - all bbg

Unsurprisingly, it sees her maintain a contingent of incoming '26 voters who don't seem in a rush for further rate cuts, with Paulson the least hawkish of the three. From yesterday after the September payrolls release:

- Hammack ('26) said the jobs report is 'a bit stale' but is in line with expectations, looked a bit mixed and highlighted challenges faced by monetary policy.
- Paulson ('26) said the higher u/e rate is still in the "neighborhood of full employment" and generally viewed the September data as encouraging. "Each rate cut raises the bar for the next cut. And that's because each rate cut brings us closer to the level where policy flips from restraining activity a bit to the place where it is providing a boost. So, I am approaching the December FOMC cautiously."

Paulson Viewed Sept Jobs Data As Encouraging, Approaching Dec FOMC Cautiously (Nov 20)

Philly Fed’s Paulson (’26 voter) gave a useful update late yesterday after limited public appearances since she replaced Harker in July, pushing for caution around a December cut (speech link). She had positioned herself inline with the median FOMC dot prior to the October meeting (which had pointed to cuts in Sept, Oct and Dec) but in keeping with the more recent median hawkish shift, doesn’t appear as ready to support another cut next month. Speaking on yesterday’s jobs report, she viewed the higher u/e rate as still being in the “neighborhood of full employment” and generally viewed the September data as encouraging.

- Supported past two cuts, as expected: “So, with upside risks to inflation and downside risks to employment, monetary policy has to walk a fine line. In my judgement, the 25-basis-point rate cuts at the September and October meetings were appropriate and have helped to keep policy on that line.”
- Echoing comments from Vice Chair Jefferson: “But each rate cut raises the bar for the next cut. And that’s because each rate cut brings us closer to the level where policy flips from restraining activity a bit to the place where it is providing a boost. So, I am approaching the December FOMC cautiously.”
- "On the margin, I’m still a little more worried about the labor market than I am about inflation, but I expect to learn a lot between now and the next meeting."
- Notably after yesterday’s jobs report: “Shifting to the labor market, the unemployment rate ticked up to 4.4 percent in September from 4.3 percent in August, still in the neighborhood of full employment. I usually focus on the quarterly pattern in labor market data because job gains can move around a lot from month to month. Indeed, in August jobs declined by 4,000 and, in September, that flipped and 119,000 jobs were created. On balance, I view the data for September as encouraging. Taking a step back from the recent monthly data, over the year, we’ve seen job gains slow substantially, but labor supply has been declining, too.
- Time needed to assess tariff passthrough on inflation: “My base case is that tariffs will increase prices but that they won’t lead to an ongoing inflation problem. So far, the evidence is consistent with this view, but it will take time to fully confirm or refute it.”

Chicago's Goolsbee Implies Leaning Against A December Cut (Nov 20)

Chicago Fed President Goolsbee - a 2025 FOMC voter - appears to more clearly be leaning against supporting a December rate cut, based on comments he made to reporters (including MNI's) Thursday.

- When asked if he would dissent to a December cut, he said “I do think there is some value to the Powell approach (of), can we build a consensus that everyone can agree with, but if I end up feeling strongly one way and it’s different from what everybody else thinks, then that’s what it is."
- He said that his September Dot Plot contained 2 cuts by year-end, including September, and that not much had changed since then (of course, the Fed has already delivered a second cut since then, in October, which Goolsbee supported).
- As before, he suggested discomfort with the trajectory of inflation: “My unease is about the short-run frontloading of too many rate cuts, counting on the inflation uptick that we’ve seen being transitory...we’ve been above the target for 4.5 years, and the last three months are at best steady at 3%. There are some measures by which the last three months look like they’ve gotten a little worse...we would want to see that there’s some relief in that.”
- And he said the latest data including the September payrolls report didn't change his mind that the labor market has cooled but has largely been stable, with recent gains near the Chicago Fed's breakeven rate: “I don’t think this jobs number adjusts our view. The new unemployment claims certainly do not seem to suggest that there’s a rapidly deteriorating labor market.”
- As noted in MNI's **preview of the October FOMC minutes**, we had Goolsbee down as being among a slight majority on the Committee leaning toward a hold at the upcoming meeting, potentially favoring a dovish hold (he reiterated Thursday that he sees rates eventually settling well below current levels).

