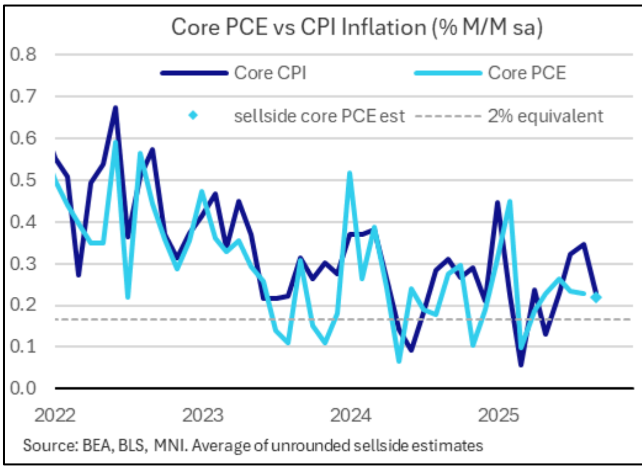
# MNI U.S. Macro Weekly

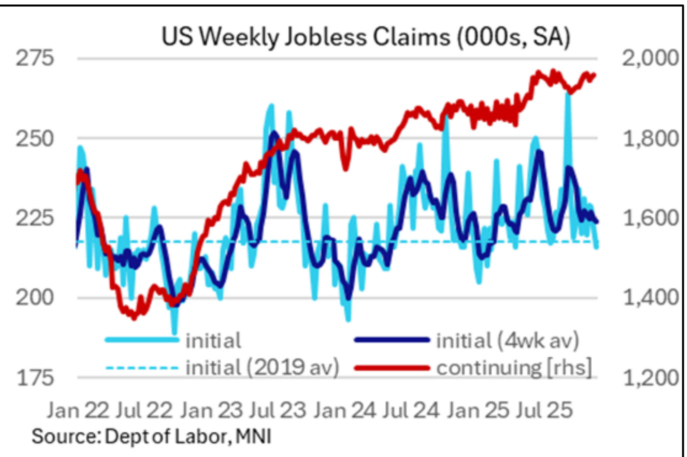
## MNI View: Hawkish December Cut Prospects Firm

*November 28, 2025 – By Chris Harrison*

**Executive Summary**

- The delayed retail sales report for September was softer than expected, with control group sales slipping -0.1% M/M for their first (nominal) decline since April. We estimate a reasonably large decline in retail sale volumes in September, with weak momentum heading into Q4 after a solid Q3.
- On the flip side, core durable goods orders continued a string of solid readings in recent months with the preliminary September readings, pointing to decent momentum for production into Q4.
- Core PPI inflation was softer than expected back in September and broadly chimes with underlying core goods CPI inflation, with a peak for post-tariff M/M inflation pressures having come earlier in the summer (June for our median estimate on the CPI side, July for core PPI).
- Core PCE tracking has been trimmed a little further to ~0.22% M/M after 0.23% M/M in Aug and the 0.24% averaged through May-July, with scope for small upward revisions.
- Jobless claims were mixed, with particularly healthy initial claims, and on balance don't suggest any further deterioration in the unemployment rate after September's increase.
- The ADP update however saw a third weekly decline, pointing to a weak monthly report ahead.
- Consumer confidence saw a sharp decline in the November Conference Board survey although the labor differential at least didn't deteriorate further.
- The 2026 fiscal year started with a larger than expected deficit in October, in what had been a wide range of expectations owing to shutdown disruption. The combination with November's data will give a better indication of latest fiscal direction but for now the 12-month trailing deficit remains large at 5.9% GDP.
- The week's most notable intraday shift in rates came on a Bloomberg sources piece on Hassett seen as frontrunner for Fed Chair, after Waller had earlier in the week been seen in closer contention. It prompted a sizeable rally for 2H26 contracts and onwards plus steepening in the Treasury curve.
- Fedspeak was heavily limited by the Thanksgiving holiday but saw SF Fed's Daly support a December cut. Waller also unsurprisingly did but then warned on the January meeting being "tricky" amidst a flood of data.
- The Beige Book meanwhile reported little change in economic activity over the past six weeks whilst there were net dovish developments across employment and inflation on a breadth basis.
- Next week would ordinarily have been geared towards a NFP report on Friday but that it now set for Dec 16 as the BLS continues to work its way through the shutdown-induced data backlog. Instead, expect the myriad of labor releases starting Wednesday along with ISM surveys and monthly PCE data to help finalize market expectations ahead of the Dec 9-10 FOMC meeting, where we currently anticipate a hawkish cut.



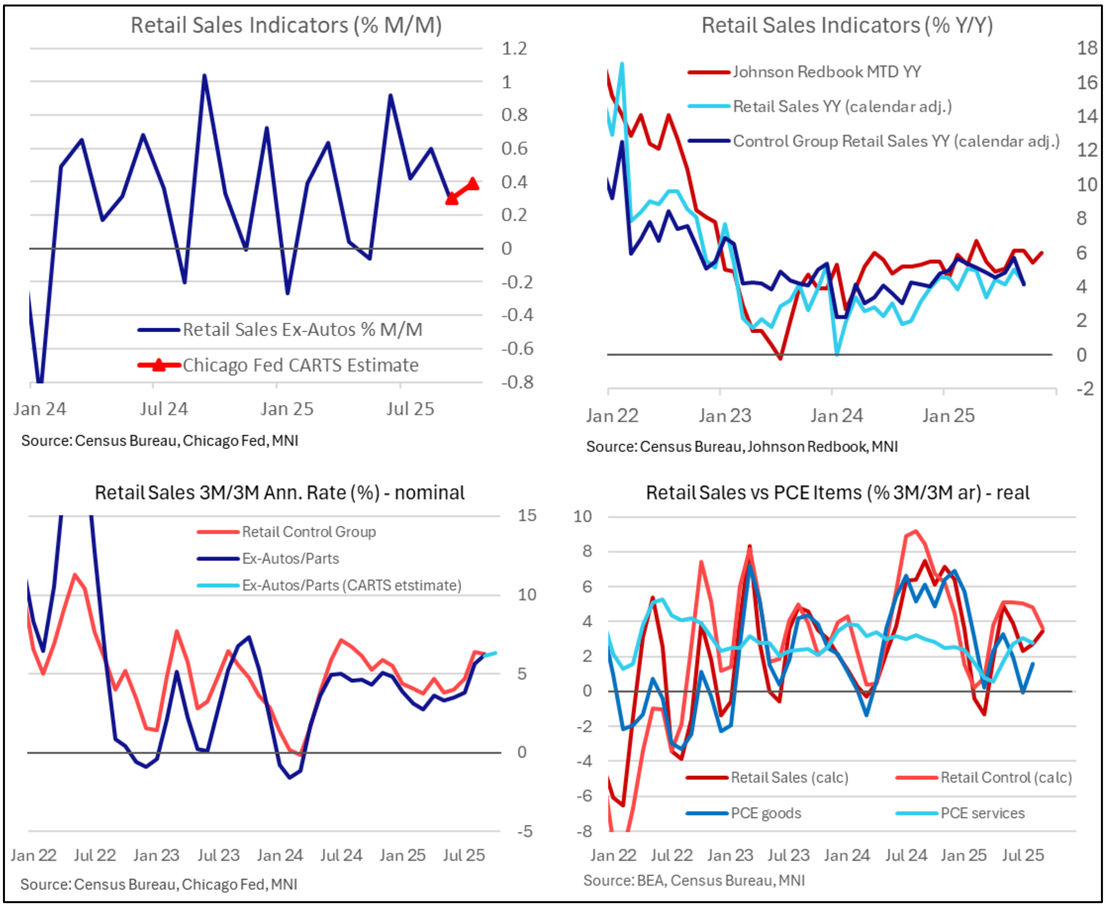



**Growth: Retail Sales Disappoint, Robust Durable Goods Orders**

*Retail Sales Disappoint In Eventual September Release*

The delayed retail sales report for September was softer than expected, with control group sales slipping -0.1% M/M for their first (nominal) decline since April. We estimate a reasonably large decline in retail sale volumes in September, and whilst prior strength sees still solid growth in Q3 as a whole, it sees weak momentum heading into Q4.

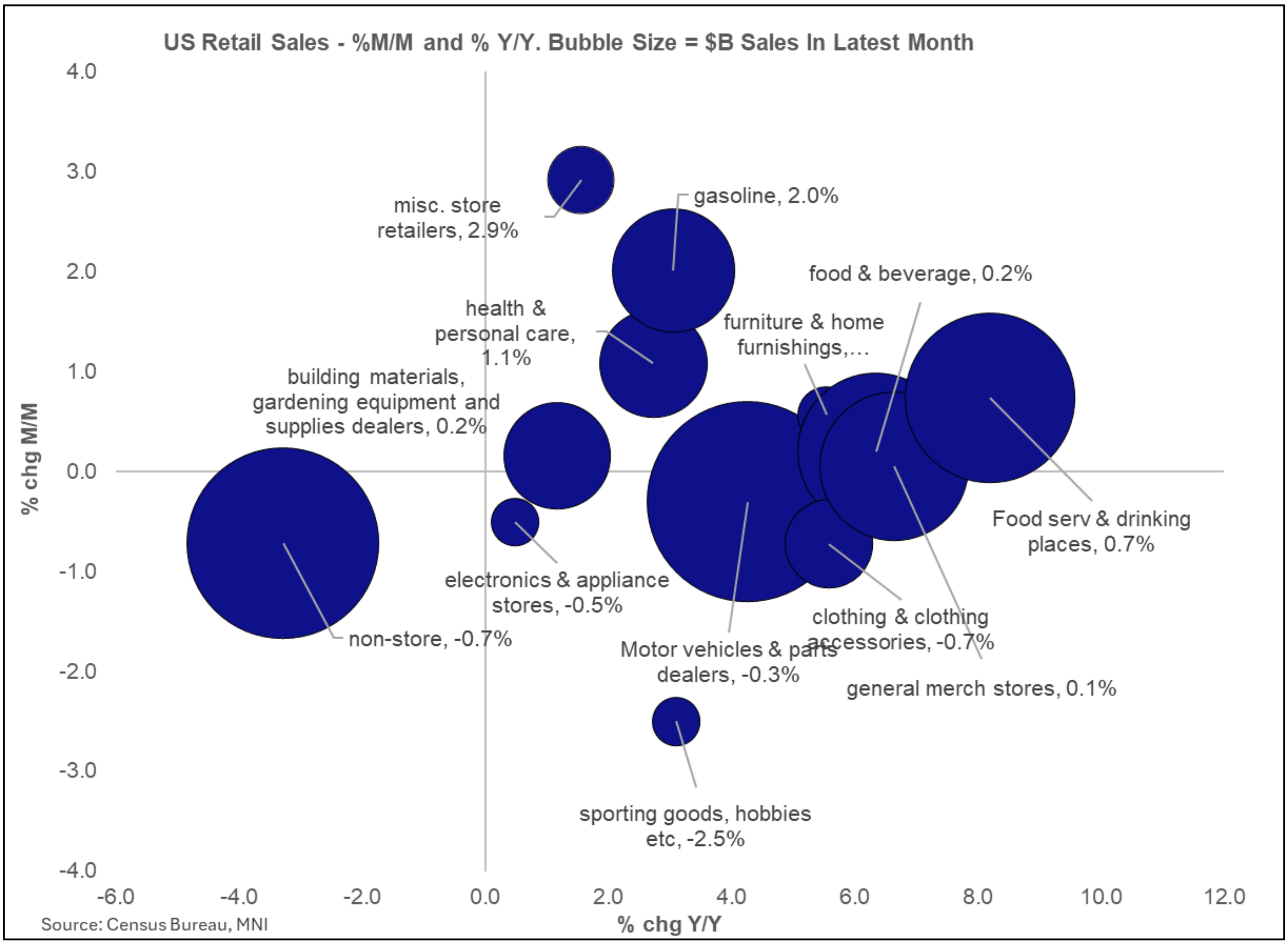
- Retail sales disappointed in September as they only increased 0.16% M/M (cons 0.4) after an essentially unrevised 0.60% M/M in August that formed a string of strong prints since June.
- Ex-auto sales were close to expectations at 0.27% M/M (cons 0.3 and Chicago Fed estimate of 0.30). It followed a slightly downward revised 0.60% M/M (initial 0.66) in Aug and upward revised 0.42% (initial 0.35) in Jul.
- Control group sales provided a notably softer take though at -0.09% M/M (cons 0.3) along with a downward revised 0.57% (initial 0.74). The main reason for ex-auto sales being stronger was gasoline sales rising 2.0% M/M and food services & drinking places rising 0.7% M/M but we'll discuss details in more depth later today.
- The latest profile sees overall retail sales up 4.3% Y/Y in September after 5.0% in August, whilst ex-auto sales eased to 4.1% Y/Y after 4.9%. The control group saw a more notable moderation to 4.1% Y/Y after 5.7% (revised down from 5.9%), for its softest since November.
- Looking ahead, the Chicago Fed has since estimated a 0.39% M/M increase for ex-auto retail sales in October.
- Sticking to the overall category, we estimate that retail sale volumes slipped a heavy -0.4% M/M in September (when using core goods CPI as a deflator, having been 0.5% M/M in both Aug and Sep). Prior strength still sees real retail sales up an estimated 3.5% annualized in Q3 but with weak momentum heading into Q4.

