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All Signal, No Noise

MARKET ANALYSIS

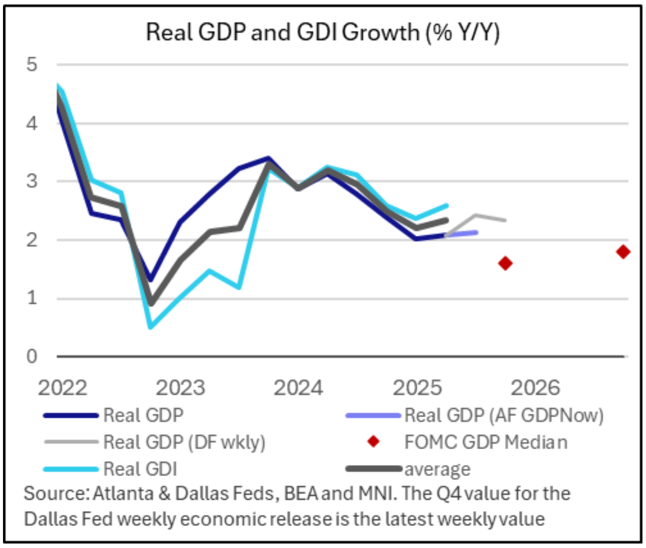
MNI U.S. Macro Weekly

MNI View: Stage Set For A Hawkish Fed Cut

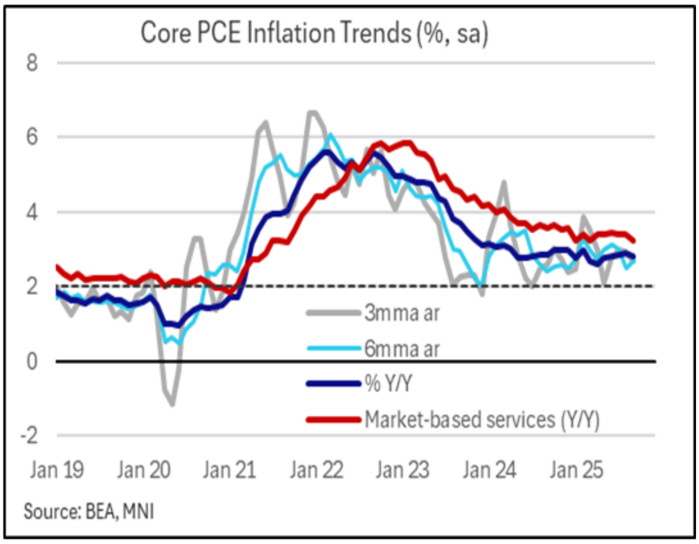
December 5, 2025 – By Chris Harrison

Executive Summary

- Real GDP growth tracking has been trimmed after a softer than expected personal income & outlays report for September, although is still seen at a solid 3.5% annualized for Q3 in the last update before the FOMC.
- Core PCE inflation was slightly softer than expected in that same delayed September report, still running at above 2% target rates but ruling out a further acceleration.
- Headlining a slew of labor market updates this week, ADP confirmed a return to declining payrolls employment having now dropped in three of the past four months, although weekly jobless claims data don't suggest any further deterioration. Initial claims in particular were extremely low but likely down to Thanksgiving adjustment issues.
- Major business surveys were mixed, with ISM services firming but also seeing lower new orders and prices paid whilst ISM manufacturing returned to the lower end of its recent range in contractionary territory.
- NECs Hassett's probability of being chosen as the next Fed Chair has climbed on the week as a whole although were trimmed modestly on media reports of Wall Street pushback – he's still seen at >70%. Trump says he will probably announce his pick early next year.
- US Tsy Sec Bessent meanwhile has gone into further details on his plan to enforce that regional Fed presidents have lived in their district for at least three years. It comes ahead of what could be a more controversial renewing of president five-year terms in Feb 2026. Hassett has given his approval.
- Next week is dominated by the FOMC decision, widely expected to deliver a third consecutive 25bp cut after NY Fed Williams' uncharacteristic guidance following the September payrolls report. It's likely to be a contentious meeting though with many FOMC members preferring to have paused.
- Being a SEP meeting, the dot plot distribution will be watched keenly whilst we expect the economic projections to show an upward revision for GDP growth and downward revision for core PCE inflation.
- The FOMC will see two months of JOLTS data on the first day of their two-day meeting otherwise must wait until the following week for NFP (Dec 16) and CPI (Dec 18) reports for November. A reminder that these will see various degrees of backfilling for missing October values.



Source: Atlanta & Dallas Feds, BEA and MNI. The Q4 value for the Dallas Fed weekly economic release is the latest weekly value

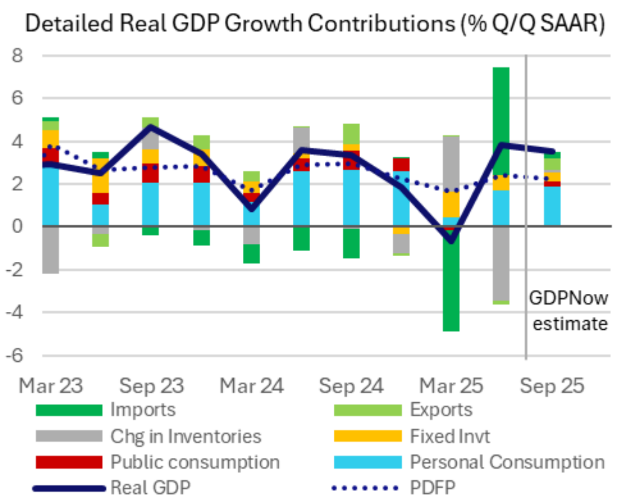


Source: BEA, MNI

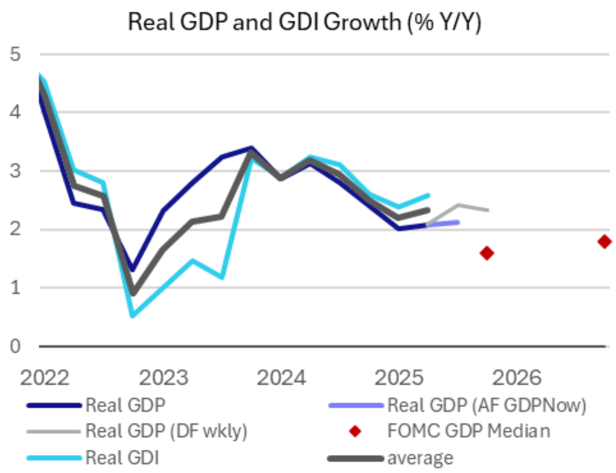
Growth: GDP Tracking Trimmed On Softer Consumption, But Still Solid

GDPNow Lowered In Last Pre-FOMC Update, Still Expecting Upward Revision

- The Atlanta Fed's GDPNow has been revised down more notably to 3.53% after the personal income and outlays release from 3.81% in Thursday's update.
- It continues a moderation from 4.2% estimates in the second half of November in what's been a longer than usual window for Q3 estimates – the government shutdown has meant we missed the BEA advance and second estimates on Oct 30 and Nov 26 respectively, next set for an "initial" estimate on Dec 23.
- Ahead of next week's FOMC meeting, it currently paints a slightly softer picture than the 3.84% in Q2, with private domestic final purchases also estimated at ~2.6% annualized (vs 2.9% prior to today's update) after 2.86% in Q2.
- As for tentative Q4 updates, Thursday's Dallas Fed weekly economic index currently points to further robust GDP growth into Q4, tracking at 2.3% Y/Y in late November. Note that the Dallas Fed weekly economic index is consistent with 2.4% Y/Y real GDP growth in Q3 vs the 2.1% Y/Y implied by GDPNow.
- Whilst that implies more of the same since the 2.1% Y/Y back in Q2 (allowing for some margin for error), the median FOMC forecast from September had this cooling to 1.6% Y/Y.



Source: Atlanta Fed, BEA and MNI. Note: PDFP also a contribution here

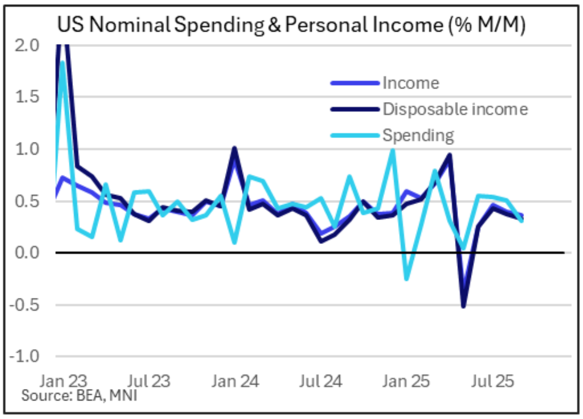


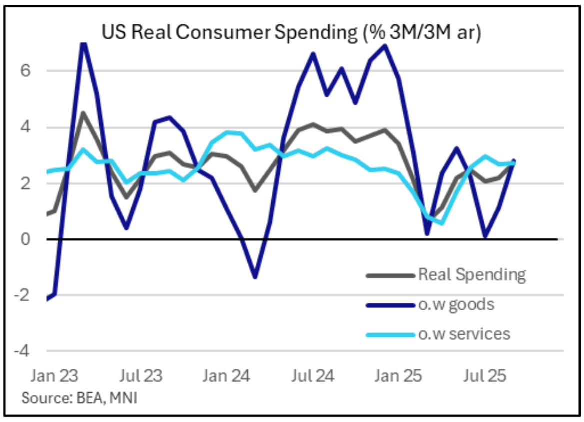
Source: Atlanta & Dallas Feds, BEA and MNI. The Q4 value for the Dallas Fed weekly economic release is the latest weekly value

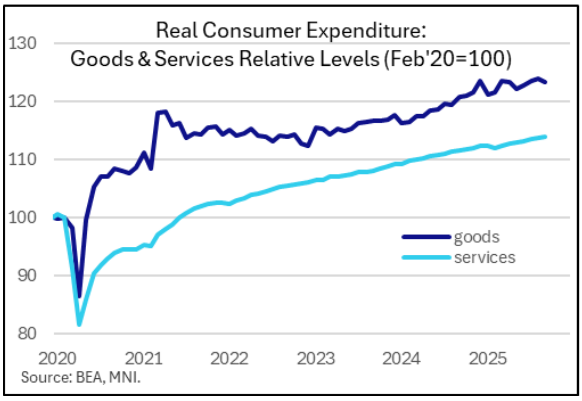
Goods-Pullback Weighs On Consumption But A Still Solid Q3

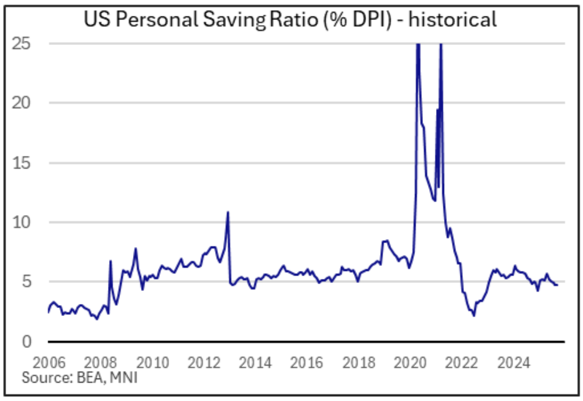
The delayed personal income and outlays report for September saw a decline in goods spending offset more-of-the-same for services consumption. It still left real spending up a solid 2.7% in Q3 whilst the savings rate saw a second month at its lowest since December.