Fed's Hammack - Cuts Could Prolong Inflation Fight (Nov 20)

- Federal Reserve Bank of Cleveland President Beth Hammack on Thursday said lowering interest rates risks prolonging elevated inflation, and could come at the cost of heightened financial stability risks down the road.
- "Inflation has been running above the Fed’s 2% objective for four and a half years. Lowering interest rates to support the labor market risks prolonging this period of elevated inflation, and it could also encourage risk-taking in financial markets," she said in prepared remarks for a financial stability conference. Financial conditions are quite accommodative today, reflecting recent gains in equity prices and easy credit conditions, she said.
- "Easing policy in this environment could support risky lending. It could also further boost valuations and delay discovery of weak lending practices in credit markets," Hammack said.

Pre-payrolls

Gov Miran Eyes A Smaller Fed Balance Sheet (Nov 19)

Fed Gov Miran laid out a case for a smaller Fed footprint in the financial sector **in a speech Wednesday** called "Regulatory Dominance of the Federal Reserve’s Balance Sheet" While he supported the Fed's recent decision to end balance sheet runoff, and in fact would have supported ending it a month earlier than the Dec 1 conclusion, he is nonetheless eyeing a reduction in reserve balances from current proportions (eg as a % of GDP).

- It's unclear whether Miran will be reappointed to stay on the Fed Board after the end of his term in January - and thus he might not be in much of a position to shape future balance sheet policy - but it's worth considering his overall view as it may signal the current presidential administration's preferences. We note for instance parallels between his ambition for a smaller balance sheet along with his view that rates should be much lower; ex-Fed Gov Warsh, a candidate to succeed Jerome Powell as Fed Chair, has eyed lower rates and a smaller balance sheet as well.
- He argues that only once the Fed reshapes the regulatory framework can it begin to make plans for the future size and composition of its balance sheet: "It has become apparent to me that trying to settle the

ongoing debates on how monetary policy is best implemented before settling the regulatory framework is putting the cart before the horse."

- "As we right-size the regulations, my hope is that it will allow us to further reduce the size of the balance sheet, relaxing the grip of regulatory dominance....as we make more progress peeling back regulations, I expect the optimal level of reserves may drop below where it is now, at least relative to GDP or the size of the banking system. It is possible that in the future, it will be appropriate to resume shrinking the balance sheet; stopping runoff today does not necessarily mean stopping it forever."
- He also makes the point that smaller reserves would ultimately reduce the amount the Fed pays out to banks on their holdings, a subject of contention among some politicians (though the interest on reserves regime has been heartily defended by others on the FOMC). He says "That [shrinking the balance sheet] would also enable us to reduce our interest payments on reserves. If we go far enough with removing regulations, we may be able to limit perceptions that the Fed is picking winners and losers through regulations, asset purchases, and credit allocation decisions. But before further reductions in the balance sheet, we first have to get the regulations right and ensure that bank balance sheets are flexible enough for an environment with a smaller Federal Reserve footprint."

Richmond's Barkin Doesn't Sound Opposed To A December Cut (Nov 18)

Richmond Fed President Barkin (non-2025/2026 FOMC voter) concludes a speech Friday **("Operating with Limited Data")** by saying that he's not guiding as to his policy preferences for the December FOMC meeting: "You may notice nothing I just said gives any guidance for our next meeting. That's intentional, as I think we have a lot to learn between now and then."