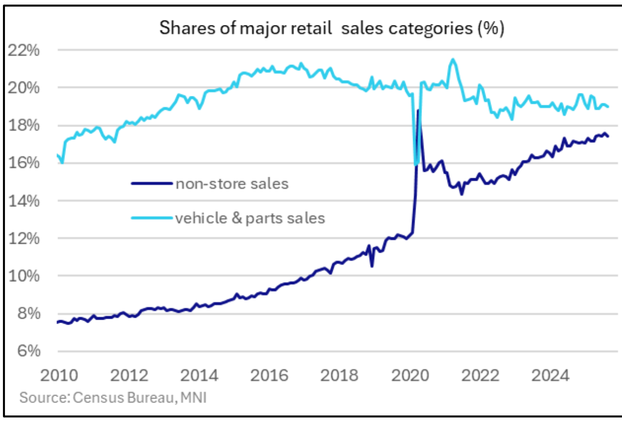


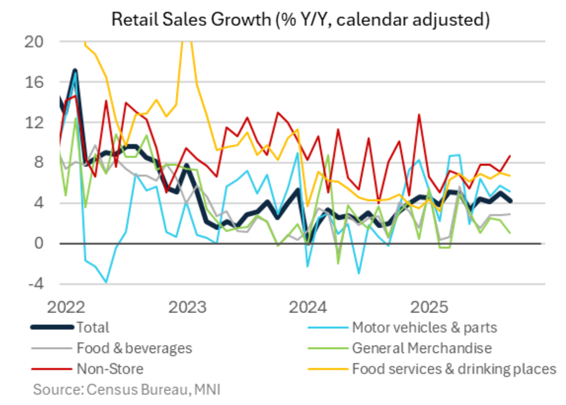
*Retail Sales Details See Rare Pullback In Non-Store Category*

The details of the September retail sales report point to sizeable drags from large categories along with at best mixed implications for those typically more indicative of discretionary spending.

- Reverting to the details within the September retail sales report, a drag from the large non-store category helped explain surprise weakness in the headline categories (overall retail sales 0.16% M/M vs cons 0.4 after 0.60%, control group -0.09% cons 0.3 after 0.57%).
- Specifically, non-store sales, which were worth 17.4% of retail sales in September, fell -0.7% after 1.6% M/M to drag -0.13pps from overall retail sales on the month.
- The second largest drag then came from motor vehicle sales, equally large at 17.5% of sales, which fell -0.3% after 0.6% M/M to drag -0.04pps. These are excluded from the control group although auto parts sales, which are included within the control group and are worth 1.5% of overall sales, also fell -1.2% after 1.1% M/M.
- Helping explain the relative gap between overall sales and the control group, gasoline sales (excluded from the control group) increased 2.0% M/M after 0.4% for a fourth consecutive monthly increase. It added 0.14pps to overall retail sales growth.
- Elsewhere, there were mixed signs of discretionary spending: food services & drinking places saw another solid increase of 0.7% after 1.0% M/M but sporting goods & hobbies slid -2.5% after 1.0% M/M. Clothing-related sales also fell back with -0.7% M/M although that's after a particularly strong run after six months averaging 1.0% M/M since March.



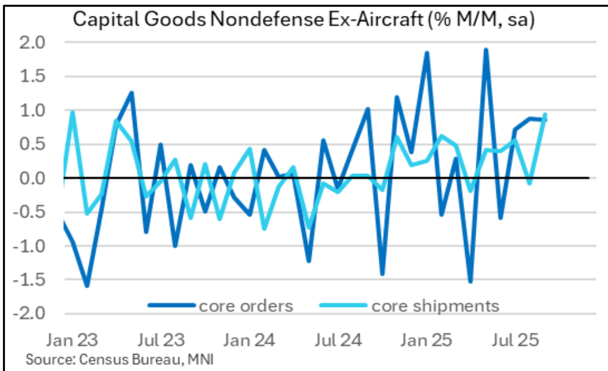


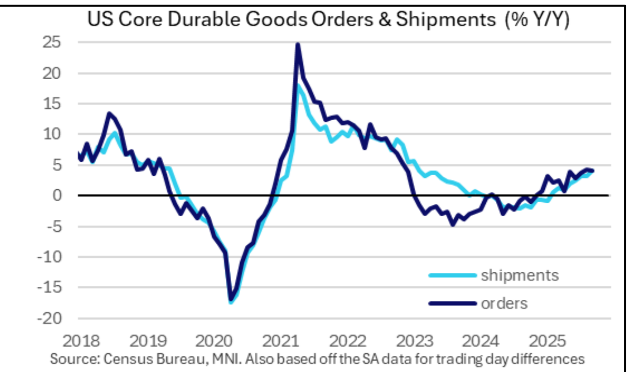



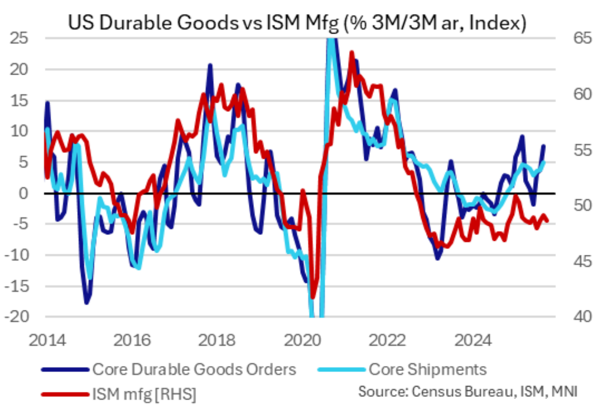

*Core Durables Goods Orders Chalk Up A Robust Q3*

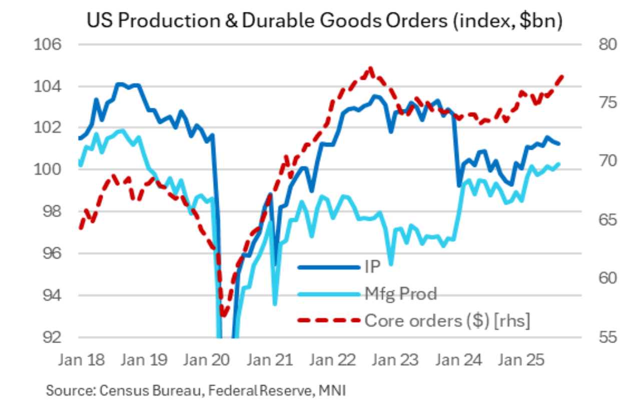
Core durable goods orders continued a string of solid readings in recent months with the preliminary September readings, pointing to decent momentum for production into Q4.

- Core durable goods orders were stronger than expected in preliminary September data, rising 0.9% M/M (sa, cons 0.3) after an upward revised 0.9% M/M in Aug (0.4) – all in nominal terms.
- That's an impressive upward revision since the full factory orders August release, which had confirmed this print at 0.4%, was published just six working days ago in post-shutdown catch-up. It highlights the fluctuations that can continue to be seen as the data backlog is caught up on.
- A string of solid monthly readings for core orders sees them up 7.6% annualized in Q3, helping them hold around the 4% Y/Y mark for four of the past five months (using the seasonally adjusted data to allow for holiday and trading day differences).
- Core shipments meanwhile also increased 0.9% M/M (cons 0.2) after a not as weak as first thought -0.1% M/M (initial -0.4%).
- Shipments are tracking at 5% annualized in Q3 whilst the Y/Y continued its upward trend, hitting 4.1% Y/Y to catch-up with prior strength in core orders as would normally be the case.



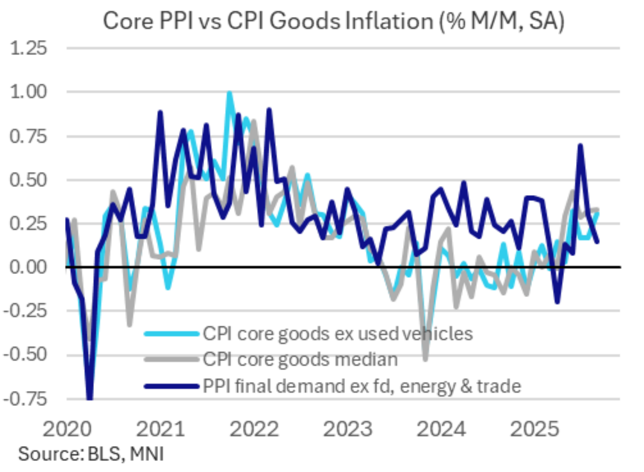



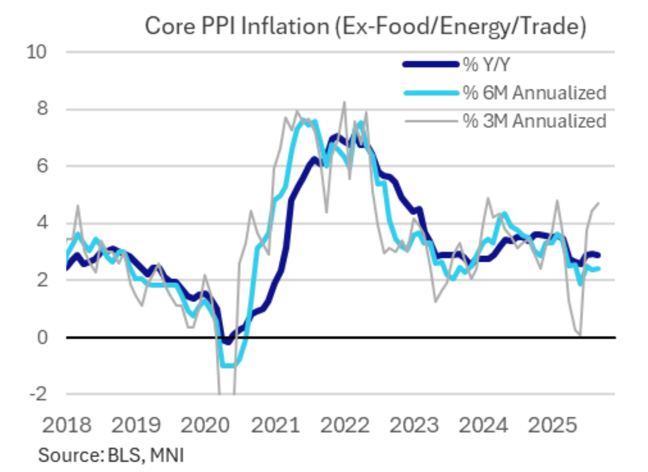
**Inflation: Soft Core PPI With Core PCE Tracking Also Trimmed**

*Core PPI Inflation Underwhelms In September*

Core PPI inflation was softer than expected back in September even if it was partly offset by a revision even further back in July. It broadly chimes with underlying core goods CPI inflation, with a peak for post-tariff M/M inflation pressures having come earlier in the summer (June for our median estimate on the CPI side, July for core PPI).