- Real personal spending was softer than expected in September even if the extent of its miss was exaggerated by rounding, both with the 0.04% M/M in Sep (cons 0.1) and the downward revision to 0.25% from an initially reported 0.35% (which rounded to 0.2 from 0.4).
- We estimated that retail sale volumes slipped a heavy -0.4% M/M in last week's September report and indeed, real goods spending fell -0.4% M/M in today's' release after a notably downward revised 0.3% (initial 0.7).
- Real services consumption maintained recent trends meanwhile, at 0.25% M/M after an average 0.22% M/M through Jun-Aug.
- More broadly, the quarterly profile of overall consumption saw another solid quarter with 2.7% annualized in Q3 after 2.5% in Q2 having recovered from the 0.6% in Q1. It averaged 3.4% annualized in 2024.
- Y/Y consumption growth is a little weaker however, easing from 2.6% to 2.1% at its softest since Jan 2024.
- Reverting to the nominal details, personal income increased 0.4% M/M as expected, with disposable income a little softer at 0.3% M/M. Combined with personal spending of 0.3% M/M and the household savings ratio held steady at 4.7%, consolidating a drop to its lowest since Dec 2024 after underwhelming income dynamics in August.



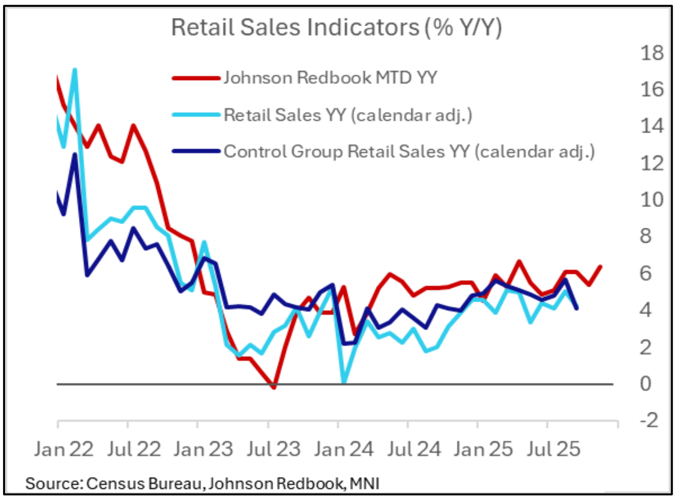






Redbook Retail Sales Point To Firmer Census Bureau Measure

The Johnson Redbook retail sales indicator firmed further in the last weekly release for November, citing "generally pleased" retailers with their post-Thanksgiving sales. It continues to point to some renewed nominal momentum after last week's disappointing Census Bureau retail sales report for September.

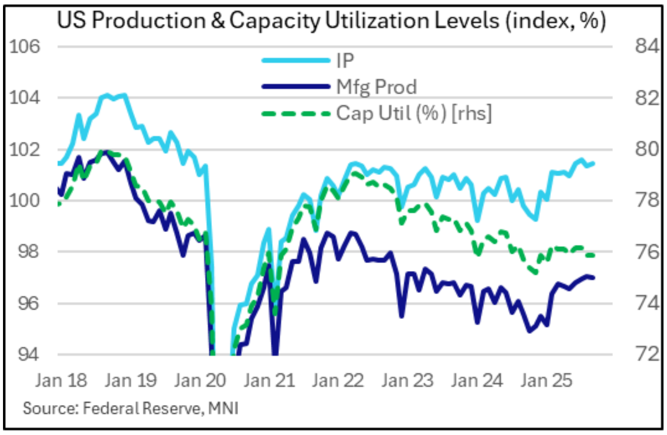


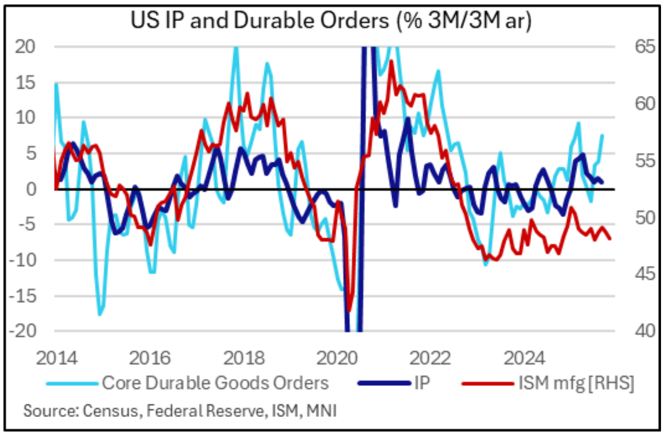
- The Johnson Redbook retail sales index firmed further in its latest weekly update, lifting to 6.4% Y/Y on a month-to-date basis up to Nov 29 after two weeks at 6.0% Y/Y and having ended October at 5.4% Y/Y.
- It expects November sales to be 6.7% Y/Y higher for the full month whilst "Early indications for December suggest a similar tone of cautious optimism, with same-store sales expected to increase by 6.2% year-over-year".
- Johnson Redbook: ""Retailers were generally pleased with their post-Thanksgiving sales, but did not report that the results significantly exceeded expectations."
- This nominal measure suggests some renewed upside momentum to Census Bureau retail sales growth ahead although it has tended to be more optimistic than the latter. Recall that Census Bureau retail sales saw a disappointing September report when it was eventually released on Nov 25, with overall sales rising 0.16% M/M and the control group surprisingly slipping -0.1% M/M for its first decline since April.
- The weak September readings left overall sales up 4.3% Y/Y and the control group up 4.1% Y/Y, both on a calendar adjusted basis. That left real retail sales growth up somewhere between 2-2.5% Y/Y judging by CPI goods inflation of 1.9% Y/Y.

Industrial Production Maintains At Best Steady Growth

Industrial production was broadly as expected in the shutdown-delayed September report, continuing to hold at three-year highs for the Y/Y even if that's only 1.6%. Core durable goods orders data have recently been more upbeat but ISM Manufacturing Chair Spence offers a more pessimistic take.

- Industrial production was as expected in September as it increased 0.10% M/M after a weaker than first thought -0.26% M/M in August but equally a stronger than previously thought 0.16% in July.
- Utilities production adds volatility here, as is quite typical, rising 1.1% M/M after -3.0% M/M.
- Instead, manufacturing production continued a recent moderation trend, now registering -0.04% M/M in September after three steadily slower increases through Jun-Aug including 0.08% in Aug.
- In trend terms, overall industrial production firmed to 1.6% Y/Y for a joint high since Sep 2022 (looking at the seasonally adjusted data), whilst recent momentum is softer at 1.1% annualized on a 3m/3m basis.
- Manufacturing production paints a similar picture, at 1.5% Y/Y (highest since Apr 2022) and 1.3% annualized.
- Last week's delayed September for durable goods orders offered a more upbeat tone (7.6% 3m/3m annualized, 4.0% Y/Y in nominal terms) but ISM manufacturing chair Susan Spence offered a more cautious take in Monday's exclusive with MNI: "There's nothing that we're reading or seeing in the news and what's going on with tariffs that give me any confidence that all of a sudden the customers are going to come start ordering from us".
- Capacity utilization meanwhile held steady at 75.9% with the Bloomberg calendar not capturing previously large downward revisions from 77.4% in annual revisions. Whilst off lows of 75.2% in late 2024, it still holds a sizeable trend easing in recent years and has stabilized before pre-pandemic rates.