- Barkin is almost always reluctant to reveal his rate policy views, so his lack of guidance is not a surprise, but we've considered him as being toward the neutral-to-hawkish-leaning side of the FOMC as he has expressed a generally sanguine view about risks to both the labor market and inflation. As such this latest commentary could be considered slightly dovish-leaning because, unlike some of his regional Fed president colleagues on the FOMC (including many who vote this year and next), he doesn't suggest he is necessarily opposed to a December cut.
- He says "on net, we are seeing pressure on both sides of our mandate, with inflation above our target and job growth down. But we also see mitigants on both sides, with consumer pushback and productivity improvements limiting inflation and labor supply slowing at roughly the same pace as labor demand, reducing the hit to unemployment....When the lighthouse [of data] goes dark, you might remain on your preexisting path at first, but soon enough, you will want to throttle back until you get more visibility. That's not a particularly comfortable place to be, so I am looking forward to some illumination, from the data as it returns or from our outreach."
- Generally it sounds like his view hasn't changed considerably since mid-October, citing both private sector data and "what my team is hearing" from contacts. A few selected quotes:
- **On activity:** "Demand remains healthy....The elevated uncertainty that businesses perceived earlier in the year seems to be abating. But in our outreach, the feel is very different by sector."
- **On the labor market:** "While the unemployment rate has ticked up this year, it was still historically low at 4.3 percent through August. Employment growth, on the other hand, is soft."
- **On inflation:** "Inflation is still above target... On the positive side, shelter price growth is easing, and oil prices remain low; on the other hand, goods price growth has remained higher than its recent norms, and we are seeing some pressure in non-housing core services like insurance. We unfortunately have fewer quality alternative data sources for inflation, as it is easier to monitor the price of coffee than to assess the mix of price changes across the entire consumer basket. Our outreach leads me to believe inflation remains somewhat elevated but isn't likely to increase much."

Gov Waller: Still Backing A December Cut, Unlikely Upcoming Data Will Sway (Nov 17)

Fed Gov Waller continued to call for a December rate cut in a speech Monday, unsurprising given has been one of the FOMC's biggest proponents of easing since the summer. He says that the lack of official government data amid the shutdown is not a material reason to skip a cut.

- "I believe the challenge presented by this missing data has been overstated in many quarters. Policymakers and forecasters are not "flying blind" or "in a fog." While it is always nice to have more data, as economists, we are skilled at using whatever available data there is to formulate forecasts. Despite the government shutdown, we have a wealth of private and some public-sector data that provide an imperfect but perfectly actionable picture of the U.S. economy."
- In fact he gives a couple of examples of "reconciling conflicting data" led to the better take on policy (2022 in the inflation ramp-up, and earlier this year when corporate contacts/anecdotes suggested a low hire/low fire environment and not a robust jobs market.
- He namechecks multiple alternative indicators including the UMichigan consumer survey's weakness ("I worry that restrictive monetary policy is weighing on the economy, especially about how it is affecting lower-and middle-income consumers.") and ADP (" in September and October, ADP reported that businesses created a net total of only 6,500 jobs a month. And the latest weekly data are even weaker) in making his case that further policy easing is warranted.
- And he rebuts the notion that reduced supply is the driving dynamic in the labor market: "It is clear to me that the data are saying that there has been a greater reduction in demand than supply. I'm not seeing or hearing stories of an acceleration in wage growth, an increase in job openings, or a rise in the quits rate. The overwhelming share of the data I have cited so far supports the weaker demand story. There is definitely a reduction in supply, but, to me, that is masking the extent of the reduction in demand that I am concerned about. When outcomes are uncertain, policymakers must manage the risks, and the evidence is pointing toward a greater risk that low job creation is predominantly demand driven. This has implications for monetary policy."
- In short, his "reading of the data leads me, at this moment, to support a cut in the FOMC's policy rate at our next meeting on December 9 and 10 as a matter of risk management."
- "With underlying inflation close to the FOMC's target and evidence of a weak labor market, I support cutting the Committee's policy rate by another 25 basis points at our December meeting...I am not worried about inflation accelerating or inflation expectations rising significantly. My focus is on the labor market, and after months of weakening, it is unlikely that the September jobs report later this week or any other data in the next few weeks would change my view that another cut is in order."

Vice Chair Jefferson: Need To Proceed Slowly On Rates (Nov 17)

Fed Vice Chair Jefferson's speech Monday is **here**. The key quotes are below - he's likely one of the 9 FOMC members who anticipated cutting rates in Sep, Oct and Dec (in his September Dot Plot) and if forced to guess we would think he is still marginally in favor of a December cut and here he again highlights "increased downside risks to employment compared to the upside risks to inflation, which have likely declined somewhat recently".