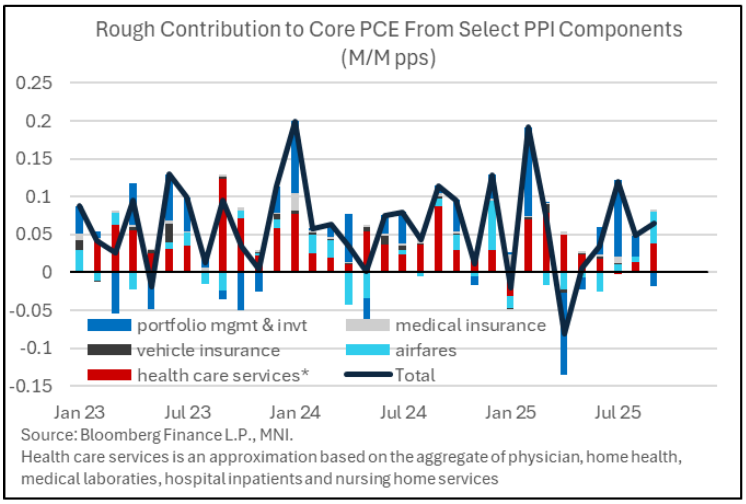
- PPI final demand inflation was in line with expectations in September at 0.31% M/M after -0.14% M/M, although core inflation surprised softer.
- Our preferred measure of ex food, energy & trade services increased 0.15% M/M (cons 0.3) after 0.30% M/M with an upward revision to 0.7% M/M (initial 0.56%) in July seeing an even more pronounced peak in inflationary pressures back in the summer.
- Ex food & energy only increased 0.07% M/M after -0.14% M/M as trade services slipped another -0.2% after some volatile months with -1.7% M/M in Aug and 1.06% M/M in Jul.
- It sees core PPI inflation (ex food, energy & trade services) currently stand at 2.9% Y/Y, with recent run rates either side of this with a three-month at 4.7% annualized (highest since Feb) but the six-month at 2.4%.
- The six-month rate is little changed from the 2.35% in August although that was revised up from 2.05% prior to today's release.

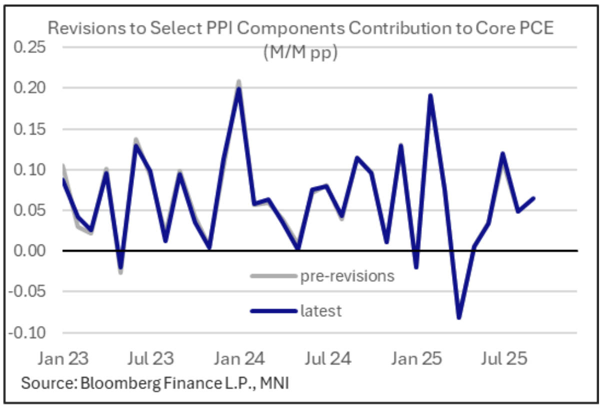


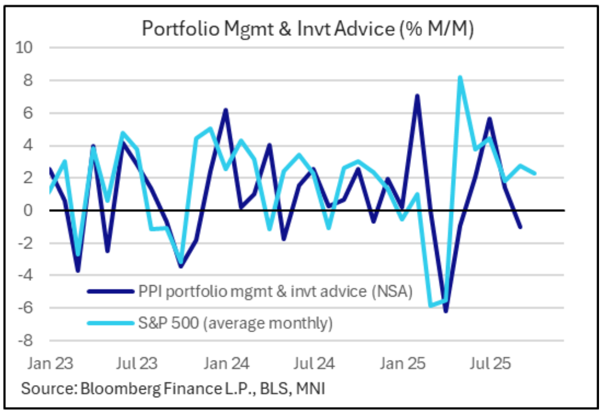




*Core PCE Estimates Might Have Nudged A Little Lower On PPI Details*

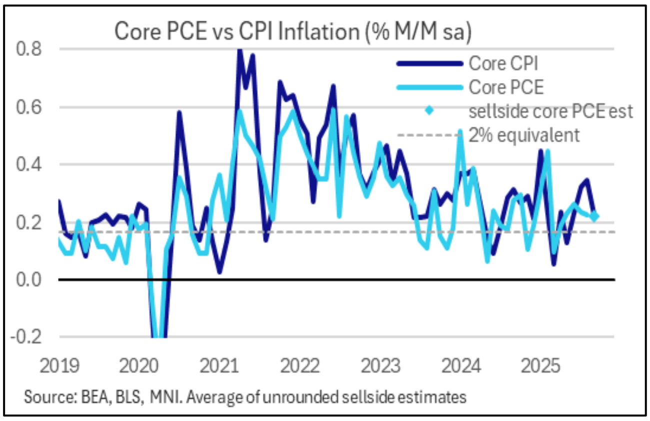
- Our crude proxy of key PPI measures that feed into core PCE was little changed on the month with a contribution of 0.06pps in September after an unrevised 0.05pps in August.
- August saw core CPI at 0.35% M/M but a softer core PCE rate at 0.23% M/M, whilst core CPI has since come in at 0.23% M/M for September.
- There were some conflicting PPI forces in September, with domestic airfares rising 3.25% M/M NSA vs surprisingly weak portfolio management & investment advice at -1.0% after a downward revised 1.4% (previously 1.9%).
- Health care services meanwhile provided a larger contribution on the month, adding 0.04pps vs 0.01pp in August for its highest since April.
- As always, it's hard to say what this report could mean for analyst core PCE tracking as it will depend on specific sub-category expectations, but our initial take is that it could see little change to a slight lowering of the estimates that had roughly centered around 0.25% M/M after last month's CPI release (vs closer to 0.30 pre-CPI).




*Core PCE Tracking Raises Likelihood Of Lower FOMC Forecast*



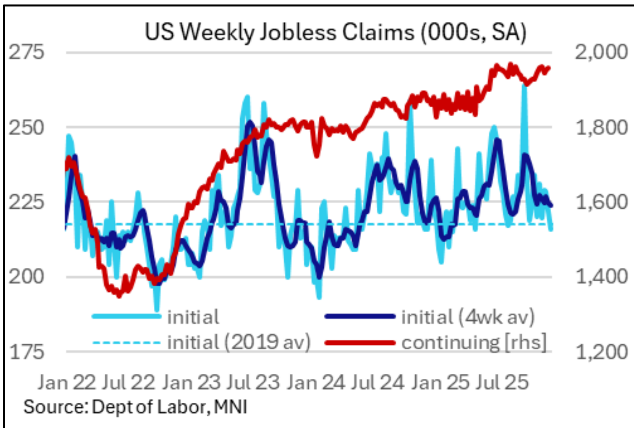

- Updating latest core PCE estimates for September after yesterday's PPI report, we now track a median of 0.22% M/M vs 0.25% pre-PPI and closer to 0.30% pre-CPI.
- This September release won't come until Friday, Dec 5. There seems to be some confusion over the October PCE report, originally scheduled for today, but it's currently without a release date and we're not sure how it can be calculated if BLS isn't publishing an October CPI report.
- A range of core PCE estimates: 0.20 (JPM), 0.21% (Nomura and TD Securities), 0.22% (GS), 0.23% (Barclays and MS).
- These estimates point to a similar pace to the 0.23% M/M in August as well as the 0.24% averaged through May-July. Morgan Stanley see scope for a +1bp revision to Aug and +1.5bp for Jul.
- Assuming no revisions for simplicity here, a 0.22% M/M increase would continue to imply an above target run rate at 2.8% annualized in latest three months or 2.85% Y/Y, although it would help stop any further increases in the Y/Y after 2.9% in Aug. It starts to make it more likely we'll see downward revisions to the FOMC median core PCE forecast of 3.1% Y/Y in 4Q25 with next month's revised SEP.
- As for more detailed estimates, core services ex-housing (supercore) inflation is seen at 0.26% M/M by Nomura and 0.30% by MS for a still robust pace after the 0.33% averaged in Jul-Aug.

**Labor Market: Unemployment Rate Indicators Look To Stabilize But ADP Tracking Looks Weak**

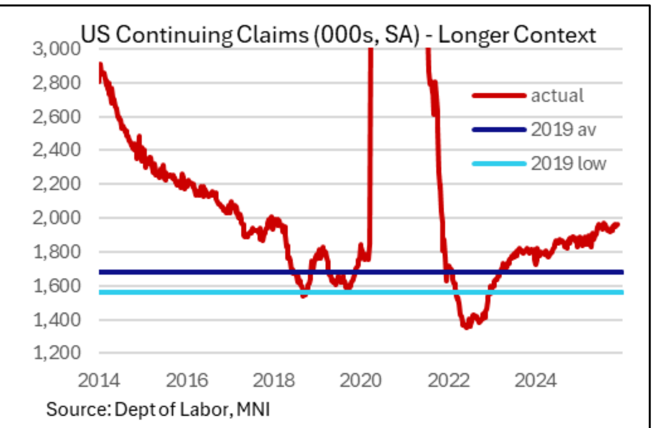
*Jobless Claims Data Don't Suggest Any Further Rise In The U/E Rate*

Latest weekly jobless claims data suggest lower layoffs than recent payrolls reference periods although re-hiring conditions remain subdued. It might see only limited improvement on net for the u/e rate since September's surprise increase to 4.44%, a factor likely behind NY Fed Williams' uncharacteristic steer to another "near term" cut last week. Recall that the November u/e rate will be published on Dec 16, after the Dec 9-10 FOMC meeting, and won't retrospectively include one for October.

- Initial jobless claims were lower than expected at 216k (sa, cons 225k) in the week to Nov 22 after a downward revised 220k (initial 222k).
- That 220k covers the payrolls reference period and compares favorably to the 231k in Oct, 232k in Sep and 234k in Aug.
- The four-week average inched 1k lower to 224k, having plateaued in a 224-227k range since early October after easing from a recent high of 241k in September on Texas fraud grounds. Initial claims in the 220k region are still historically low.
- Continuing claims meanwhile were roughly as expected at 1960k (sa, cons 1963k) in the week to Nov 15 after a downward revised 1953k (initial 1974k).
- History suggests we're likely to see another downward revision to this 1960k reading, likely leaving it below the 1957k matching the payrolls reference period for Oct, above the 1916k in Sept and possibly close to the 1944k from back in Aug.
- We focus on these payrolls reference periods particularly closely this time as it marks an important reference point for FOMC members trying to get a sense of latest unemployment rate clues. The next payrolls reports are due to come after the Dec 9-10 FOMC decision, with the committee going into the meeting after last week's 0.12bp rise in the u/e rate to 4.44% back in September.
- Taken together, there isn't yet any sign of the sharp rise in layoff announcements in the Challenger report for October filtering through to actual claims data.