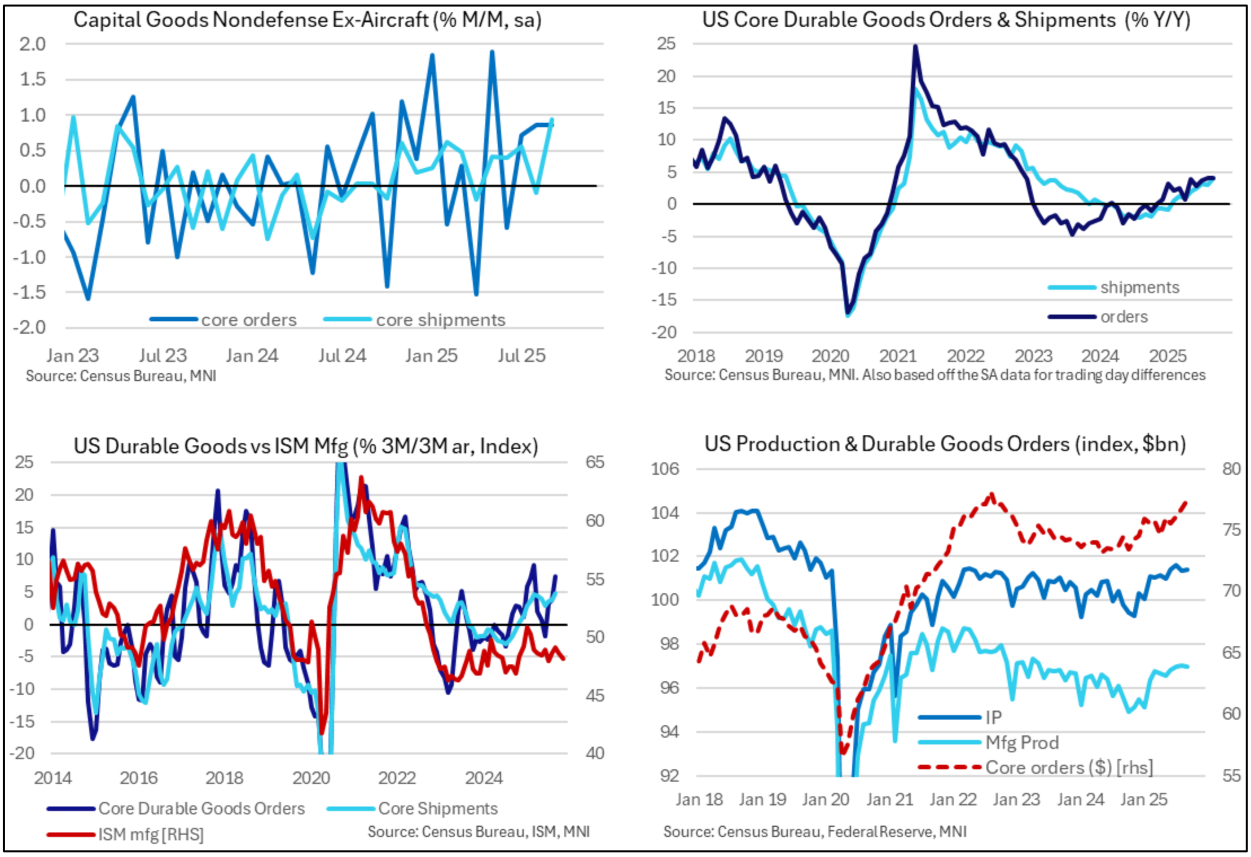


Nominal Core Durable Goods Orders Confirm Robust Q3

The delayed factory orders report for September was slightly softer than expected but still saw a second month with the nominal Y/Y in the mid-to-high 3s. Core durable goods orders confirmed a previously suggested string of solid readings in recent months, pointing to better momentum for production into Q4.

- Factory orders were a little softer than expected in September, rising a nominal 0.2% (cons 0.3) after a downward revised 1.3% (initial 1.4%) as the Census Bureau continues to catch-up with a data backlog.
- It sees factory orders up 3.6% Y/Y to match the 3.7% in August.
- Within the far smaller but also significantly less volatile core durable goods category, orders were confirmed at the 0.9% M/M seen in last week's advance release.
- Following another solid 0.9% in August, it's helped maintain solid orders growth of 4.0% Y/Y in September although with a stronger recent run rate of 7.5% annualized in Q3 (swinging after -1.8% in Q2 and 9.2% in Q1).
- Core durable goods shipments were marked lower in this final release but with an offsetting upward revision to Aug, leaving a solid 0.9% M/M in Sept after pausing in Aug with -0.1% M/M.
- With core orders running at 3-4% Y/Y since May, core shipments have caught up with this Y/Y pace as would normally be the case.

- Recall that industrial production volumes remains at best steady, holding a three year high of a still-tepid 1.6% Y/Y in yesterday's release, although that's still impressive compared to a contractionary ISM manufacturing.

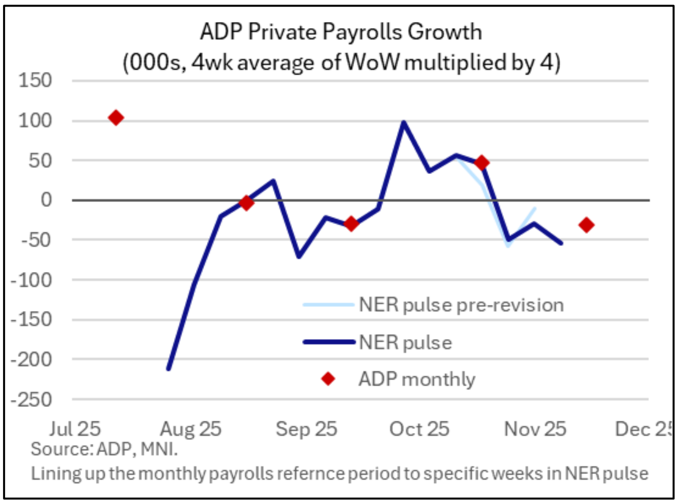


Labor Market: ADP Confirms Return To Payroll Decline, Extremely Low Initial Claims Around Thanksgiving

No Real Surprises For ADP As Confirms Return Of Declining Employment

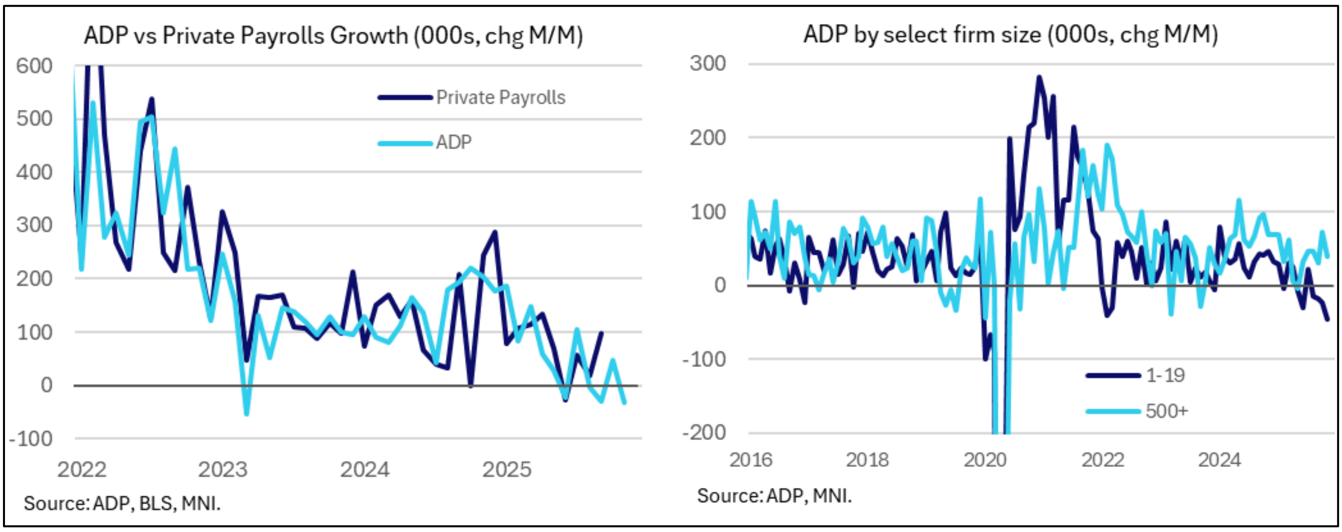
The monthly ADP report in November turned out closer to the weakness implied by its own weekly tracker than Bloomberg consensus which had surprisingly eyed a small increase on the month. It confirms a return to a monthly decline in private employment, with a third decline in the past four months.

- ADP employment growth "surprised" lower at -32k (Bloomberg cons 10k) in November whilst the October increase was revised up from 42k to 47k.
- However, as noted in our preview this morning, this had looked an odd consensus figure considering last week's ADP NER Pulse update saw an average weekly change of -13.5k in the four weeks up to Nov 8, i.e. closer to a -55k decline on a rolling monthly basis.
- In theory, this monthly report should have offered limited new information from that in the weekly series as, broadly mimicking the BLS payrolls report, its reference period is the week including the 12th of the month.
- As we wrote: "The weekly series is prone to revisions although we'd be surprised if they were strong enough



to materially alter a weak trend that has seen three weeks averaging -11k (on the same four-week rolling basis, i.e. closer to -45k in monthly terms). "

- Further, the previous current vintage for the weekly tracker had pointed to a ~46k increase back in October so today's modest upward revision also chimes there.
- Back to today's monthly report, smaller firms clearly felt pressure in November, with -46k for those with 1-19 employees and -74k for those with 20-49. The offsetting 90k increase elsewhere was led by a 39k increase for those with 500+ employees after a strong 73k increase for the latter in October.
- From the ADP press release (link): "Job creation has been flat during the second half of 2025 and pay growth has been on a downward trend. November hiring was particularly weak in manufacturing, professional and business services, information, and construction.
- * Hiring has been choppy of late as employers weather cautious consumers and an uncertain macroeconomic environment. And while November's slowdown was broad-based, it was led by a pullback among small businesses."
- The broader momentum in the series should be viewed as an important indicator for jobs growth, with the three-month average slowing through the year to date (200k in Dec 2024, 139k in Mar, 22k in Jun, 24k in Sep and -4k most recently in Oct).