- But his increasingly cautious tone is echoing the broader Committee; on Nov 7 he said "it makes sense to proceed slowly as we approach the neutral rate", this time he says there is a "need to proceed slowly as we approach the neutral rate."
- Today he says: "I supported last month's decision to reduce our policy rate by 1/4 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. The evolving balance of risks underscores the need to proceed slowly as we approach the neutral rate."
- "Heading into our next meeting, it remains unclear how much official data we will see before then. 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 is an especially prudent approach at this time."

FOMC Minutes Show Tepid-At-Best Support For December Cut (Nov 19)

The biggest anticipated focus in the October FOMC meeting minutes (**link**) was on the degree to which support for a December cut was signaled. In short, the minutes suggest that it may only be a minority of the Committee that is pushing for a follow-up cut.

- That's largely in line with MNI's view that a majority of the broader Committee may be leaning to a December hold based on post-October FOMC commentary, though it doesn't necessarily mean that would-be cutters in December make up a majority of the 12-member voting contingent. (Below is a crib sheet on what "many" vs "several" means in the FOMC minutes - especially useful in this edition - from a guide published by the Fed Board staff).
- First off, this passage makes it pretty clear it was hardly an overwhelming majority of the 19 participants who supported an October cut, and in fact it may well have been a minority:
- *"Many participants were in favor of lowering the target range for the federal funds rate at this meeting, some supported such a decision but could have also supported maintaining the level of the target range, and several were against lowering the target range."*
- Recall that "many" is technically considered to be less than a "majority/most" members when it comes to Fedspeak.
- Here's what it says about December. Note that while "most" saw future cuts as appropriate, "several" of them didn't see another 25bp cut at the December meeting. And the "several" that saw a December cut is possibly less than "many" or "some", per Fedspeak parlance - indeed it's indicated to be fewer than the "many" who thought it would likely be appropriate to hold through yearend.
- *"Participants expressed strongly differing views about what policy decision would most likely be appropriate at the Committee's December meeting. Most participants judged that further downward adjustments to the target range for the federal funds rate would likely be appropriate as the Committee moved to a more neutral policy stance over time, although several of these participants indicated that they did not necessarily view another 25 basis point reduction as likely to be appropriate at the December meeting. Several participants assessed that a further lowering of the target range for the federal funds rate could well be appropriate in December if the economy evolved about as they expected over the coming intermeeting period. Many participants suggested that, under their economic outlooks, it would likely be appropriate to keep the target range unchanged for the rest of the year. All participants agreed that monetary policy was not on a preset course and would be informed by a wide range of incoming data, the evolving economic outlook, and the balance of risks."*

FOMC Minutes: Restrictiveness Debate Simmering (Nov 19)

A few other notes of interest from the October FOMC meeting minutes:

- **Restrictiveness Debate Continues:** The passage on current policy restrictiveness in the October minutes repeats the September's edition in noting that "participants expressed a range of views about the degree to which the current stance of monetary policy was restrictive." But at the latest meeting it seems that caution was rising over the degree of restrictiveness, with "some" seeing policy as still restrictive even after the October cut, but also "some" seeing signs that the policy wasn't "clearly restrictive" even before the eventual rate cut.
- The October minutes say: "Some participants assessed that the Committee's policy stance would be restrictive even after a potential 1/4 percentage point reduction in the policy rate at this meeting. By contrast, some participants pointed to the resilience of economic activity, supportive financial conditions, or estimates of short-term real interest rates as indicating that the stance of monetary policy was not clearly restrictive.")
- That shows a subtle but important evolution since the September minutes which showed a majority that saw policy as still restrictive after the September cut: "Most judged that it likely would be appropriate to ease policy further over the remainder of this year. Some participants noted that, by several measures, financial conditions suggested that monetary policy may not be particularly restrictive, which they judged as warranting a cautious approach in the consideration of future policy changes."
- **Staff Forecasts Remain Constructive:** The Fed staff didn't show much concern over the impact of the federal government shutdown ("The government shutdown was expected to reduce GDP growth for as long as it continued, with a corresponding boost to growth once the government reopened and government production and purchases returned to normal levels"), while the economic outlook remained constructive: "GDP growth after 2025 was expected to remain above potential until 2028 ... the unemployment rate was expected to decline gradually after this year before flattening out at a level slightly below the staff's estimate of the natural rate of unemployment. The staff's inflation forecast was broadly similar to the one prepared for the September meeting, with tariff increases expected to put upward pressure on inflation in