Source: Dept of Labor, MNI



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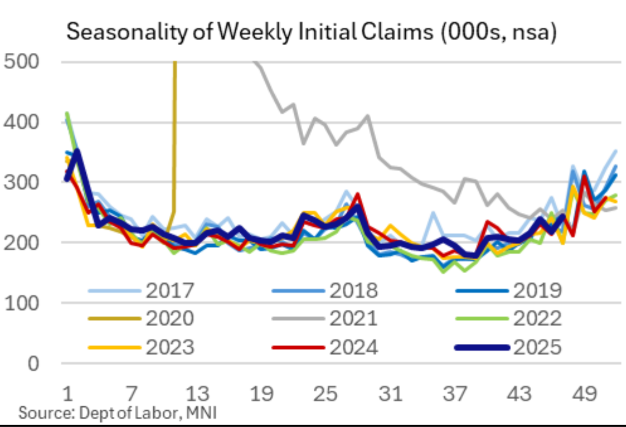

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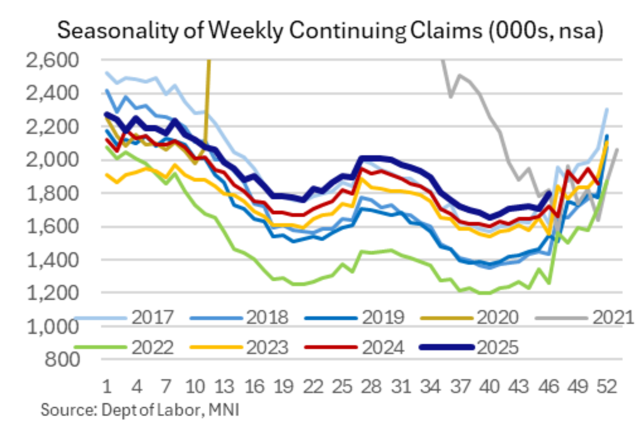
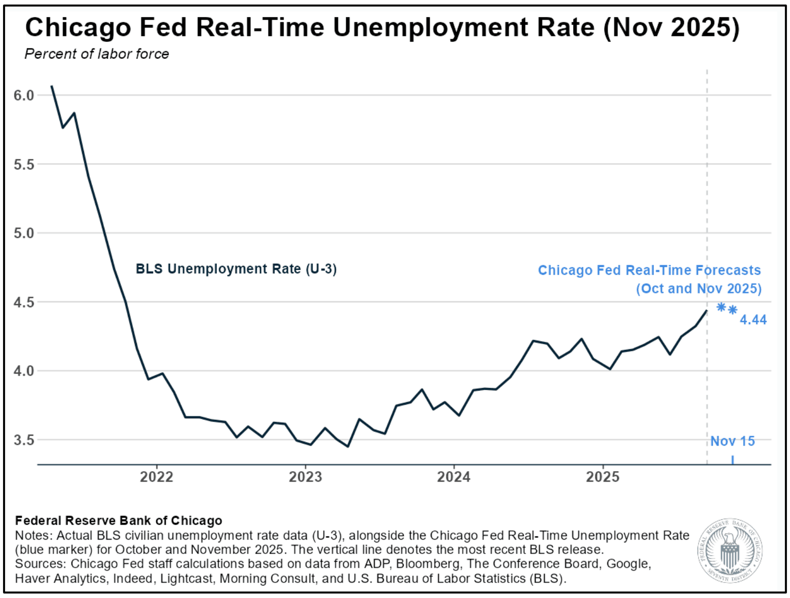


Source: Dept of Labor, MNI

*Chicago Fed U/E Rate Nowcast Eyes Stabilization In November*

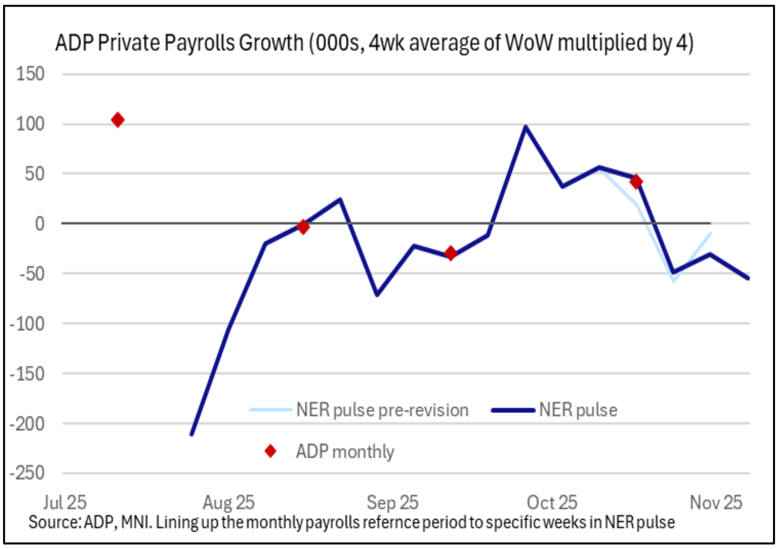
The Chicago Fed's advance November release for its Labor Market Indicators (link) showed broad stabilization in the unemployment rate into November, having roughly re-benchmarked itself to the surprisingly high unemployment rate in BLS data to September.

- Chicago Fed unemployment rate advance nowcast for Nov: 4.44% vs an upward revised 4.46% in Oct (from 4.36% in last month's full update).
- Recall that the BLS August nonfarm payrolls report saw the u/e rate surprise higher at 4.44% back in Sept after 4.32% in August, likely playing a large role in NY Fed Williams' dovish December guidance on Friday.
- This nowcast should carry more weight than usual owing to continued data limitations since the government shutdown. The next BLS u/e rate will be published for November on Dec 16 (with no back history for October), coming after the Dec 9-10 FOMC meeting.
- The full November update will be released on Dec 4.




*Another Soft Weekly ADP Print Suggest Return To Negative Monthly Report*

- The weekly ADP reported an average weekly decline of -13.5k in the four weeks to Nov 8.
- It follows a downward revised -7.5k in last week's update (initially -2.5k). The two weeks before that were revised higher although still included -12k in the week to Oct 25 for three consecutive declines.
- From ADP's press release (link): "For the four weeks ending Nov. 8, 2025, private employers shed an average of 13,500 jobs a week. Consumer strength remains in question as we enter the holiday hiring season, which might be playing into delayed or curtailed job creation. These numbers are preliminary and could change as new data is added. "
- The weekly data are pointing to a return to job losses ahead of next week's monthly report for November, most recently equivalent to roughly a -55k decline compared to the currently estimated 42k increase back in October.

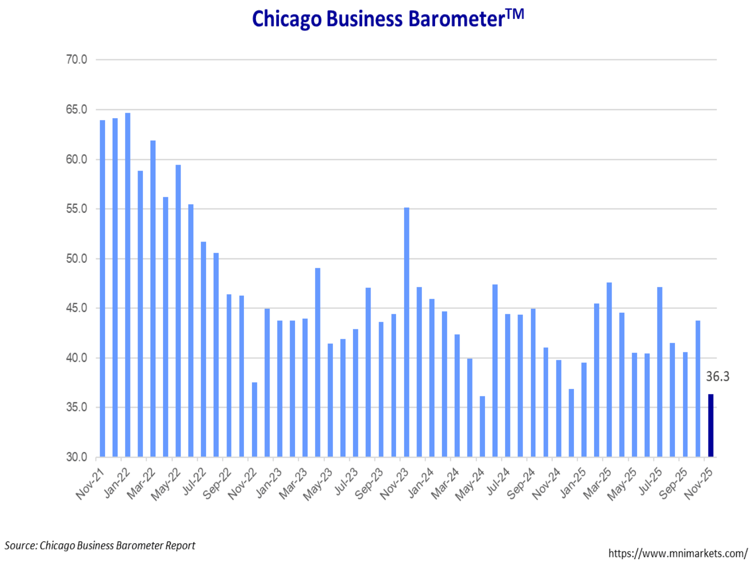


**Business Sentiment: MNI Chicago PMI Slides Whilst Regional Fed Indicators Somewhat More Stable**

*Chicago Business Barometer™ - Fell To 36.3 In November*

The Chicago Business Barometer™, produced with MNI, fell 7.5 points to 36.3 in November. The index is below 40 for the first time since January, and has remained below 50 for twenty-four consecutive months.

- The decrease was driven by declines in Order Backlogs, New Orders, Production and Employment. An increase in Supplier Deliveries provided a small offset
- **Order Backlogs** slipped 21.5 points, now at its lowest level since March 2009 and below 30 for the first time since June this year.
- **New Orders** dropped 12.0 points, the largest one-month fall since September 2023. The index is now at its lowest level since December 2024.
- **Production** slowed 4.7 points, more than reversing October's rise. The index has remained below 50 for 21 of the last 23 months.
- **Supplier Deliveries** grew 7.4 points to the highest level since last December. No respondents reported faster Supplier Deliveries in November.

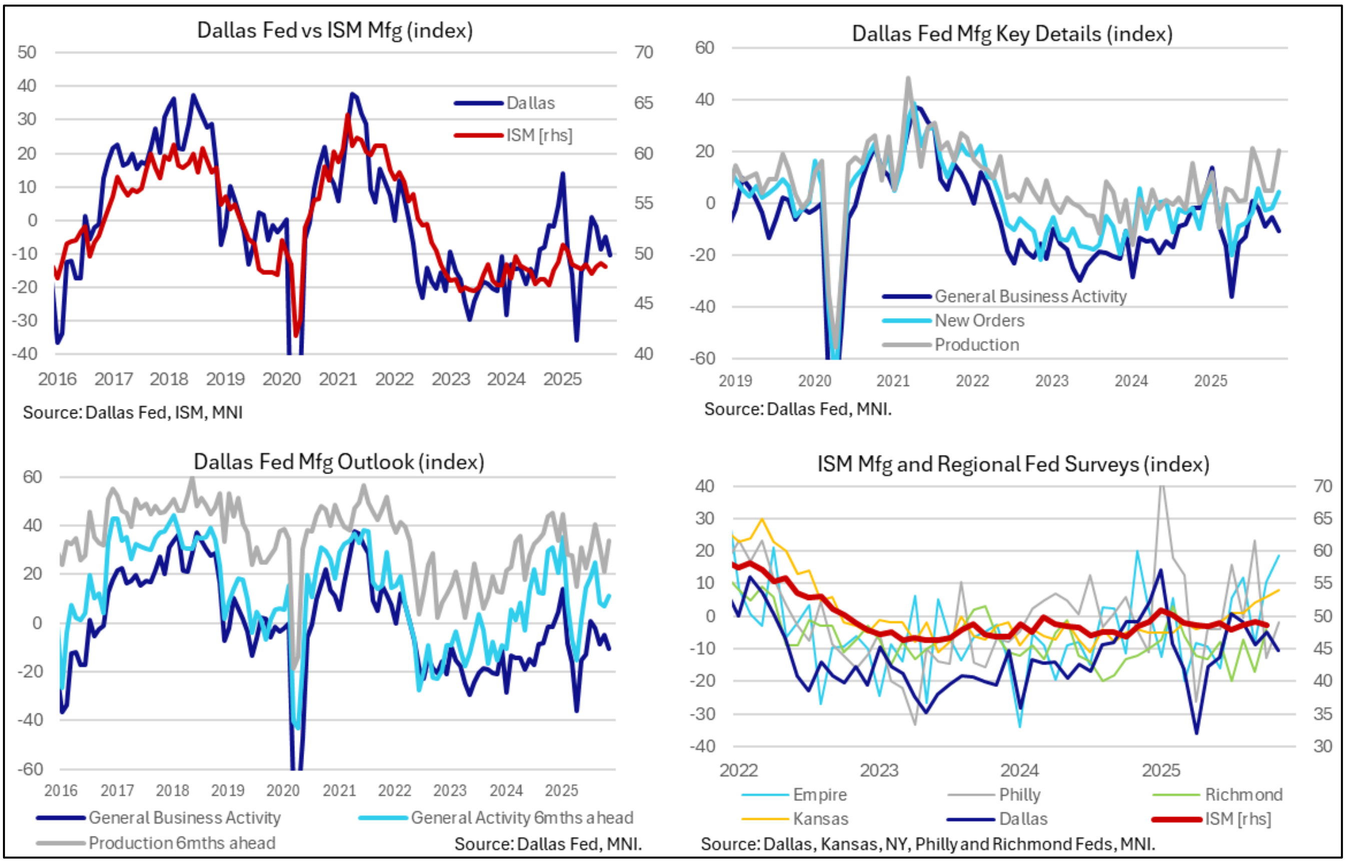



- **Employment** softened 4.5 points to the lowest level since May 2009. No respondents reported larger employment levels in November.
- **Inventories** declined 9.8 points, almost fully unwinding October's increase.
- **Prices Paid** rose 5.8 points to the highest level in four months.
- The survey ran from November 1 to November 18.