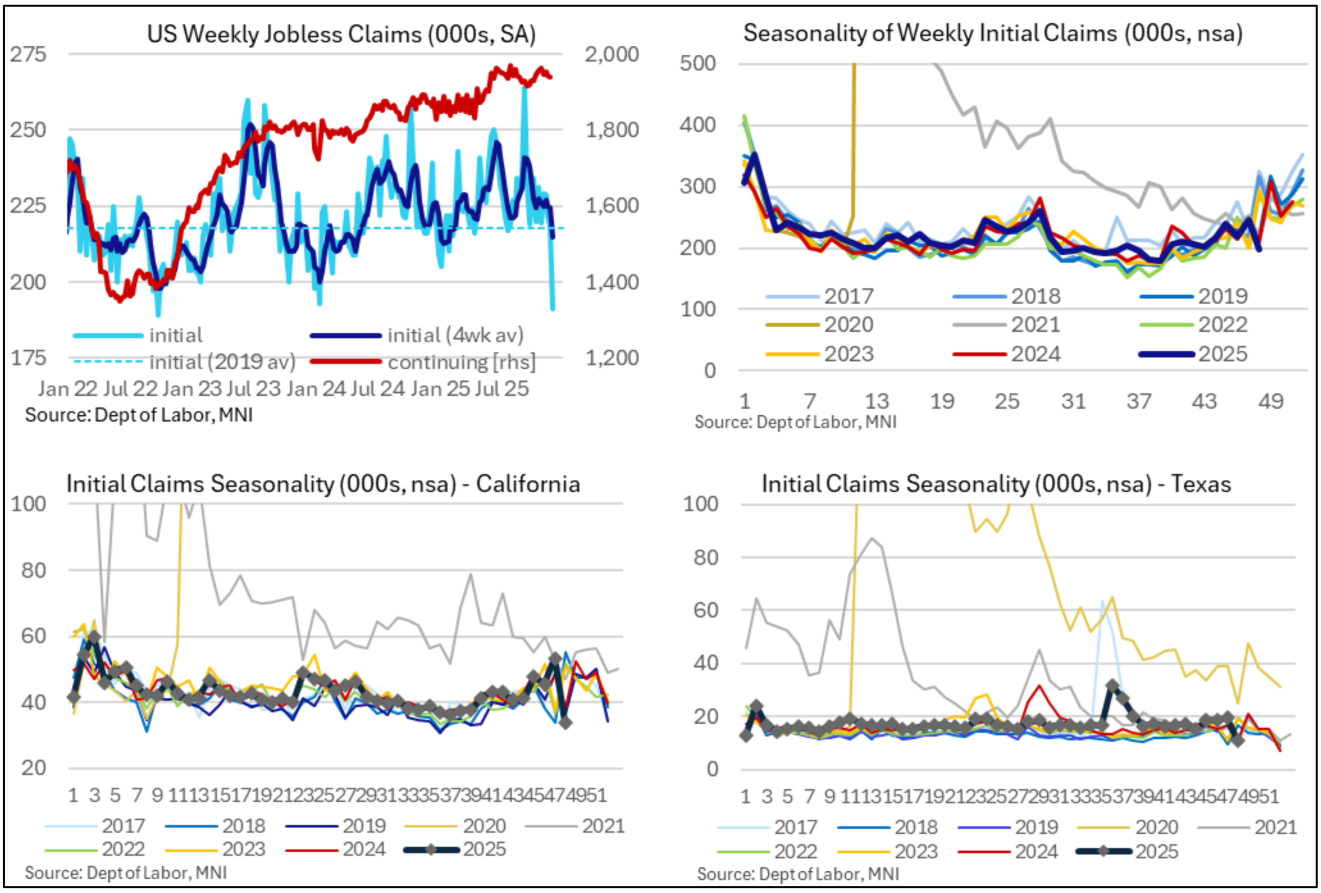


Initial Jobless Claims Slide Lower With A Thanksgiving Caveat

Initial jobless claims contained by far the biggest surprise of today's various 0830ET labor releases, sliding to 191k for its lowest single week since Sep 2022 in a move that we suspect is distorted by Thanksgiving adjustment difficulties. California and Texas also accounted for more than half the weekly decline in the NSA data. Continuing claims meanwhile pulled back from close to cycle highs in the 1960ks whilst its previous weekly value was unsurprisingly revised lower for a mixed comparison with past payrolls reference periods.

- Initial jobless claims were far lower than expected at 191k (sa, cons 220k) in the week to Nov 29 after a marginally upward revised 218k (initial 216k).
- It's the lowest seasonally adjusted figure since Sep 2022 although we're always cautious about reading too much into a single week around the Thanksgiving holiday.
- The four-week average fell to 215k after 224k, a swift improvement having stabilized around 225k since early October. It was last lower in January.
- Within the details, the 49k drop in the non-seasonally adjusted figure to 197k was disproportionately driven by California (-19.6k) and Texas (-8.3k). As such, more than half the weekly drop came from states that typically are worth up to 30% of nationwide initial claims each week.
- Continuing claims were also better than expected but less surprisingly so, at 1939k (sa, cons 1963k) in the week to Nov 22 after another downward revision to 1943k (initial 1960k).
- As we suspected last week, the latter leaves a more favorable comparison compared to the October payrolls reference period but a less favorable one compared to Sept (the last known BLS payrolls report

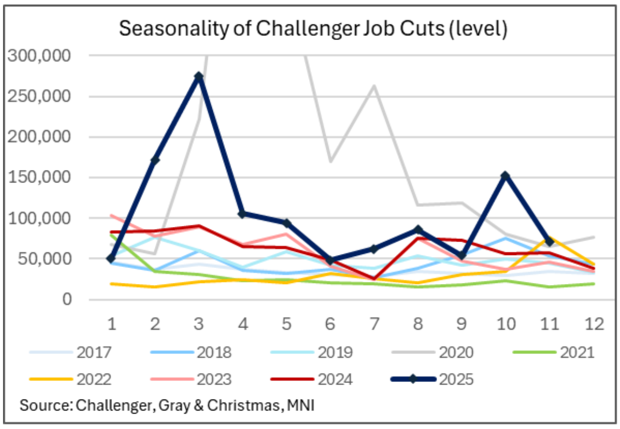
until Dec 16). Specifically, the 1943k for the Nov reference period compares with 1957k in Oct and 1916k in Sep, back close to the 1944k of Aug and 1946k of Jul.

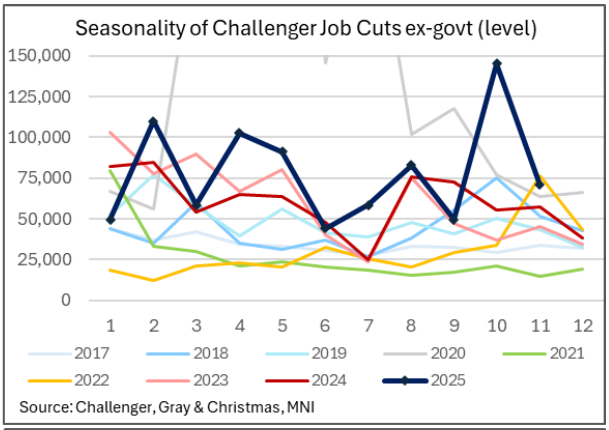


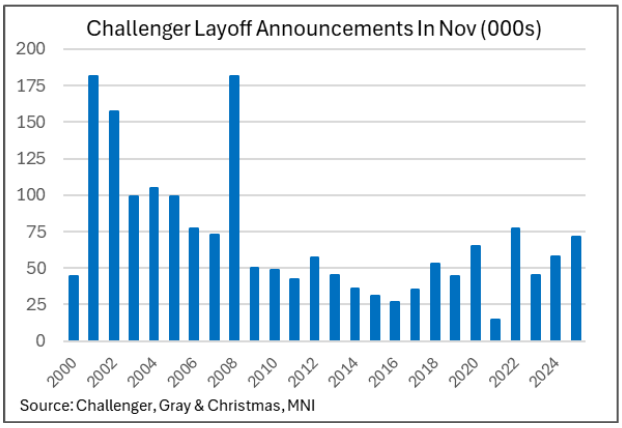
A Less Drastic Increase In Challenger Layoff Announcements

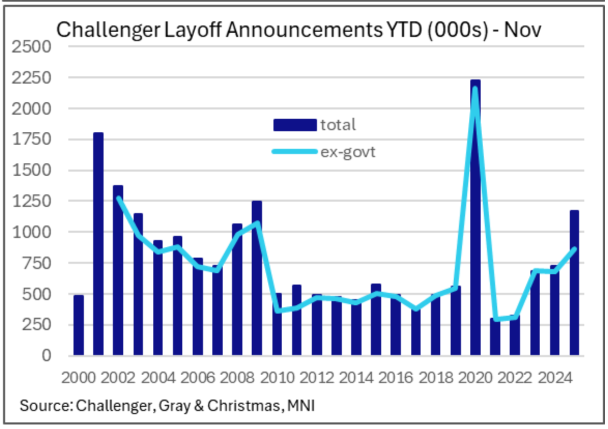
Challenger job cut announcements pulled back after October's surge although still saw a solid increase on an year ago. Latest weekly initial jobless claims for the week to Nov 22 (Nov 29 lands at 0830ET) don't yet appear to show signs of these recent increases but will continue to be watched as lags can be quite long.

- Challenger reports job cut announcements summed to 71.3k in November, a 24% Y/Y increase.
- It pulls back from a particularly sharp increase to 153k in October, a 175% Y/Y rise for its highest October since 2003.
- Latest optics are still weak however with the 71k for a November last higher in 2022 and before that 2008.
- October's spike had seen a large contribution from warehousing but this dropped back to much more typical levels in November (2k after 48k in Oct and 1k in Sep). A somewhat similar development was seen in tech as well, at 12k in Nov after 33k in Oct and 6k in Sep.
- The largest driver this month came from telecoms with 15k job cut announcements, primarily from Verizon.
- With little contribution from government layoffs this month, the ex-government measure came in at 70.9k for also a 24% Y/Y increase.
- Year-to-date, ex-govt layoff announcements have summed to 863k, a 26% increase after two years around 685k. Exclude the 2020 pandemic-driven surge in layoffs and this is the most amount of layoffs since 2008.
- From the press release (link) on why companies are cutting: "In November, Restructuring led all reasons with 20,217 for a total of 128,255 in 2025. Store, unit, or department Closing accounted for 17,140 in November, and 178,531 for the year. Artificial Intelligence (AI) was cited for 6,280 cuts in November. So far this year, AI is responsible for 54,694 layoff plans. Since 2023, when this reason was first cited, AI has led to 71,683 job cut announcements."