2025 and 2026. Thereafter, inflation was projected to return to its previous disinflationary trend." That said, GDP and labor force risks were seen to the upside with inflation risks to the upside.
- **Growing concerns over inflation by some, but greater relief for others. October:** "Several participants observed that, setting aside their estimates of tariff effects, inflation was close to the Committee's target. Many participants, however, remarked that overall inflation had been above target for some time and had shown little sign of returning sustainably to the 2 percent objective in a timely manner. **September:** "A couple of participants expressed the view that, excluding the effects of this year's tariff increases, inflation would be close to target. A few other participants, however, emphasized that progress of inflation toward the Committee's 2 percent objective had stalled, even excluding the effects of this year's tariff increases."
- **GDP vs Payrolls:** In October, "Many" participants saw upside risks to their inflation outlooks; "many" also "observed that the divergence between solid economic growth and weak job creation created a particularly challenging environment for policy decisions".
- **PCE Estimates In:** the Fed estimates September PCE at 2.8% Y/Y based on CPI data for the month (PPI and import price data that goes into that calculation was postponed but will be published in the coming weeks).

Fed Personnel Considerations
- Trump says being held back from firing Powell, could opt for "politically correct" replacement
- Bessent says Trump could announce new Fed Chair before Christmas

Trump Says Being Stopped From Firing Powell, Could Surprise With New Chair (Nov 18)

US President Trump when asked on Fed Chair deliberations heading towards the new year in press questions at a bilateral meeting with the Crown Prince of Saudi Arabia.

- Reporter: Have you started the interviews for the Fed Chair?
- Trump: Yes
- Reporter: Who have you already interviewed?
- Trump: I think I already know my choice. I liked him [pointing to US Tsy Sec Bessent] but he's not going to take the job. He refused. You like Treasury better, right?
- Bessent: Much better sir.
- Trump: So we are talking to various people. Frankly, I'd love to get the guy currently in there out right now, but people are holding me back. He's done a terrible job, hurting housing a little bit. The truth is, we've been so successful, we've blown past his interest rate stupidity. […] He's a fool. He's a stupid man. But we have some very good people.
- Bessent: You'll be sitting down with them in the near future.
- Trump: We have some surprising names that we have, we have some standard names that everybody is talking about. We may go the standard way. You know, it's nice to every once in a while go, uh, politically correct. But we have some great names.

Bessent Says Trump May Announce New Fed Chair Before Christmas – FoxNews (Nov 18)

US Tsy Secretary Bessent stated in a FoxNews interview that President Trump may announce the new Fed Chair before Christmas. Via Rtrs: "Probably right after Thanksgiving, mid-December, the president will meet the final three candidates and hopefully have an answer before Christmas," Bessent added."

- This comes after overnight remarks from US President Trump that he thinks he already knows the choice for the Fed Chair role; Via BBG: ""I think I already know my choice," Trump told reporters in the Oval Office on Tuesday, without specifying who it is. "I'd love to get the guy currently in there out right now, but people are holding me back."
- It was added that Tsy Secretary Bessent has narrowed the choice of the new Fed Governor down to five contenders: current Fed Governors Waller, or Bowman, former Fed Gov Warsh, current White House NEC Directory Hassett and Blackrock Executive Rick Rieder (via BBG).
- Bessent stated during the FoxNews interview that he can safely say he will not be the new Fed Chair.
- Note that current Fed Chair Powell's term ends in May next year.