*Softer Dallas Fed Manufacturing Index Belies Strong Details*

The Dallas Fed manufacturing survey offered a puzzling look at manufacturing activity in November, with the headline general business activity index slipping to its lowest since June despite various metrics improving strongly. Reinforcing the disconnect between a softer headline and broader improvements, the other three regional Fed manufacturing surveys released to date all firmed on the month.

- The Dallas Fed manufacturing headline index for general business activity fell further to -10.4 in November (cons -2.0) after -5.0 in October for its lowest since June.
- Conversely, the "production index, a key measure of state manufacturing conditions, rose 15 points to 20.5, indicating a notable pickup in output growth".
- In addition, new orders improved from -1.7 to 4.8 for its highest since August and before that January, the "capacity utilization index jumped 21 points to 19.4, and the shipments index increased nine points to 15.1."
- "Expectations for manufacturing activity six months from now remained positive. The future production index increased notably, to 33.7 from 21.0, while the future general business activity index edged up to 11. Most other indexes of future manufacturing activity also moved further into positive territory, indicating increased activity six months ahead."
- Three of the four earlier regional Fed manufacturing surveys improved in November, with Empire from 10.7 to 18.7 (highest since Nov 2024), Philly from -12.8 to -1.7 after some volatile swings and Kansas City from 6 to 8 (highest since Jul 2022).

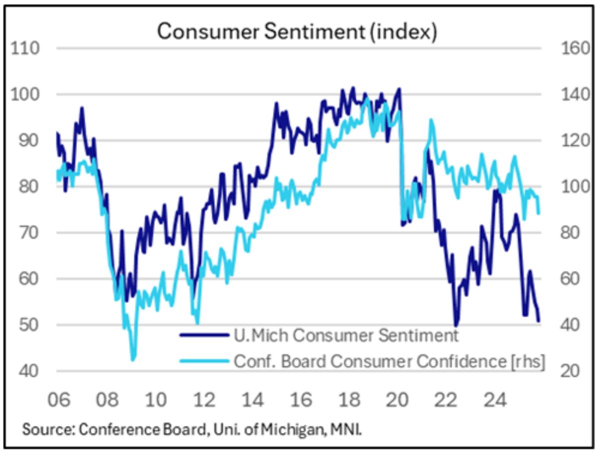


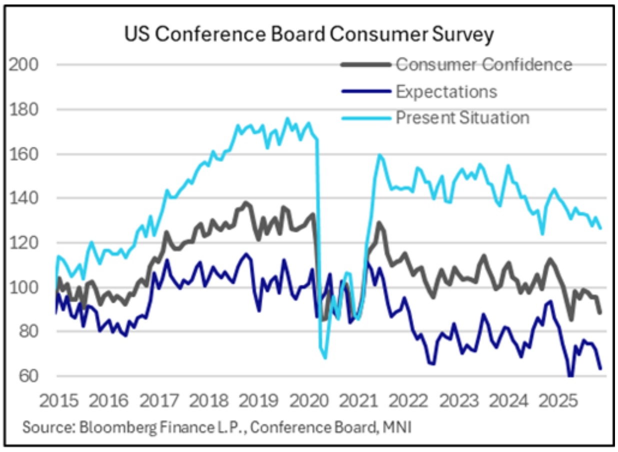

**Consumer Sentiment: Another Weak Survey**

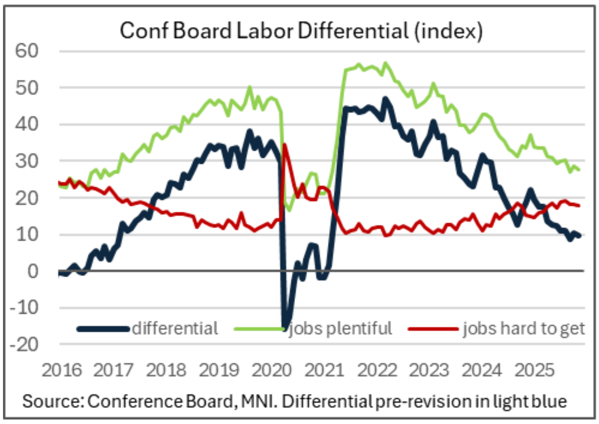
*Consumer Confidence Slips Although Labor Concerns At Least Stabilize*

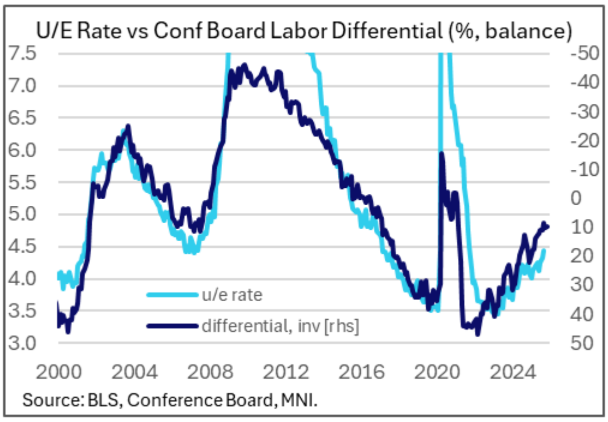
The Conference Board consumer survey for November saw a sharper decline in consumer confidence whilst expectations remained below a recessionary threshold for a tenth consecutive month. The labor differential has stabilized in the past two months but broadly continues to point to a trend increase in the unemployment rate.

- Consumer confidence was notably weaker than expected in November at 88.7 (cons 93.3) after a slightly upward revised 95.5 (initial 94.6) in October, hitting its lowest since April and before that early 2021.
- The press release notes that “The Expectations Index has tracked below 80 for ten consecutive months, the threshold under which the gauge signals recession ahead.”
- “All five components of the overall index flagged or remained weak. The Present Situation Index dipped as consumers were less sanguine about current business and labor market conditions.”
- “Consumers were notably more pessimistic about business conditions six months from now. Mid-2026 expectations for labor market conditions remained decidedly negative, and expectations for increased household incomes shrunk dramatically, after six months of strongly positive readings.”
- The labor differential, the share of those seeing jobs as “plentiful” minus those seeing “hard to get” was little changed at 9.7 in November after a slightly upward revised 10.3 (initial 9.4) in Oct. The 8.7 from Sept remains its recent low.
- It continues to point to a trend increase in the unemployment rate, which of course most recently saw an increase to 4.44% in September from 4.32% in August in Thursday’s release, but the historical fit isn’t precise.



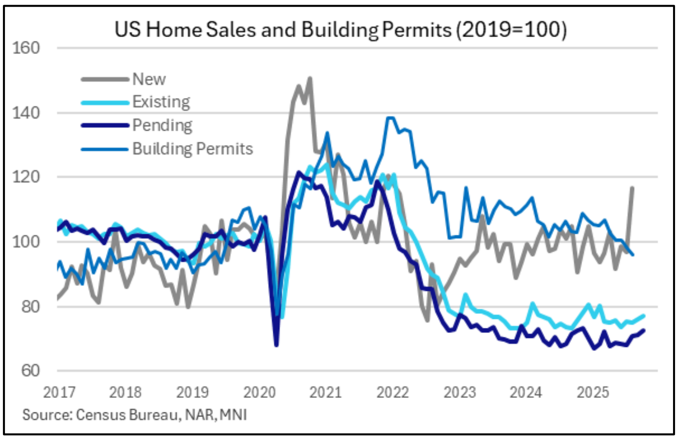




**Housing & Financing: Cautious Optimism**

*Pending Home Sales Offer Some Cautious Optimism*

Pending home sales increased nearly 2% M/M in October to offer some near-term optimism for existing home sales but from a clearly low base.

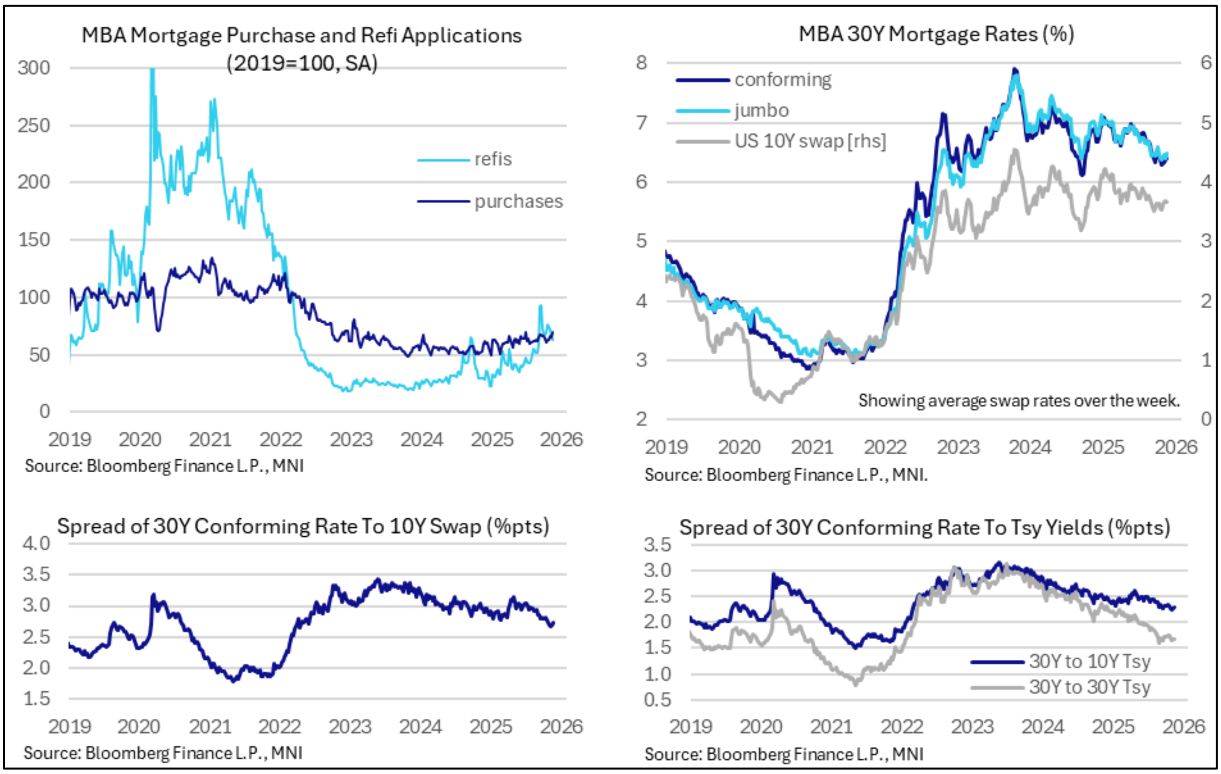
- Pending home sales were stronger than expected in October, rising 1.9% M/M (cons 0.2) after a slightly upward revised 0.1% M/M in September (initial 0.0).
- Increases were seen in three of the four major areas. In order of existing home sale size: south (1.4%), west (-1.5%), midwest (5.3%) and northeast (2.3%).
- It's a third consecutive increase for pending home sales for a 6% increase from July having come close to January's low for a series that started in 2001.
- With its 1-2 month lead to existing home sales, it offers some cautious optimism of a further increase ahead although with levels still clearly depressed and a broader trend still tepid with pending home sales -0.4% Y/Y.