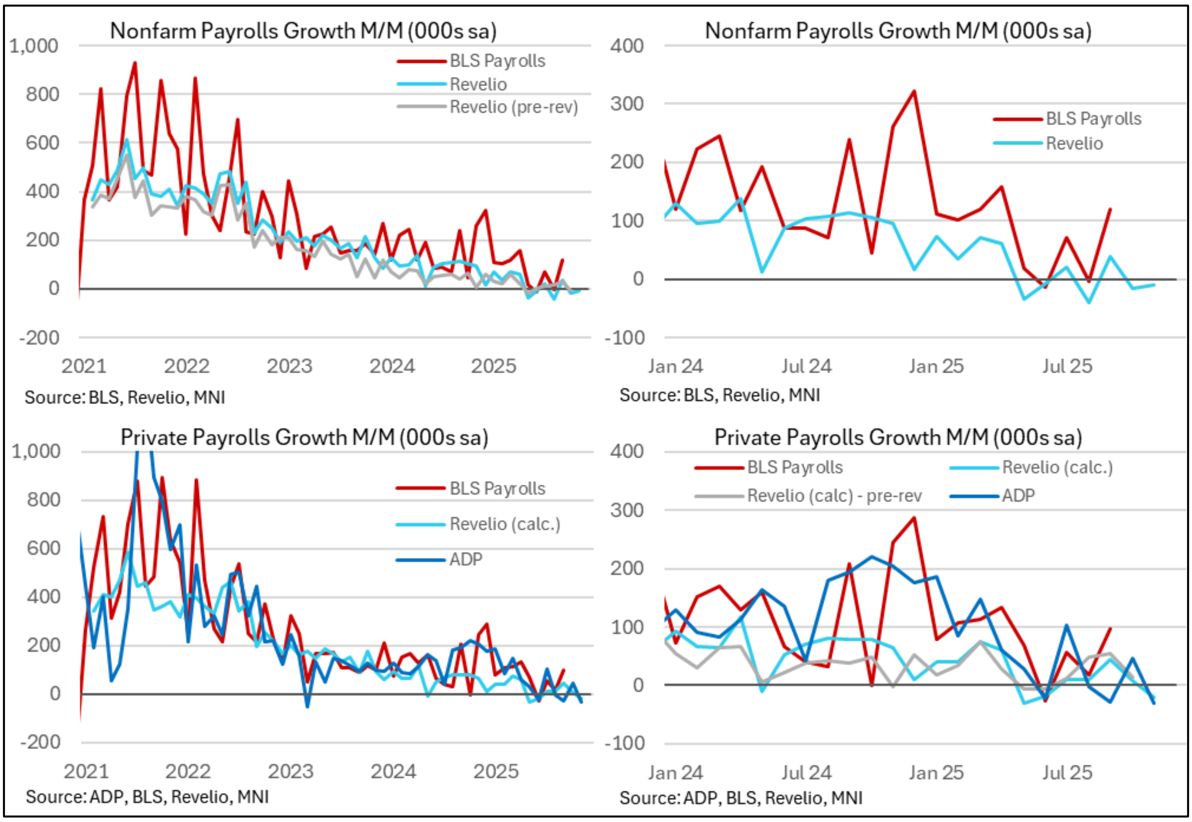






Revelio Labs Echo ADP Decline In November But Revisions Cloud Release

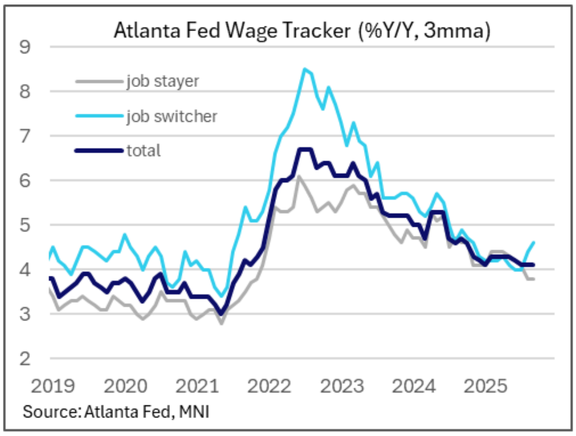
- Revelio Labs estimate non-farm payrolls growth of -9k in November (sa M/M) after -15k in October (revised from -9k), 38k in Sep (from 33k) and a large downward revision to -40k back in Aug (from 14k in last month's vintage).
- Large revisions are a theme of this month's release and as such we caution placing too much weight on the report until we have a better understanding of benchmarking – it was un-paywalled in the government shutdown so we don't have much track history of month-to-month revisions.
- Whilst the Oct level of nonfarm payrolls estimate is near unchanged, the Jan 2021 level is 2.25m lower that with last month's release, i.e. seeing an additional 2.25m jobs created). It had been undershooting alternate measures of employment growth so this closes the gap somewhat.
- Treating with caution, five of the past seven months have seen employment declines in its overall payrolls estimate. Private payrolls (total ex public administration) have seen weaker recent momentum however, rolling over with-19k in Nov after an 8k increase in Oct, having last declined in May (-30k) and June (-19k).
- A reminder on Revelio's methodology: they estimate monthly changes in unemployment by looking at professional profiles sourced from professional networking websites eg LinkedIn: "RPLS provides a set of employment statistics derived from over 100 million professional profiles sourced from professional networking websites. After deduplication, adjustments for reporting lags, and reweighing to ensure that the data resembles the national distribution of the workforce, these data yield timely and detailed measures of employment dynamics."

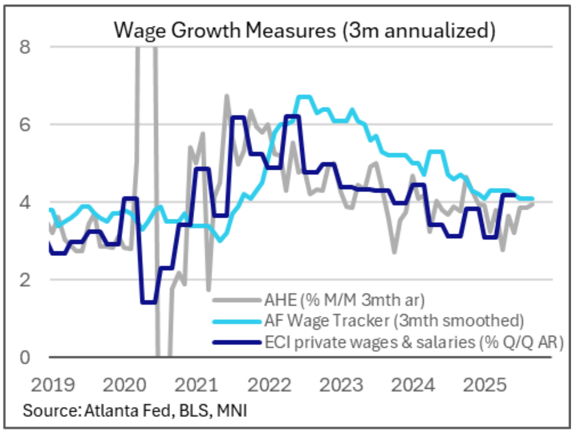


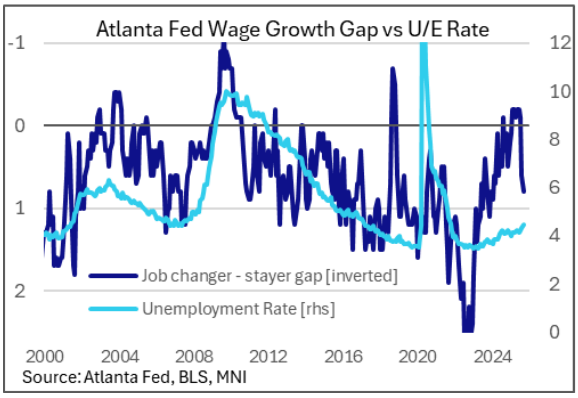
Job Switchers Wage Growth Premium Highest Since Jan 2024

The Atlanta Fed wage tracker for back in September saw a second month of growing discrepancies between wage growth for job switchers and stayers. The relatively hotter pace for switchers doesn't chime with the surprisingly strong climb in the u/e rate that month although this wage growth gap had previously been much weaker than other labor market slack metrics.

- The Atlanta Fed earlier today released its wage growth tracker for back in September, for a longer delay than would usually be the case after payrolls following the delayed report on Nov 20.
- It held steady at 4.1% Y/Y for a third consecutive month, as always reflecting the three-month average of median hourly wage growth.
- 4.1% is a joint recent low, having been in a 4.1-4.3% range since November last year, with wage growth last lower in Aug 2021.
- The details were more interesting though, with job stayer holding steady at 3.8% Y/Y for a second month but job switchers seeing a second monthly acceleration to 4.6% Y/Y vs 4% in June and July.
- Job switchers saw slightly softer wage growth than job stayers through Feb-Jul but the 0.8pp premium is now its highest since Jan 2024 and on its own doesn't chime with September's push higher in the unemployment rate. That's directionally at least, with the previous weak patch through Feb-Jul running more weaker than more traditional metrics of labor market slack – see charts.





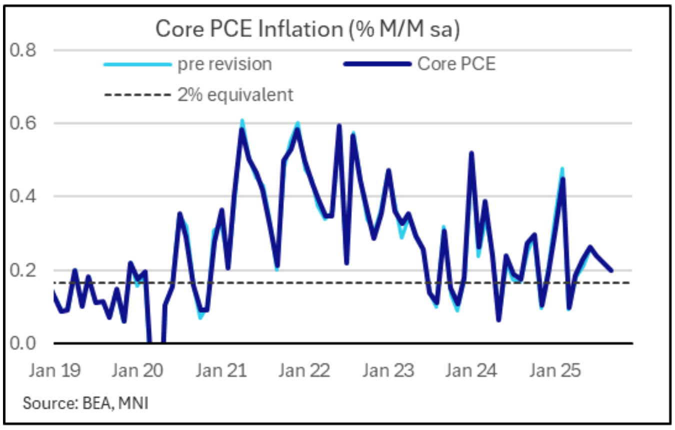


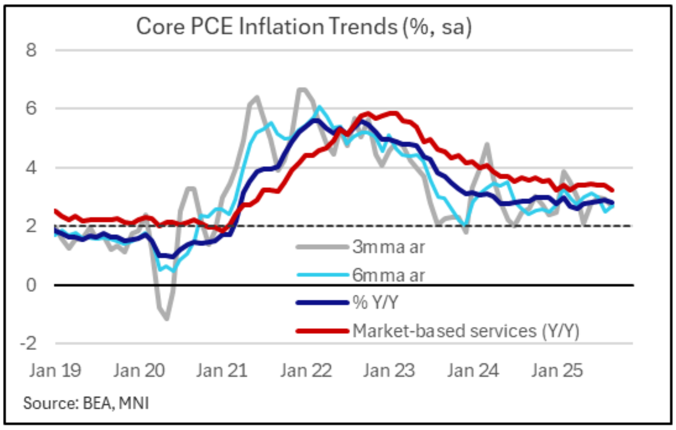
Inflation: Above Target But Not Accelerating Further

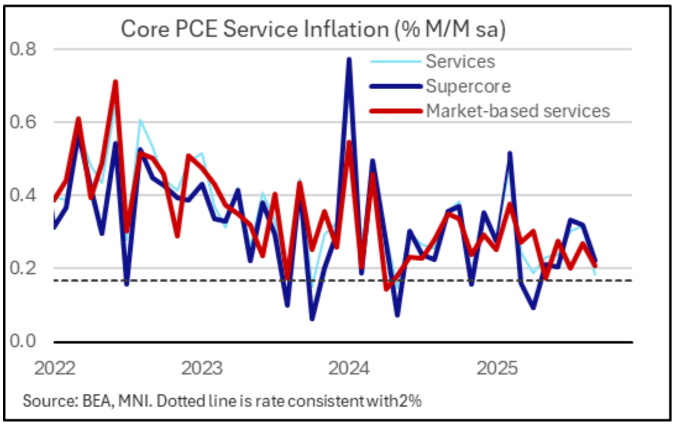
Core PCE Inflation On The Soft Side, FOMC Forecast More Likely To Be Lowered

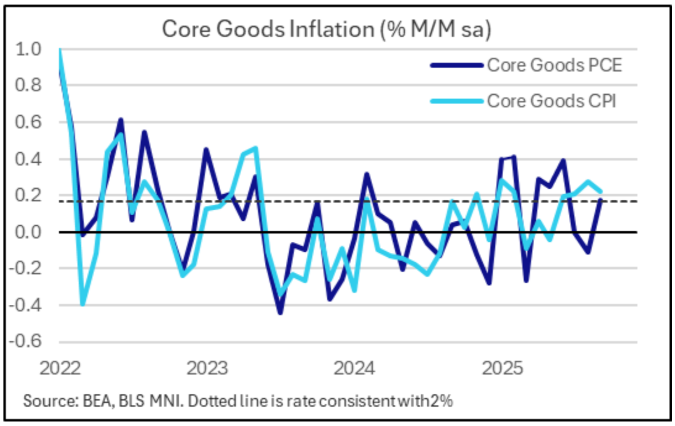
Monthly core PCE inflation was on the soft side in the delayed September report, sticking above a pace consistent with the 2% inflation target but again ruling out a sharper increase on tariff passthrough.