STIR: A Dovish Williams Has Bigger Impact Than Payrolls On Front Rates

- Wednesday's BLS rescheduling of payrolls reports saw a strong hawkish reaction at the very front end of the US rates curve on the confirmation that the FOMC won't see October or November payrolls data before its Dec 9-10 meeting.
- It was further supported by the FOMC minutes from the Oct 28-29 meeting reiterating limited support for a third consecutive cut in December.
- That saw just 6bp of cuts priced for the Dec FOMC prior to the NFP report, shifting to 9-10bp as the higher u/e rate offset stronger payrolls.
- NY Fed's Williams then had the largest impact of the week on Friday, in an uncharacteristic steer from a core member of the FOMC towards a further adjustment in the "near term".
- We near the end of the week with 16bp of cuts priced for Dec, 25bp for Jan and 58bp for June.
- The SOFR terminal implied yield meanwhile has hovered either side of 3% today for its lowest since a hawkish Powell at the Oct 29 FOMC press conference.

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

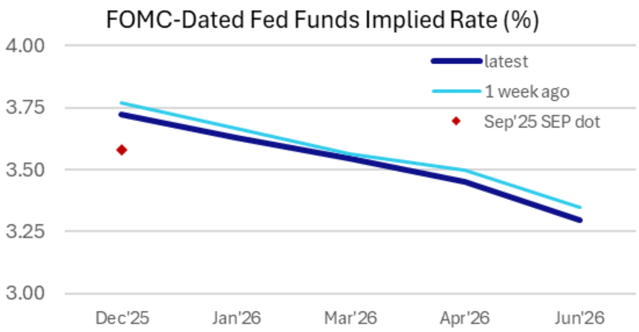
FOMC-dated Fed Funds futures implied rates

Meeting	Latest			pre Williams (Nov 21)			chg in rate	pre NFP (Nov 20)			chg in rate
	%	step (bp)	cum. (bp)	%	step (bp)	cum. (bp)	bp	%	step (bp)	cum. (bp)	bp
Effective	3.88			3.88				3.88			
Dec'25	3.72	-15.9	-15.9	3.78	-10	-10.1	-5.8	3.82	-6	-6	-9.7
Jan'26	3.63	-9.3	-25.2	3.64	-14	-24.2	-1.0	3.68	-14	-20	-5.4
Mar'26	3.55	-8.2	-33.4	3.53	-11	-34.9	1.5	3.59	-9	-29	-4.6
Apr'26	3.45	-9.3	-42.7	3.44	-9	-44.2	1.5	3.52	-7	-36	-7.0
Jun'26	3.30	-15.5	-58.2	3.28	-16	-60.5	2.3	3.37	-16	-52	-6.7

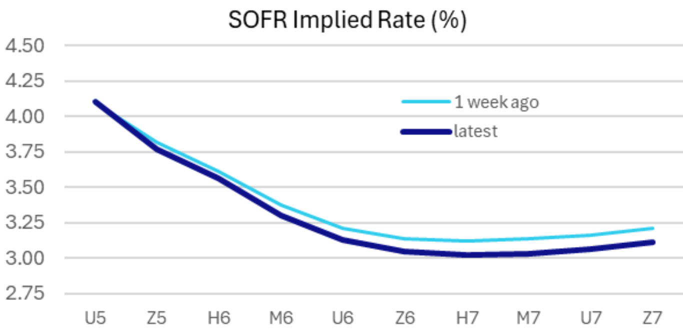
Source: Bloomberg Finance L.P., MNI.

Note: Assuming the same EFFR-target lower bound spread from latest fix going ahead

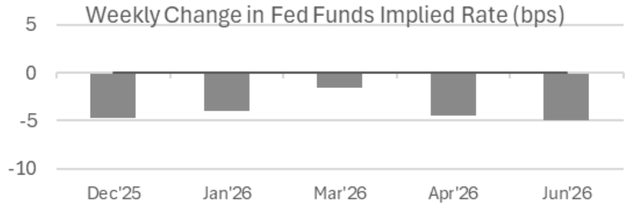
Weekly changes:

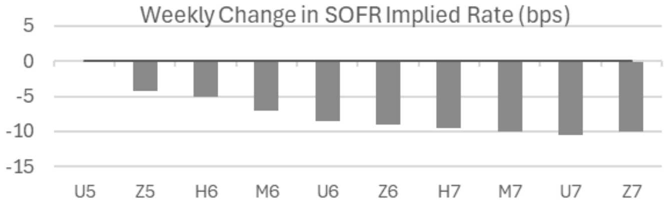


Source: Bloomberg Finance L.P., MNI. SEP median dot shows implied effective basis with current spread to lower bound



Source: Bloomberg Finance L.P., MNI.