- More timely mortgage applications data meanwhile point to little sign of a notable uptick in those for new purchases in response to lower mortgage rates, with refis instead trending higher in recent months.

*New Purchase Mortgage Applications Highest In Nearly Three Years*

- MBA composite applications inched 0.2% (sa) higher in the week to Nov 21 after a -5.2% drop the week prior.
- The details are more interesting, with new purchase applications rising 7.6% for its sharpest increase since early July to take the level of applications to their highest since Jan 2023.
- On the flipside, refi applications fell another -5.7% after -7.3% to more than reverse strength in the second half of October on lower mortgage rates, leaving them at their lowest since early September.
- Putting these moves into context though, composite applications are at 66% of 2019 levels, new purchases still only at 70% and refis at 63%.
- The 30Y conforming mortgage rate increased 3bp for a third consecutive week, now at 6.40% having recently bottomed at 6.30% in late October.
- It looks to have followed previous increases in 10Y swap rates with a lag, which sees swap spreads tighten a little further although they're still on the low side by recent standards.
- Specifically, the spread to 10Y swap rates increased 4bp to 273bp having recently troughed at 267bp for its lowest since Apr 2022, but is still below the 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.



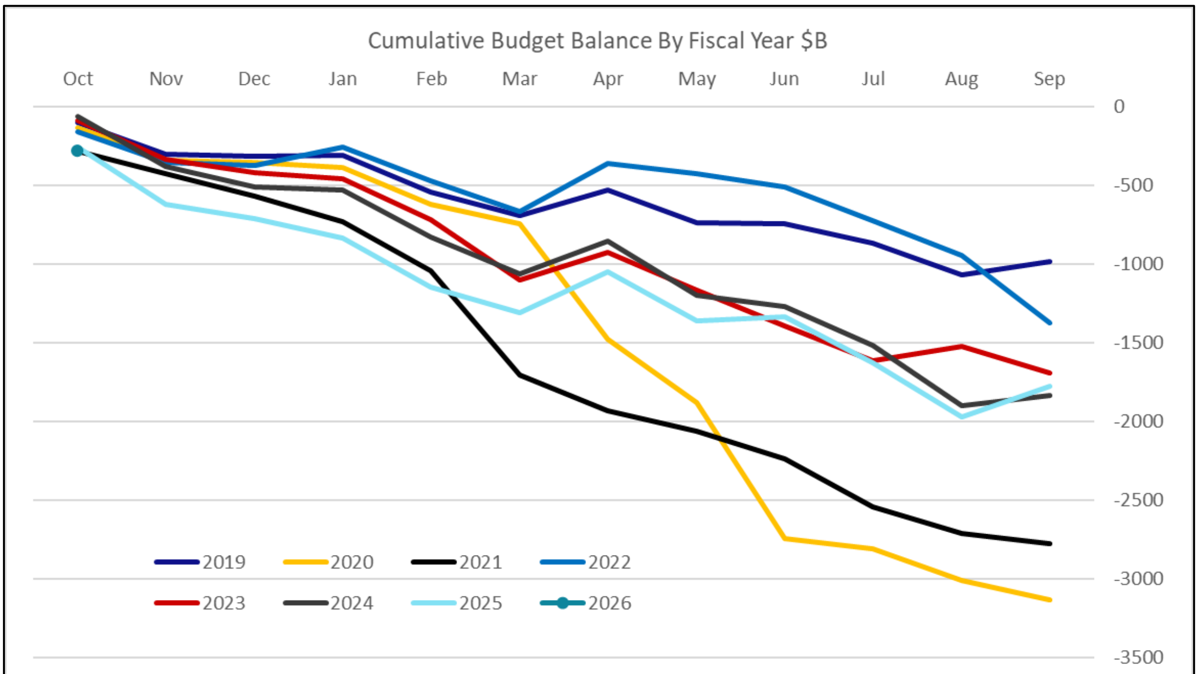

**Fiscal: A Poor Start To FY2026 As Data Resumes**

*Budget Deficit Starts FY2026 On The Back Foot*

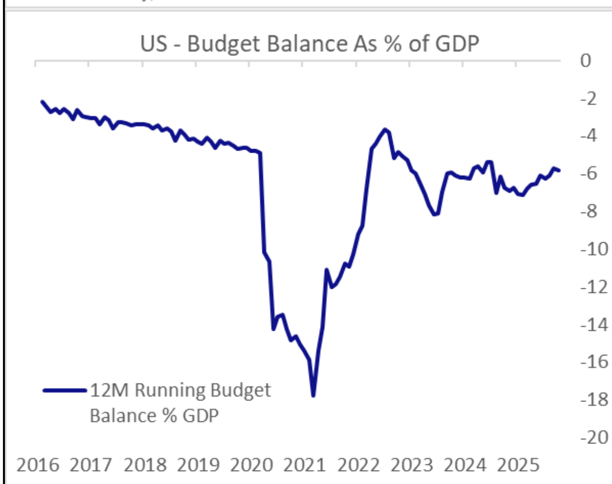
The 2026 fiscal year started with a larger than expected fiscal deficit in what had been a wide range of expectations owing to shutdown disruption. The combination with next month's November release will likely give a better indication of latest fiscal direction but for now the 12-month trailing deficit remains large at 5.9% GDP.

- Published Tuesday, the Treasury budget deficit was notably larger than expected in October for the first month of the new 2026 fiscal year, at $284.4bn vs the $257bn in Oct 2024.
- The timing of the government shutdown had created greater than usual uncertainty.

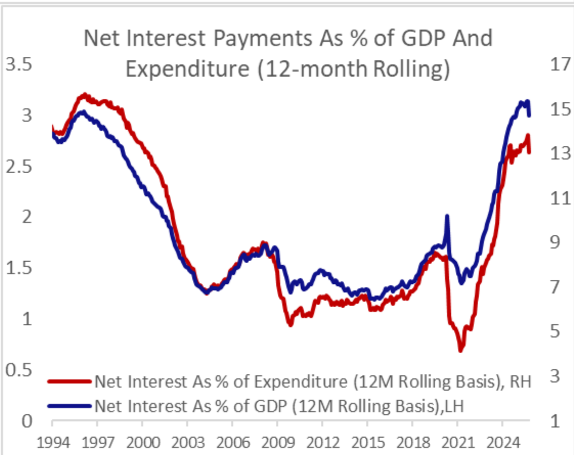
- Bloomberg consensus had looked for $230bn, biased lower by some estimates that had gravitated towards the CBO's estimate of $219bn, in a huge range of a *surplus* of $250bn to a deficit of $330bn.
- It leaves a 12-month rolling budget deficit at 5.9% GDP after 5.8% GDP in FY25 (i.e. from one month prior), 6.2% GDP in FY24 and 6.1% GDP in FY23.
- Receipts increased strongly, to $404.4bn from $326.8bn Oct 2024, helped in part by customs duties at $31.4bn vs $7.3bn a year ago. Individual income tax has been a large driver, rising from $168bn to $217.0bn.
- Customs duties have levelled off in recent months, including $29.7bn in Sept and $29.5bn in Aug. President Trump on Truth Social earlier this week wrote on how hundreds of billions of dollars are being made by tariffs and that the full benefit has not yet been calculated as a result of tariff front-running but could be close to being seen with inventories running thin. He continues to focus on the Supreme Court case on the legitimacy of some of the tariffs currently in place.
- Outlays also increased strongly though, from $584.2bn a year ago to $688.7bn. Medicare was a major factor here, rising from $77.1bn to $150.6bn, whilst there were smaller but still large contributions from veterans benefits (from $31bn to $49.7bn), income security (from $45.2bn to $62.2bn), social security (from $124.9bn to $134.1bn) and net interest (from $80.3bn to $90.9bn).



Source: Treasury, MNI Calculations



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



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

**Fed Personnel Considerations**

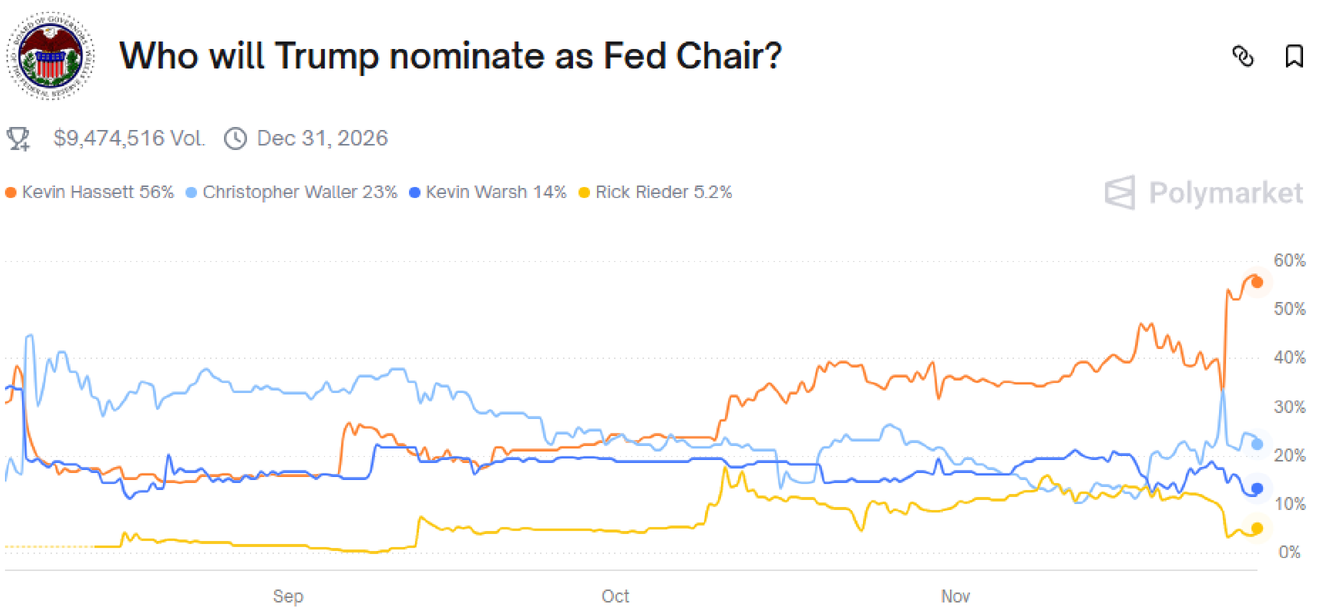
- Bloomberg sources reiterate that NEC's Hasset is a front-runner, sparking rates rally and Tsy steepening

*Hassett Front-Runner for Fed Chair – Bloomberg Sources*

- Bloomberg sources reported that: "With Hassett, Trump would have a close ally whom the president knows well and trusts installed at the independent central bank, the people said, speaking on the condition of anonymity.
- "Hassett is seen as someone who would bring the president's approach to interest rate cutting to the Fed, which Trump has long wanted to control, some of the people said.
- "Still, Trump is known to make surprise personnel and policy decisions, meaning a nomination is not final until it's made public, they said. "

Rates rallied in2026 and 2027 contracts and the Treasury curve steepened on the news. He was already seen as a favorite in betting markets, although that had narrowed yesterday with Waller viewed as a closer contender, but with the news still having an impact as we move closer to Trump's expected decision which is currently estimated before Christmas. The latest headlines saw Hassett briefly jump to 54% on Polymarket. Further context on Hassett taken from our Fed Chair deliberations posts Monday, highlighting that his appointment would be the clearest case for a steeper yield curve (timing overview here, Hassett and Waller takes here, and other contenders here):

- Current director of the National Economic Council (aka the White House's chief economist), Hassett is the perceived favorite to be named as the next Chair. He's got Federal Reserve experience, having previously been a senior economist there. And key is that he is well known and well-liked within the administration having also served in Trump's first term, and has been an outspoken advocate of rate cuts, aligning himself to the President's outspoken views on monetary policy.
- He also has been critical of the Federal Reserve's decision-making transparency and lack of public acknowledgement of previous forecast/policy errors, echoing Bessent's harsh criticism of the Fed. It should also be noted that he's been critical of federal statistics agencies too, suggesting that some of the BLS's payrolls reporting has been "partisan".
- Market reaction if Hassett is appointed: Clearest case for a steeper yield curve and weaker US dollar among the 5 candidates; while his appointment is partly priced he would be seen as the most amenable to lower short-end rates, while longer-end breakeven yields could rise if the next Fed Chair was seen to be so closely aligned with the White House. Bessent will be aware of this and it's for this reason we are a little more doubtful that he should be considered such an overwhelming favorite despite his close White House ties.