- Core PCE inflation came in at 0.20% M/M in September, at the low end of the 0.20-0.23 range we'd seen for unrounded estimates that had centered on a 0.22% print.
- Further, some expectations of a net upward revision to the prior two months weren't see, a marginal downward revision to Aug offsetting an equally small upward revision to Jul.
- It leaves core PCE inflation at 0.20% M/M after 0.22% in Aug and an average 0.24% through May-Jul, with the peak monthly rate for the post-tariff period being 0.26% M/M back in June.
- Monthly drivers came from core goods inflation firming to 0.18% M/M after -0.11% M/M whilst non-housing core services appears to have been behind the small miss as it was relatively subdued at 0.22% M/M (Nomura had estimated 0.26, MS 0.28) after two months averaging 0.33% M/M.
- Looking at broader trends, core PCE inflation eased to 2.83% Y/Y after the 2.90% in August was its highest since February, and more recent run rates eye some further moderation with both the three- and six-month averages at 2.7% annualized.
- With services an area of increased concern recently in previous signs of tariff spillover, we note that market-based services inflation eased to 3.2% Y/Y after five consecutive months at 3.4%. Highlighting its still elevated nature, this series averaged 2.2% in 2017-19.
- Core inflation therefore is still stubbornly above the 2% inflation target but it still looks increasingly likely we'll see downward revisions to the FOMC median core PCE forecast of 3.1% Y/Y in 4Q25 with next week's SEP.





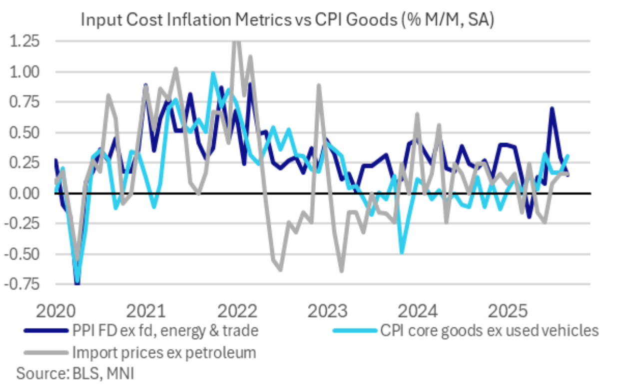


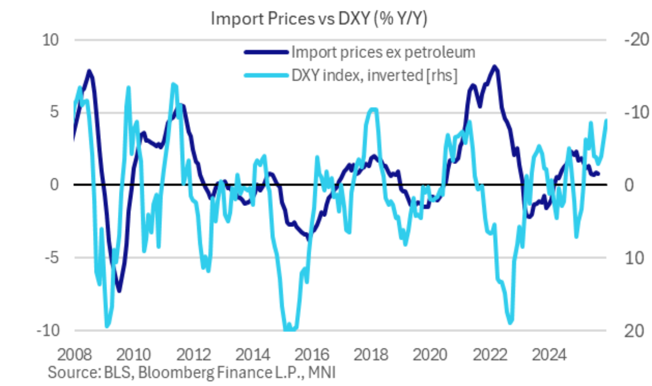


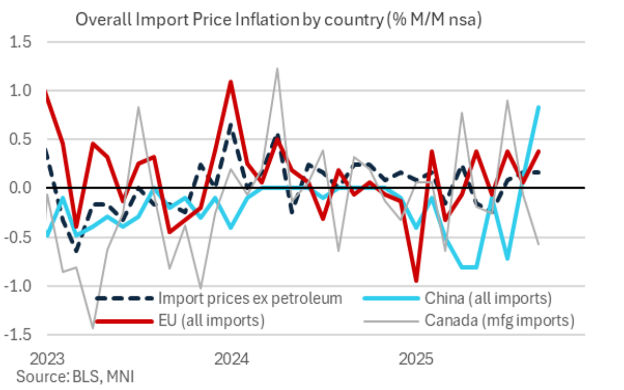
Ex-Oil Import Price Inflation Returns To More Typical Pace In Q3

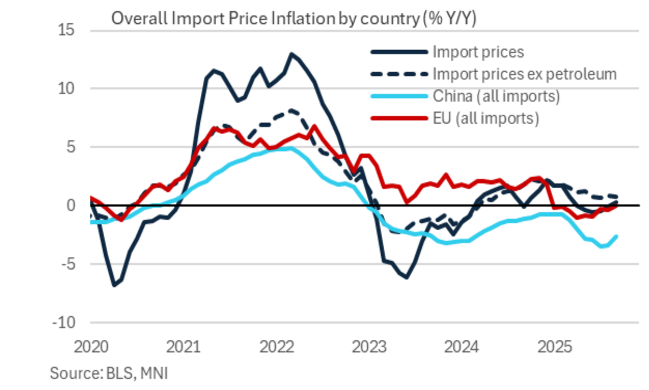
Headline import price inflation was softer than expected in September but our preferred ex-petroleum metric was on balance stronger and showed a return of continuation of more typical increases in Q3 after tariff-driven concessions in 1H25.

- Import prices inflation was softer than expected at 0.0% M/M (cons 0.1) in the shutdown-delayed September report. It also saw a downward revised 0.1% M/M in Aug vs an initial 0.3% but this was offset by upward revisions to Jul and Jun.
- More importantly, import prices ex petroleum increased a slightly stronger than expected 0.2% M/M (cons 0.1) after an unrevised 0.2% in Aug and upward revised 0.1% in Jul.
- It sees a return of somewhat more typical ex-oil import price inflation in Q3 after softer run rates in 1H25 were seen as foreign producers/exporters took some of the tariff burden (a reminder than import price data doesn't include tariffs). Specifically, 1H25 saw average import price inflation of 0.0% M/M after 0.2% M/M through 2024.
- Annual ex-oil import price inflation held within recent ranges meanwhile, at 0.8% Y/Y having been between 0.7-0.9% since June at its softest since May 2024.
- The country-level data for key trading partners, which are generally on an all import price basis, reveal mixed latest trends along with some sizeable downward revisions specifically to August.
- In particular, import prices from China increased 0.8% M/M in September, a strong rise albeit after a large downward revision to 0.1% M/M in Aug vs the 0.6% initially reported. Bearing in mind the scope for similarly sized revisions ahead, it currently shows a marked uptick from the -0.5% M/M averaged through Jan-Jul. For context, Chinese import price inflation averaged -0.1% M/M in 2024.
- Elsewhere, Canada saw the other more notable development, with manufactured import prices -0.6% M/M (to avoid the impacts from a large decline in oil prices) for their weakest since March on the initial escalation in US-Canada trade tensions.
- In trend terms, China import prices are -2.6% Y/Y, EU 0.1% Y/Y, Canada manufactured -0.2% Y/Y and Mexico manufactured 2.3% Y/Y.







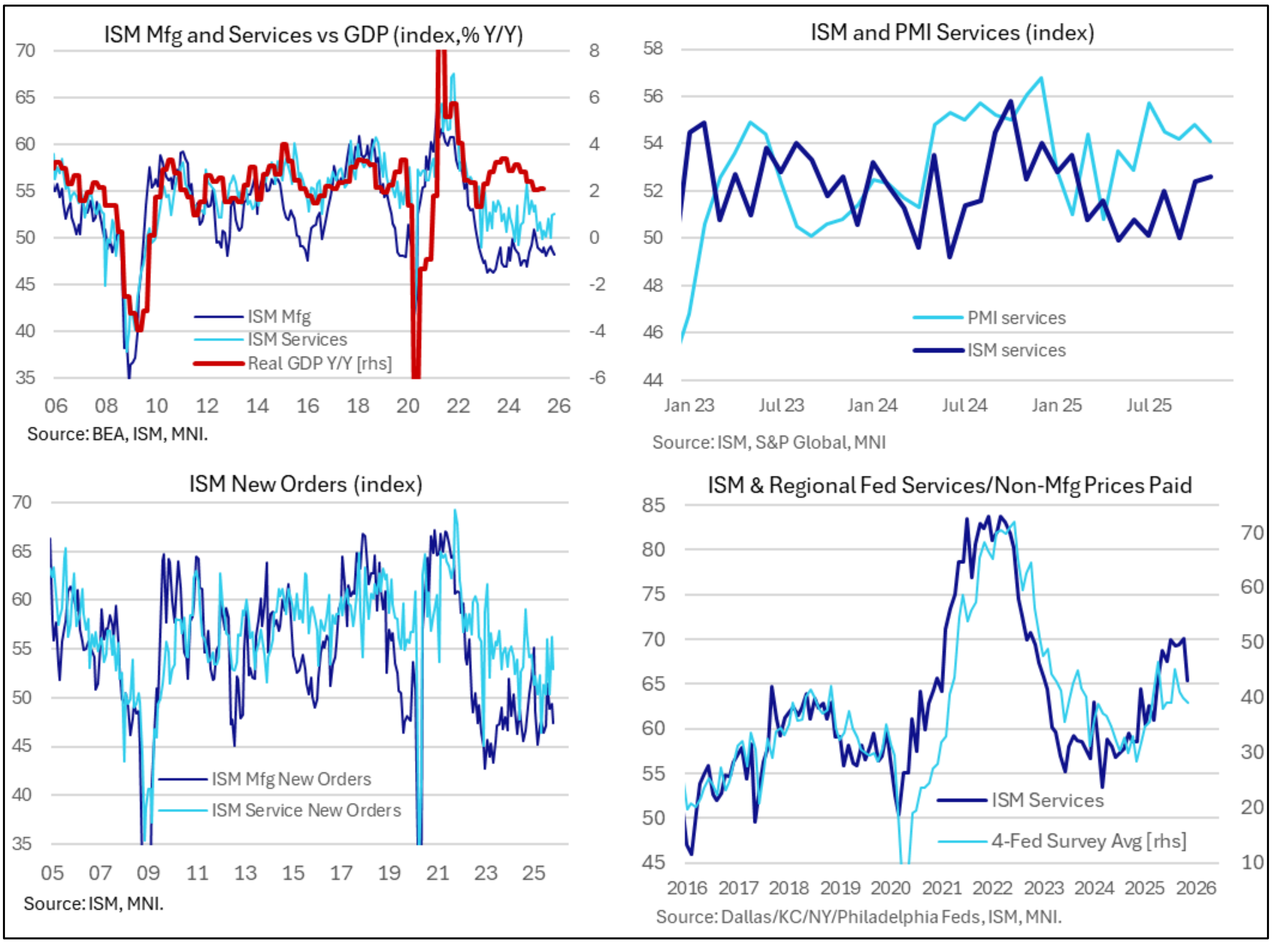


Business Sentiment: ISM Services Beats With Softer Details Whilst Manufacturing Dips

ISM Services Beat Countered By Declines In Some Key Components

The ISM services report was stronger than expected in November although saw some conflicting developments in the main components, with new orders and prices paid slipping but employment increasing to a six-month high (albeit still in contractionary territory).