The US Macro Week Ahead: Retail Sales, PPI and Jobless Claims Headline In Thanksgiving Week

A Thanksgiving-condensed week sees data highlights from delayed retail sales and PPI reports for September on Tuesday (Nov 25) before a Wednesday release for weekly jobless claims (Nov 26). As we regularly comment in this weekly publication, Redbook and Chicago Fed CARTS indicators point to solid nominal growth in retail sales, something broadly reflected in analyst consensus for the release. PPI inflation will offer a useful albeit not overly timely update on input cost pressures. Jobless claims will be watched particularly closely, both for latest initial claims for signs of layoffs and a notable update for continuing claims. The latter covers the payrolls reference period for November and will be an important reference point for FOMC members trying to get a sense of latest unemployment rate clues with the next payrolls reports coming after the Dec 9-10 FOMC decision (going into it with this week's 0.12bp rise to 4.44% back in September). Aside, the Fed's Beige Book should offer another important update on Wednesday for latest liaison reporting.

Data Scheduling: Next CPI and (More Importantly) NFP Releases To Come After Dec FOMC

- The most important rescheduling decision this week came from the BLS saying on Wednesday it won't publish an October nonfarm payrolls report. Instead, it will bundle the establishment survey from that month into the November report, which in turn isn't scheduled now until Dec 16. As such, the latest BLS nonfarm payrolls report the FOMC will have ahead of its Dec 9-10 meeting is the September release from Thursday.
- In less of a surprise owing to survey methodology and Trump administration comments, the BLS has also confirmed it won't release an October CPI report. The November report is now set for Dec 18 although will backfill some indices that have nonsurvey data sources for October.
- Whether this will be enough to publish an October PCE report remains in doubt - we await news from the BEA on this front.
- See the below table for the latest on when to expect key data releases:

mni **Key Data Points Postponed Due To Government Shutdown**

	Period Covered	Originally Scheduled	Possible Release	Notes	Gov't Agency
CPI	September	Wed Oct 15	**Released On Oct 24**		
	October	Thu Nov 13	**Cancelled**	Some nonsurvey data indices will be included w Nov data	BLS
	November	Wed Dec 10	**Confirmed Dec 18**		
Nonfarm Payrolls	September	Fri Oct 3	**Released On Nov 20**		
	October	Fri Nov 7	**Cancelled**	Establishment survey data for October will be published with the November data	BLS
	November	Fri Dec 5	**Confirmed Dec 16**		
GDP	Q3 Advance	Thu Oct 30	Late Nov/Early Dec		BEA
	Q3 2nd Est	Wed Nov 26	Postponed		
PCE	September	Fri Oct 31	Late Nov/Early Dec	Price data relies on CPI/PPI/Imp Price reports, for Sept all will be available by Dec 3; lack of October CPI may mean PCE prices cancelled	BEA
	October	Wed Nov 26	Possibly cancelled/truncated		
PPI	September	Thu Oct 16	**Confirmed Nov 25**		BLS
	October	Fri Nov 14	Mid-Dec	Data collection may be less reliable than usual	
Import/Export Prices	September	Fri Oct 17	**Confirmed Dec 3**		BLS
	October	Tue Nov 18	Mid-Dec		
Retail Sales	September	Thu Oct 16	**Confirmed Nov 25**		Census Bureau
	October	Fri Nov 14	Early/Mid-Dec		

Updated Nov 21 at 11:30ET. Source: BLS/BEA/Census Bureau, MNI Estimates

BLS Won't Publish October NFP Report, November Report Set For Dec 16 (Nov 19)

- The BLS has announced that its November jobs report will be rescheduled for December 16, coming after the Dec 9-10 FOMC meeting.
- It won't publish an October report either, with the establishment survey added to the November publication.
- "BLS will not publish an October 2025 Employment Situation news release. Establishment survey data from the Current Employment Statistics survey for October 2025 will be published with the November 2025 data. Household

survey data from the Current Population Survey could not be collected for the October 2025 reference period due to a lapse in appropriations. The household survey data is not able to be retroactively collected. The collection period for November 2025 data will be extended for both surveys, and extra processing time will be added."