Source: Polymarket – as of Friday, Nov 28

**Fedspeak: Daly & Waller Back Dec Cut, A Tricky January Meeting And Mildly Dovish Beige Book**

- SF Fed's Daly backs a December rate cut – not a voter until 2027 but it draws a reaction with her tending to agree with Fed Chair Powell.
- Fed Gov. Waller unsurprisingly backs a December cut although talks on the January meeting being "tricky" owing to the "flood" of incoming data.
- The Beige Book noted little change in economic activity over the past six weeks. There were net dovish developments across employment and inflation on a breadth basis.

*SF Fed's Daly Backs December Rate Cut (Nov 24)*

- SF Fed's Daly (in a position that next votes in 2027) said she supports lowering interest rates in December because she sees a sudden deterioration in the job market as both more likely and harder to manage than an inflation flare-up.
- "On the labor market, I don't feel as confident we can get ahead of it. It's vulnerable enough now that the risk is it'll have a nonlinear change."
- An inflation breakout, by contrast, is a lower risk given how tariff-driven cost increases have been more muted than anticipated earlier this year, she said.
- WSJ's Timiraos wrote that "Daly's views are notable because while she doesn't have a vote on monetary policy this year, she has rarely taken a public position at odds with Fed Chair Jerome Powell."

*Waller Backs Dec Rate Cut, Clearly Remains in Consideration For Fed Chair (Nov 24)*

Fed's Waller speaks on Fox Business, striking a familiar tone and advocating for a December rate cut:

- "SINCE LAST FED MEETING AVAILABLE DATA SUGGESTS NOT MUCH CHANGE, INFLATION NOT A BIG PROBLEM WITH LABOR MARKET WEAK, ADVOCATING FOR A RATE CUT AT THE DECEMBER MEETING"
- He is, however, more interesting when commenting on policy for early 2026, stating that a January meeting will be "tricky", with a flood of incoming data meaning that the Fed need to adopt a meeting-by-meeting approach.
- Likely hinting at his candidacy for Fed chair next year, Waller says:
- "TALKED TO BESSENT ABOUT 10 DAYS AGO, HAD ANOTHER GREAT MEETING TALKING ABOUT ECONOMICS AND MARKETS, THINK THE ADMINISTRATION IS LOOKING FOR SOMEONE WITH EXPERIENCE WHO KNOWS HOW TO DO THE JOB" - Reuters
- His comments saw him firm in betting markets at the time for Powell's replacement as Fed chair into 2026 although it was then dominated by Bloomberg sources the day after favoring Hassett.
- Waller's comments broadly inline with expectations, keeping the front-end broadly contained for now.

*Beige Book: Economic Activity Little Changed*

Fed Beige Book (link): "Economic activity was little changed since the previous report, according to most of the twelve Federal Reserve Districts, though two Districts noted a modest decline and one reported modest growth."

- **Labor:** "Employment declined slightly over the current period with around half of Districts noting weaker labor demand. Despite an uptick in layoff announcements, more Districts reported contacts limiting headcounts using hiring freezes, replacement-only hiring, and attrition than through layoffs."
- That compares to "Employment was flat overall, as both hiring and layoffs increased modestly."
- **Inflation**: "Prices rose moderately during the reporting period. Input cost pressures were widespread in manufacturing and retail, largely reflecting tariff-induced increases. Some Districts noted rising costs for insurance, utilities, technology, and health care. The extent of passthrough of higher input costs to customers varied, and depended upon demand, competitive pressures, price sensitivity of consumers, and pushback from clients. There were multiple reports of margin compression or firms facing financial strain stemming from tariffs. Prices declined for certain materials, which firms attributed to sluggish demand, deferred tariff implementation, or reduced tariff rates. Looking ahead, contacts largely anticipate upward cost pressures to persist but plans to raise prices in the near term were mixed."
- That compares to "Prices rose moderately on average, as certain cost pressures increased. [...] Most contacts expected to face at least modest further cost pressures moving forward, and some were concerned about a possible acceleration of prices in 2026."

*Beige Book: District Details See Better Activity But Softer Labor & Prices*

- The Beige Book showed a net improvement for economic activity on the below district-by-district comparison.
- It's a small improvement though, with the overall summary still classifying economic activity as "little changed" according to most of the twelve districts. Two noted a modest decline whilst one reported modest growth.
- However, there were net dovish developments across employment and inflation on a breadth basis, as shown below, including around half of districts noting weaker labor demand.

**District-By-District Descriptions of Current Conditions - Nov 2025 Beige Book**

| | Econ Act | Previous Report | Employment | Previous Report | Inflation (Selling Prices) | Previous Report |
|---|---|---|---|---|---|---|
| Boston | Expanded slightly | Ticked up overall | Edged lower | Unchanged | Modest increases | Rose moderately |
| NY | Declined modestly | Declined slightly | Declined slightly | Unchanged | Eased slightly | Mostly unchanged |
| Phil | Modest declines | Increased slightly | Declined slightly | Increased slightly | Rose moderately | Rose moderately |
| Cle | Increased slightly | Unchanged | Flat | Increased slightly | Rose moderately | Robust increase |
| Richmond | Grew modestly | Grew modestly | Unchanged | Unchanged | Moderate | Moderate |
| Atl | Unchanged | Little changed | Levels remained flat | Unchanged | Increased modestly | Rose moderately |
| Chicago | Rose slightly | Little changed | Increased slightly | Unchanged | Rose moderately | Rose moderately |
| Stl | Unchanged | Unchanged | Unchanged | Unchanged | Increased moderately | Rose moderately |
| Minn | Flat | Declined slightly | Declined slightly | Declined slightly | Increased moderately | Rose modestly |
| KC | Slowed slightly | Declined slightly | Declined slightly | Declined slightly | Increased modestly | Rose moderately |
| Dallas | Weakened slightly | Little changed | Continued to fall | Declined | Increased moderately | Rose slightly |
| San Fran | Mixed | Edged down slightly | Largely held steady | Little changed | Rose modestly | Rose modestly |

Source: Federal Reserve, MNI. MNI's characterization is derived from the individual Fed reports, not the overall summary

*Beige Book: Employment Responses Continue Trend Deterioration*

- You can clearly see the deterioration over time in the breadth of employment level responses.
- Whilst one district seeing a small increase isn't unusual, there is starting to be a clearer shift to those seeing declines albeit still mostly only slight declines at this stage.

**Labor market** - The distribution of Districts reporting increases, no change or decreases in headcount:

| | Increase | No Change | Decrease |
|---|---|---|---|
| Jul 17, 2024 | Most saw flat or up slightly, a few saw modest growth | | |
| Sep 4, 2024 | 5 (slight or modest) | Generally flat or up slightly | |
| Oct 23, 2024 | More than half reported slight or modest | The remainder reported little or no change | |
| Dec 4, 2024 | Employment levels were flat or up only slightly across Districts | | |
| Jan 15, 2025 | 6 (slight) | 6 | |
| Mar 5, 2025 | 4 (slight) | 7 | 1 (slight) |
| Apr 23, 2025 | 1 (modest), 4 (slight) | 4 | 3 (slight) |
| Jun 4, 2025 | 1 (modest), 2 (slight) | 7 | 2 (slight) |
| Jul 16, 2025 | 1 (modest), 6 (slight) | 3 | 2 (slight) |
| Sep 3, 2025 | 1 (slight) | 7 | 3 (slight), 1 (modest) |
| Oct 15, 2025 | 2 (slight) | 7 | 2 (slight), 1 ("declined") |
| Nov 26, 2025 | 1 (slight) | 5 | 5 (slight), 1 ("declined") |

Source: Federal Reserve, MNI. MNI's characterization is derived from the individual Fed reports, not the overall summary

*Beige Book: Price Descriptions See Somewhat Dovish Tilt*

- As noted earlier, the Beige Book breakdown of price descriptions by district was dovish compared to October's report, albeit only slightly.
- There were no longer any districts pointing to "robust" price increases, a new development in October's report, whilst
- We'd also note that whilst not shown in the summary table below, a single district reported a slight easing in selling prices for the first time since the July Beige Book.
- As for more qualitative measures, the ability to pass on higher input costs remains varied, with no real change over the past six weeks there, but tariff-related comments were framed in a more dovish light. Specifically, firms are facing "financial strain" from tariffs whilst some prices declined for certain materials in part owing to tariff technicalities.

**Inflation** - Nature of reported price increases plus passthrough & tariff considerations:

| | Distribution of price increases: Moderate | Distribution of price increases: Modest | Passthrough | Tariffs |
|---|---|---|---|---|
| Jun 4, 2025 | Eight characterized as moderate | Two characterized as modest, one steady, one slightly | Contacts that plan to pass along tariff-related costs expect to do so within three months | All District reports indicated that higher tariff rates were putting upward pressure on costs and prices |
| Jul 16, 2025 | Seven characterized as moderate | Four characterized as modest, one eased, one steady | "Many firms" passed on at least a portion of cost increase though some held off due to customer price sensitivity | All Districts report businesses experiencing modest-to-pronounced input cost pressures related to tariffs, especially for raw materials in manufacturing and construction |
| Sep 3, 2025 | Six characterized as moderate | Six characterized as modest | "Some firms" reported passing through entire price increases to customers, others described at least some hesitancy to pass through | "Nearly all districts" reported tariff-related price increases, many contacts seeing as "especially impactful on the prices of inputs" |
| Oct 15, 2025 | Seven characterized as moderate (and one "robust") | Two characterized as modest, one "slightly", one "mostly unchanged" | Passthrough " to final prices varied." "Some firms" kept prices unchanged to maintain market share/ price-sensitive clients; some manufacturing and retail firms "fully passing higher import costs along" | "Tariff-induced input cost increases were reported across many Districts" |
| Nov 26, 2025 | Seven characterized as moderate, none as robust | Four characterized as modest | "The extent of passthrough of higher input costs to customers varied, and depended upon demand, competitive pressures, price sensitivity of consumers, and pushback from clients. | "There were multiple reports of margin compression or firms facing financial strain stemming from tariffs. Prices declined for certain materials, which firms attributed to sluggish demand, deferred tariff implementation, or reduced tariff rates." |