- The ISM services index was stronger than expected in November as it inched higher to 52.6 (cons 52.0) after 52.4 in October, marking its highest since February.
- The S&P Global US services PMI continues to offer a more optimistic assessment of current activity despite being revised down in its final November release to 54.1. That said, the 1.5pt outperformance is the smallest gap since the ISM survey briefly overshot it in April.
- Twelve industries reported growth last month, led by retail trade, entertainment and recreation, and accommodation and food services. Five contracted, including construction.
- New orders fell 3.3pts to 52.9 after a twelve-month high of 56.2 in October, but it's hard to take a signal from here after some particularly volatile months where it's swung between 50 to 56 handles in each month since July.
- Orders are a clear area when the PMI report is more optimistic, noting "Activity was supported by the firmest rise in new work of 2025 so far, whilst confidence in the outlook strengthened following the end of the government shutdown and expectations of improved economic growth in the year ahead."
- Prices paid saw a more notable 4.6pt decline to 65.4 after the 70.0 in October poked above 69.9 in July for the highest since Oct 2022. It's the lowest since April but is still elevated historically, for instance following 58.7 in 2024 and 57.5 in 2019 for longer-term context).
- As noted beforehand, regional Fed service surveys pointed to downside risk for prices paid, as has been the case through 2H25, but the services PMI saw a sharp uptick in input cost inflation, even after a downward revision in the final S&P Global release just before the ISM release.
- The employment index meanwhile logged a fourth consecutive monthly increase to 48.9 (+0.7pts), still in contractionary territory but a six-month high.



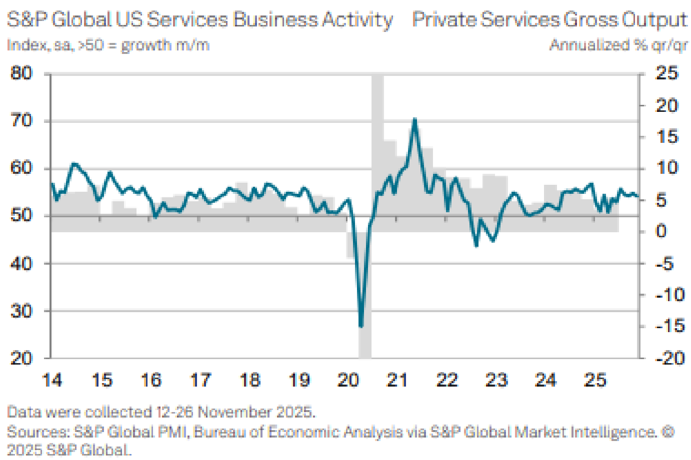
Services PMI Revised Lower But Still Solid In Final November Release

The S&P Global US services PMI was revised lower in the final November release, dipping to its lowest since June rather than confirming what had been its highest since July. Along with this downward revision, input cost inflation was also trimmed somewhat from the highest since Jan 2023 in the flash to today's six-month high.

- US Services PMI: 54.1 (flash & cons 55.0) in Nov final after 54.8 in Oct
- US Composite PMI: 54.2 (flash 54.8) in Nov final after 54.6 in Oct

S&P Global US PMI press release opening highlights (release in full, [here]):

- "The US private sector services economy continued to expand at a solid pace in November, despite growth softening to a five-month low, according to the latest PMI survey data from S&P Global."
- "Activity was supported by the firmest rise in new work of 2025 so far, whilst confidence in the outlook strengthened following the end of the government shutdown and expectations of improved economic growth in the year ahead."
- "Firms also took on additional staff to a stronger degree amid some evidence of capacity pressures, but with reports of higher labor costs and tariffs continuing to push up prices in general, input cost inflation accelerated to a six-month high."

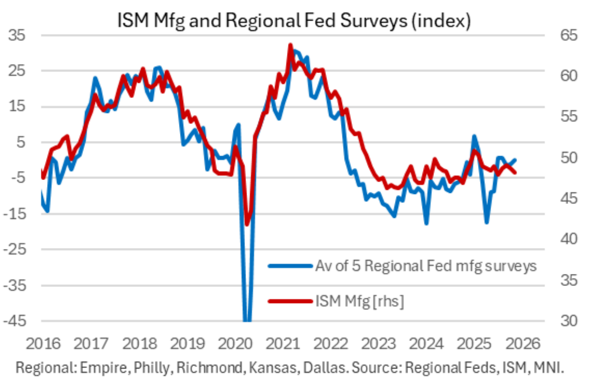


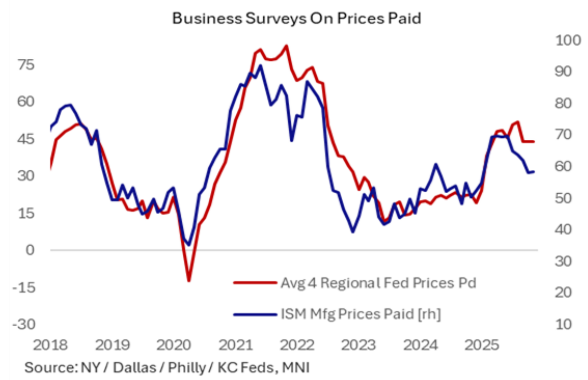
ISM Manufacturing Back At Low End Of Recent Range, New Orders Slip Further

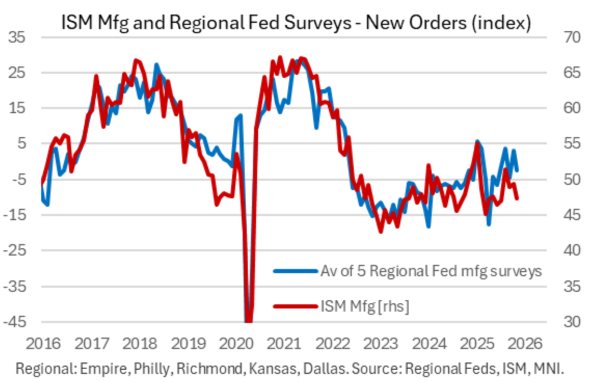
The ISM manufacturing survey for November saw its overall index surprise a little to the downside although it kept to narrow ranges and was within the range of outcomes implied by alternative indicators. We weren't surprised by the latest weakness in new orders in a finding that points to further weakness more broadly ahead, although thought that prices paid might have seen a larger beat than they did.

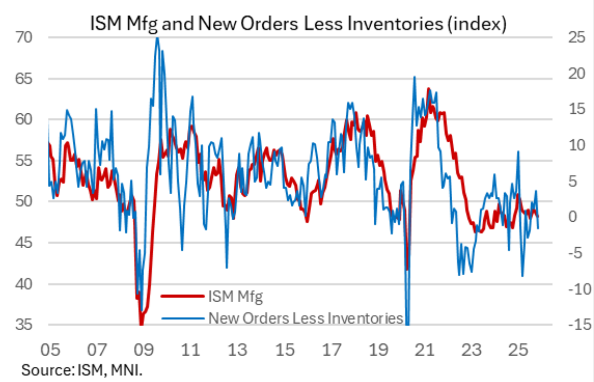
- ISM manufacturing: 48.2 (cons 49.0) in November after 48.7 in October.
- Prices paid: 58.5 (cons 57.5, 7 responses) in Nov after 58.0 in Oct.
- New orders: 47.4 in Nov after 49.4 in Oct.
- Employment: 44.0 in Nov after 46.0 in Oct.

- The ISM manufacturing index was lower than expected in November as it fell 0.5pts to 48.2 vs expectations of some stabilization.
- It's back at the low end a narrow range of 48.0-49.1 since March, having eased back after Jan & Feb saw the first months above 50 (i.e. expansionary) since late 2022 including a high of 50.9 in Jan.
- As noted earlier, alternative indicators had been mixed so this small miss shouldn't be a notable surprise: regional Fed surveys had pointed to mild upside risk, the S&P Global US PMI suggested downside risk from a momentum perspective but was still much more optimistic in level terms, and the MNI Chicago PMI pointed to firm downside risk after it slid sharply last week.
- New orders weakness (-2pts to 47.4 for lowest since July) was less of a surprise to us with what had been more uniform downside risk. The MNI Chicago PMI again led the downside risk here, seeing its largest one-month decline since Sep 2023 in last week's November survey.
- The downside of new orders falling and inventories rising firmly is that the new order less inventories metric fell from 3.6 to -1.5 for its lowest since July, pointing to further weakness in the overall index ahead.
- The employment index at 44.0 (-2pts) is its lowest since some depressed readings in Jul-Aug but makes up only ~10% of payrolled employment.
- On the pricing side, we're actually a little surprised there wasn't a larger beat here, as we'd flagged stronger relative levels for regional Fed surveys along with a strong bounce in the MNI Chicago PMI series. The S&P Global PMI had however noted input price inflation cooled to the lowest since February in the flash release, a finding that looked to hold in the final survey released shortly ahead of the ISM report.







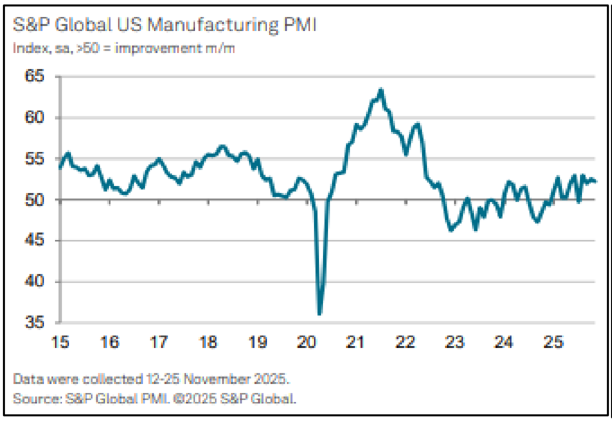


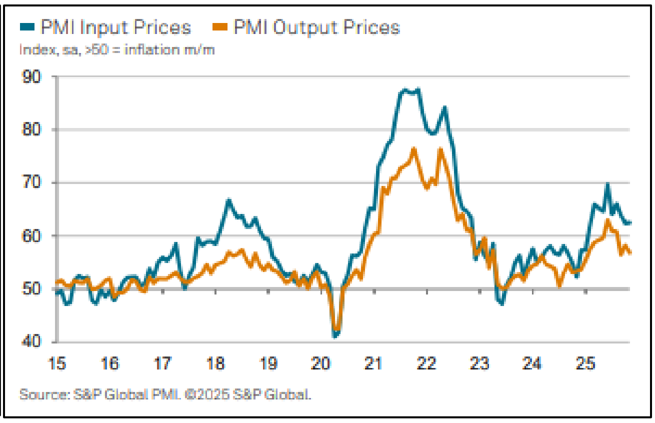
Manufacturing PMI Revised Up In Final Nov Print But Still Dips On The Month

The S&P Global US manufacturing PMI was revised up to 52.2 in the final November report vs 51.9 in the flash, although it still dips from 52.5 in October. The press release (link) notes some mixed findings with a "solid rise in production" but also a "considerable slowdown" in demand growth.