Delayed Nov CPI Release On Dec 18 To Include Chunk Of October Data (Nov 21)

The October CPI report will not be released, with the rescheduled date for November CPI set for Dec 18. The October cancellation is in line with MNI's expectation, as is the one-week postponement for November CPI from the originally scheduled date of Dec 10.

- Of course this means that along with nonfarm payrolls, the Fed won't get October or November reports ahead of its Dec 10 decision (NFPs were confirmed for Dec 16, postponed from Dec 5).
- Like with payrolls, BLS will truncate the October data. But for CPI, there will be a partial release of some components: "BLS is unable to retroactively collect these data. For a few indexes, BLS uses nonsurvey data sources instead of survey data to make the index calculations. BLS is able to retroactively acquire most of the nonsurvey data for October. Where possible, BLS will publish October 2025 values for these series with the release of November 2025 data."
- While about 2/3 of data collection in CPI comes from in-person visits, with another portion via telephone, the BLS's methodological documents implies that around 20-25% of the CPI price basket could be taken from online and other sources and calculated as "normal" for October, with the largest weights being new and used vehicles and gasoline.
- And since this is an unprecedented situation, it's not clear how the November report will present price changes as a M/M reading won't be possible without an October to base it off. Will we get a 2-month interpolated estimate?
- Whether this will be enough to publish an October PCE report remains in doubt - we await news from the BEA on this front.

Fed Reschedules September Industrial Production Data To Dec 3 (Nov 20)

The Federal Reserve announces that the Industrial Production and Capacity Utilization release for September will be published on Weds Dec 3 (vs an originally scheduled date of Oct 17 which was delayed due to the government shutdown). The release time will be 0915ET as usual. There was no word on a new date for the October data which had been scheduled for Nov 18.

Formal Rescheduling of Q3 GDP Second Release, Still Awaiting Q3 Advance GDP And Sept PCE Dates (Nov 20)

The BEA postponing next week's PCE and GDP releases from the originally scheduled Nov 26 date is not at all a surprise - those were the second estimate of GDP / October PCE reports, respectively, and we still haven't gotten a rescheduled date for the advance estimate / September PCE. Unlike its sister agencies, BEA didn't clear out its Nov/Dec release date calendar post-shutdown, and seems to be cancelling releases one or two at a time.

- It's not even clear we will ever get a full October PCE report given that there will very likely not be an October CPI report upon which to base the price component.
- We remain of the view that the latest scheduling updates from BLS and Census Bureau indicate a likelihood of getting those advance Q3 GDP and September PCE reports in the coming couple of weeks, though it is a little worrying that BEA didn't provide an update on that front even as it took the time to postpone next week's data. Hopefully we'll get an update by the end of the week.
- We took note that the October FOMC minutes out Wednesday included an estimate of September PCE even though just CPI and not PPI/import prices weren't available. ("Total consumer price inflation—as measured by the 12-month change in the price index for personal consumption expenditures (PCE)—was estimated to have been 2.8 percent in September based on data from the consumer price index. Core PCE price inflation, which excludes changes in consumer energy prices and many consumer food prices, was also estimated to have been 2.8 percent in September.")

Census Bureau Rescheduled Data Includes Sept Retail Sales For Next Week (Nov 19)

We have more updates from the Census Bureau on upcoming data releases:

- August Wholesale Sales And Inventories Nov 21 1000ET (originally due out Oct 9)
- September Advance Retail Sales Nov 25 0830ET (originally due out Oct 16)
- August Manufacturing Inventories And Sales Nov 25 1000ET (originally due out Oct 16)
- September Advance Durable Goods Nov 26 0830ET (originally due out Oct 29)
- This is in line with MNI's expectation that September retail sales would be out by late November.

BLS To Publish PPI On Nov 25, Import/Export Prices On Dec 3 (Nov 18)

BLS reports the PPI report for September (originally due out Oct 16) will be published Tues Nov 25 at 0830ET. This is in line with MNI's expectation that this data would be published by late November. And the September Import/Export price indices (originally due out Oct 17) will be published on Wed Dec 3 at 0830ET.