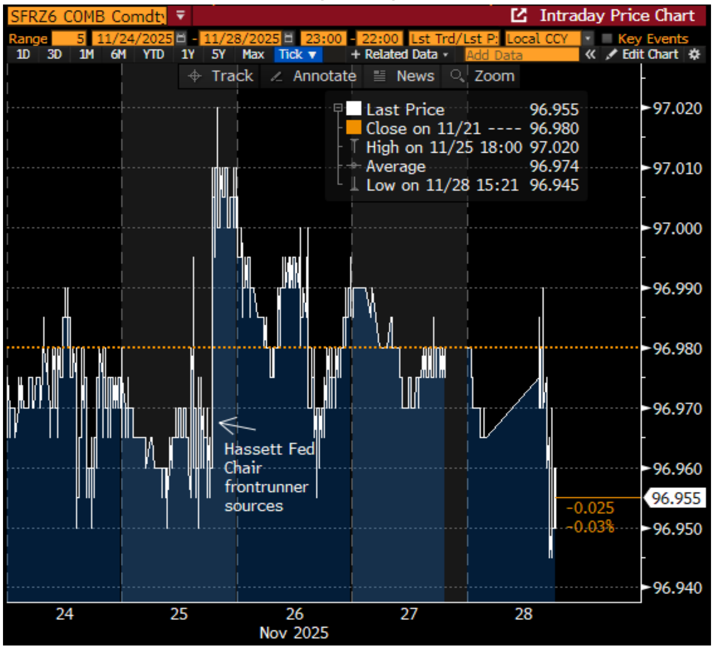
Source: Federal Reserve, MNI. MNI's characterization is derived from the individual Fed reports, not the overall summary

*JPMorgan Back To Looking For Dec Cut Before Final Cut In Jan*

- JPMorgan have switched back to calling for a cut in December, having eyed a pause after Thursday's nonfarm payrolls report for September in what was a close call at the time.
- "Ever since the October FOMC press conference, it was clear that the December decision would be a close call, barring some big surprise in the data. Since then, the data haven't delivered any big surprises." "So, while the next FOMC meeting remains a close call, we now believe the latest round of Fedspeak tilts the odds toward the Committee deciding to cut rates in two weeks from today. […] Analyzing this meeting comes down to vote-counting."
- On Williams' "near term" guidance: "In everyday English, "near term" could mean January. However, Fedspeak isn't everyday English, and we believe Williams' phrase was clearly intended to mean December. We're back to looking for a final cut in January and we'll have a full FOMC preview out later next week".
- Recall that they had warned of something similar last Thursday: "We will be especially attentive to rhetoric from Committee voters for maintaining a hold call going into the blackout period. We hope it doesn't come down to the JOLTS report the first day of the meeting, but we can't rule that out."

### STIR: Dovish Williams Impact Extends, Hassett Consideration Also Drives Temporary Rally

- December rate cut prospects have continued to climb, with the move coming on Monday in a continuation of NY Fed's Williams' uncharacteristic steer towards a "near term" rate cut.
- There is 21bp priced vs 16bp late on Friday and 9-10bp pre-Williams.
- That said, the week's most notable shift in rates markets on 'new' information was the rally on the Bloomberg sources piece on Hassett seen as frontrunner for Fed Chair. It has however, since been fully reversed with help from Friday's month-end flows in thin trade following Thanksgiving.
- Of course, the Hassett considerations didn't have any impact on very near-term rates with Powell's Fed Chair position only ending in May 2026.
- SOFR terminal yields meanwhile have mostly hovered near the 3.00% seen since Friday's close.



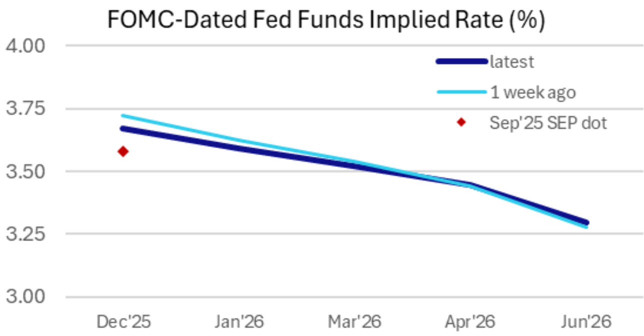

SOFR Dec 2026 price (Bloomberg Finance L.P.)

**FOMC-dated Fed Funds futures implied rates**

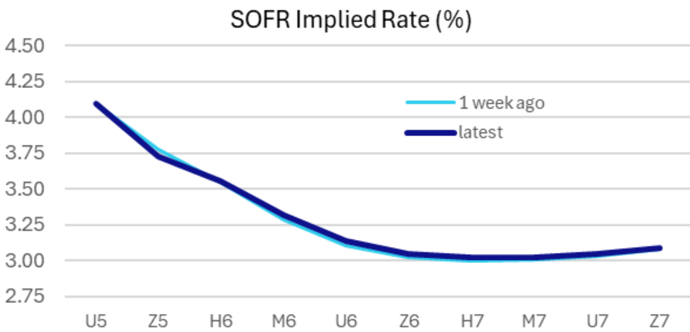
| Meeting | Latest | | | pre Williams (Nov 21) | | | chg in rate | pre NFP (Nov 20) | | | chg in rate |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | % | step (bp) | cum. (bp) | % | step (bp) | cum. (bp) | *bp* | % | step (bp) | cum. (bp) | *bp* |
| Effective | 3.88 | | | 3.88 | | | | 3.88 | | | |
| Dec'25 | 3.67 | -21.1 | -21.1 | 3.78 | -10 | -10.1 | *-11.0* | 3.82 | -6 | -6 | *-14.9* |
| Jan'26 | 3.59 | -7.7 | -28.8 | 3.64 | -14 | -24.2 | *-4.6* | 3.68 | -14 | -20 | *-9.0* |
| Mar'26 | 3.52 | -7.2 | -36.0 | 3.53 | -11 | -34.9 | *-1.1* | 3.59 | -9 | -29 | *-7.2* |
| Apr'26 | 3.45 | -7.3 | -43.3 | 3.44 | -9 | -44.2 | *0.9* | 3.52 | -7 | -36 | *-7.6* |
| Jun'26 | 3.30 | -15.2 | -58.5 | 3.28 | -16 | -60.5 | *2.0* | 3.37 | -16 | -52 | *-7.0* |

Source: Bloomberg Finance L.P., MNI.

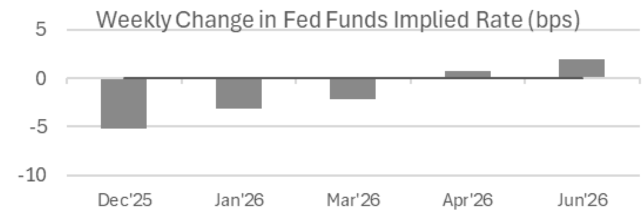
Weekly changes:

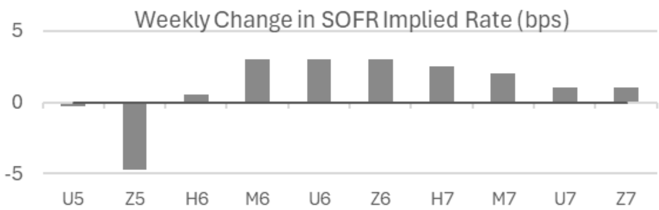



Source: Bloomberg Finance L.P., MNI. SEP median dot shows implied effective basis with current spread to lower bound




Source: Bloomberg Finance L.P., MNI.



**The US Macro Week Ahead: Last Pre-FOMC Labor Data, ISM Surveys and Delayed PCE**

Next week would ordinarily have been geared towards a nonfarm payrolls report on Friday but that of course has been rescheduled for Dec 16 as the BLS continues to work its way through the shutdown-induced data backlog. Instead, expect the myriad of labor releases starting Wednesday along with ISM surveys and monthly PCE data to help finalize market expectations ahead of the Dec 9-10 FOMC meeting - we currently anticipate a hawkish cut. Within the labor releases, the monthly ADP employment report for November will continue to be important – with declines in recent weekly updates - but we also flag Thursday's releases for Challenger job cuts and Revelio Labs' labor statistics for November. The October Challenger report showed a sharp increase in layoffs to its highest for an October since 2003 along with tepid hiring plans over Sep-Oct combined, whilst the Revelio nonfarm payrolls estimate drew a dovish market reaction last month when it pointed to nonfarm payrolls growth of -9k in October.

As for ISM surveys, consensus looks for little improvement in Monday's manufacturing survey, with regional Fed surveys on balance slightly stronger on the month versus a sharp deterioration in the MNI Chicago PMI. The still early days for the services analyst survey sees a modest dip to 52.0 having oscillated between 52.0-52.5 in the previous four months. The service PMI – at 55.0 in the November flash – has been more optimistic in each of the prior six months but with varied beats each time. The delayed personal income and outlays report for September then rounds out the week on Friday. This week's retail sales release will have dampened goods-related expectations for consumer spending. We'll also watch income dynamics after they underwhelmed in the August report released two months ago, seeing the savings rate dropping to an eight-month low. Core PCE inflation estimates appears to be tracking around 0.22% M/M for September, similar to the 0.23% M/M in August and the 0.24% averaged through May-July although with some seeing scope for minor upward revisions to Aug and Jul.

## Next Week's Data Calendar

mni

Post-shutdown catch-up
Regular release schedule
Weekly indicator

| | | | | |
|---|---|---|---|---|
| Mon, Dec 01 | 09:45 | Manufacturing PMI | S&P Global | Nov F |
| **Mon, Dec 01** | **10:00** | **ISM Manufacturing** | **ISM** | **Nov** |
| Tue, Dec 02 | | Wards Vehicle Sales | Wards | Nov |
| Wed, Dec 03 | 07:00 | Mortgage Applications | MBA | Nov 28 |
| **Wed, Dec 03** | **08:15** | **Monthly ADP Report** | **ADP** | **Nov** |
| Wed, Dec 03 | 08:30 | Import/Export Prices | BLS | Sep |
| Wed, Dec 03 | 09:15 | Industrial Production / Cap Util | Federal Reserve | Sep |
| Wed, Dec 03 | 09:45 | Services/Composite PMI | S&P Global | Nov F |
| **Wed, Dec 03** | **10:00** | **ISM Services** | **ISM** | **Nov F** |
| Thu, Dec 04 | 07:30 | Challenger Job Cuts | Challenger Gray | Nov |
| Thu, Dec 04 | 08:30 | Jobless Claims | BLS (Dept of Labor) | Nov 29/22 |
| Thu, Dec 04 | 08:30 | Revelio Labor Statistics | Revelio Labs | Nov |
| Thu, Dec 04 | 08:30 | Chicago Fed Labor Indicators | Chicago Fed | Nov F |
| Thu, Dec 04 | 11:30 | Dallas Fed Weekly Economic Index | Dallas Fed | Nov 22 |
| Fri, Dec 05 | 08:30 | Chicago Fed CARTS Retail Indicator | Chicago Fed | Nov P |
| Fri, Dec 05 | 09:00 | Manheim Used Vehicle Prices | Manheim | Nov |
| **Fri, Dec 05** | **10:00** | **Personal Income and Outlays (PCE)** | **BEA** | **Sep** |
| Fri, Dec 05 | 10:00 | U.Mich Consumer Survey | University of Michigan | Dec P |
| Fri, Dec 05 | 15:00 | Consumer Credit | Federal Reserve | Oct |

**And subsequent key releases**

| | | | | |
|---|---|---|---|---|
| Tue, Dec 09 | 10:00 | JOLTS | BLS | Oct (incl Sep) |
| Tue, Dec 16 | 08:30 | NFP Report | BLS | Nov |
| Thu, Dec 18 | 08:30 | CPI Report | BLS | Nov |
| | | It will include some October non-survey indices but there won't be an official October release | | |
| Tue, Dec 23 | 08:30 | GDP Q3 "Initial" Release | BEA | Q3 |
| | | It replaces what would have been the second GDP estimate and preliminary Corp Profits estimate | | |