Opening highlights from the press release:

- "Operating conditions in the US manufacturing sector improved for a fourth successive month in November. A solid rise in production and a further increase in employment was reported as confidence in the outlook strengthened.
- "However, current sector performance was limited by a considerable slowdown in demand growth, in part due to weak sales, which in turn contributed to an unprecedented rise in stock of finished goods for a second month in a row."
- "Inflationary pressures meanwhile remained historically elevated. Tariffs were again frequently mentioned by panelists as having driven input costs higher, although the degree of pass through by manufacturers was weaker than in November with selling price inflation amongst the lowest of the year so far amid intense competition and weak demand."



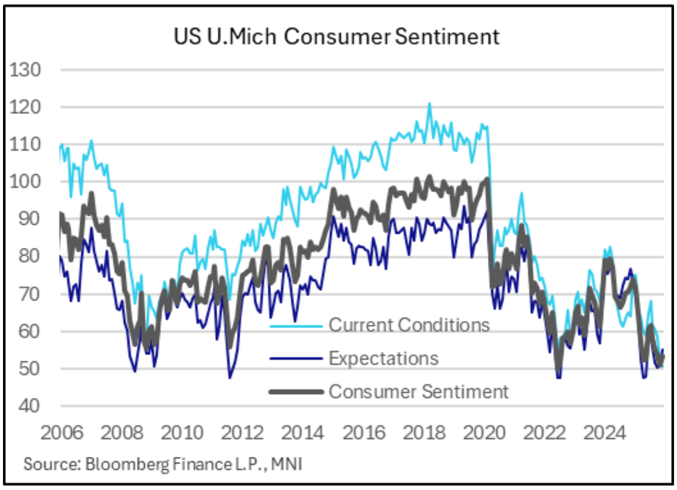


Consumer Sentiment: Current Conditions Extend To Fresh Series Low

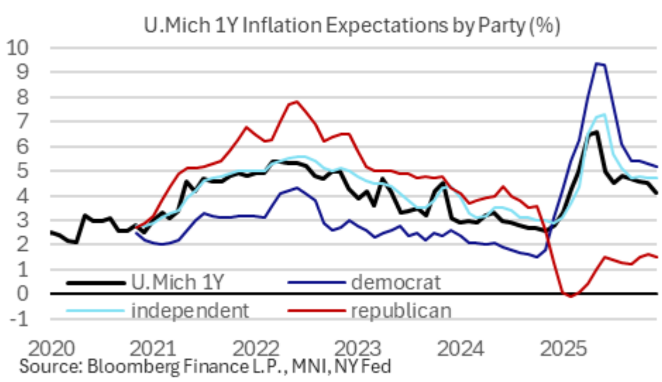
U.Mich Consumer Sentiment Improves But Conditions See Fresh Series Low

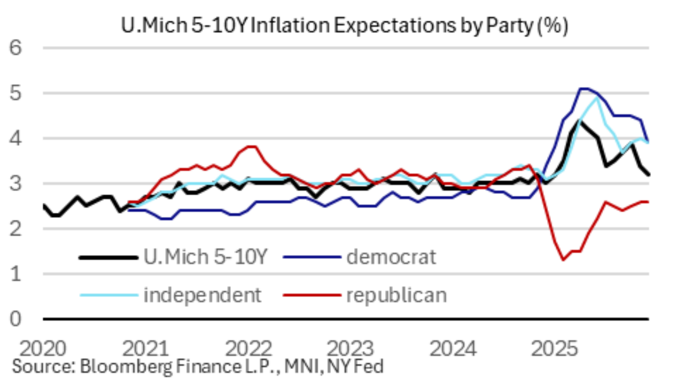
U.Mich consumer sentiment was higher than expected in the preliminary December release, as better expectations offset disappointing current conditions. It was supported by lower inflation expectations but we continue to caution reading too much into these preliminary results.

- Consumer sentiment increased to 53.3 in December (cons 52.0) from 51.0 after what had been its lowest since Jun 2022 which in turn was the lowest on record.
- Current conditions fell further to 50.7 (cons 52.1) from 51.1 for a fresh series low, whilst expectations increased 4pts to 55.0 (cons 52.7).
- From the press release on improved expectations: "Still, December's reading on expected personal finances is nearly 12% below the beginning of the year. Similarly, labor market expectations improved a touch but remained relatively dismal. Consumers see modest improvements from November on a few dimensions, but the overall tenor of views is broadly somber, as consumers continue to cite the burden of high prices."



- 1Y inflation expectations surprisingly dipped from 4.5% to 4.1% and 5-10Y inflation expectations dipped from 3.4% to 3.2%, both their lowest since January.
- However, with 517 responses in the preliminary survey period, we imagine there will be more than double this come the full release on Dec 19 and results have recently appeared susceptible to when people of differing political affiliation have responded.



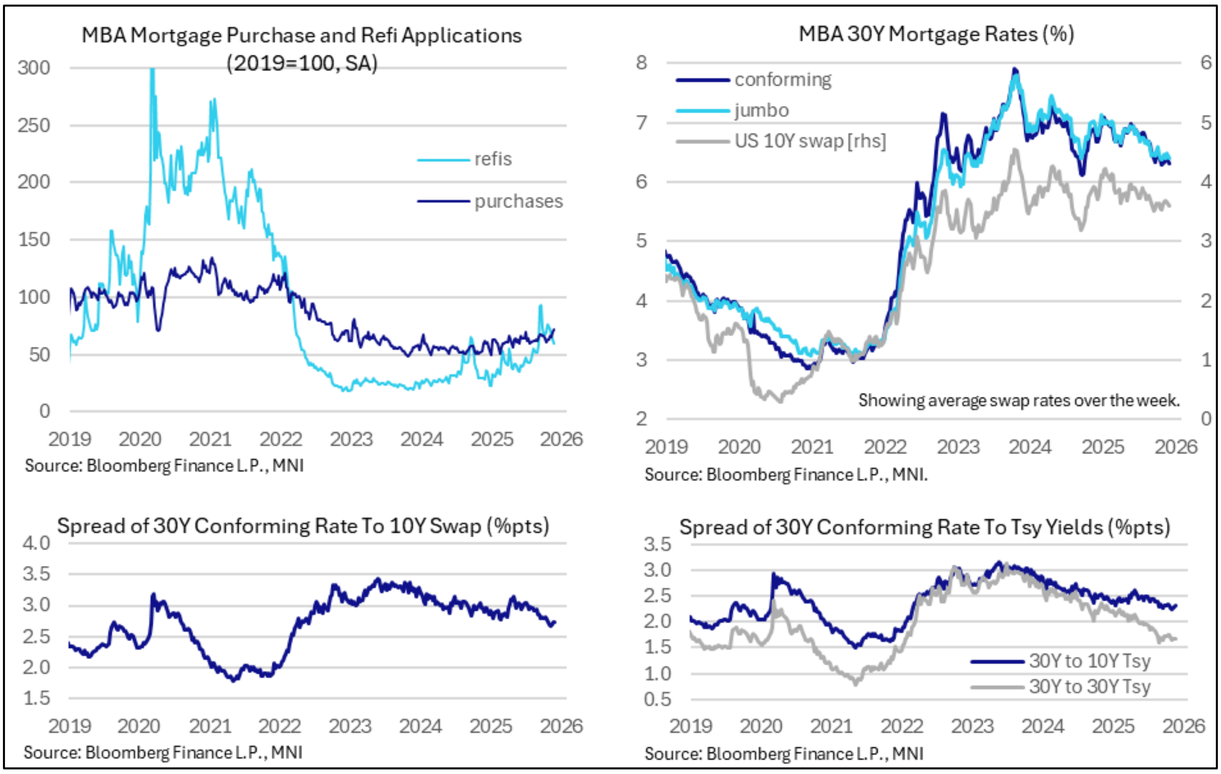


Housing & Financing: Mortgage Applications Imply Cautious Optimism For Home Sales

New Purchase Mortgage Applications See Fresh High Since Early 2023

New purchase mortgage applications extended their recent push higher in contrast to a further rolling over in refi activity, offering scope that recent cautious optimism for existing home sales might have continued in the near-term.

- MBA composite applications fell -1.4% (sa) last week after 0.2%, essentially two weeks of little change for the volatile series, but new purchases again outperformed refis in another update where the details are more interesting than the headline suggests.
- New purchase applications increased 2.5% last week after 7.6% the week prior, maintaining their highest level since Feb 2023 after what is now an 18% increase since mid-Oct.
- In contrast, refi applications fell -4.4% after -5.7% and are down a cumulative 14% over the same period since mid-Oct for their lowest level since early September.
- Putting these moves into context, composite applications are at 65% of 2019 levels, new purchases still only at 72% and refis at 60%.
- The refi drop was a little more surprising in light of an 8bp decline in the 30Y mortgage rate in a move that mostly offset a 10bp increase over the previous four weeks.
- Mortgage swap spreads were little changed on the week having recently widened slightly but still at low levels by recent standards. The spread to 10Y swap rates held at 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 more cautious lending standards.


MBA Mortgage Purchase and Refi Applications (2019=100, SA)
refis
purchases
300
250
200
150
100
50
0
2019 2020 2021 2022 2023 2024 2025 2026
Source: Bloomberg Finance L.P., MNI
MBA 30Y Mortgage Rates (%)
conforming
jumbo
US 10Y swap [rhs]
Showing average swap rates over the week.
8 7 6 5 4 3 2
6 5 4 3 2 1 0
2019 2020 2021 2022 2023 2024 2025 2026
Source: Bloomberg Finance L.P., MNI.
Spread of 30Y Conforming Rate To 10Y Swap (%pts)
4.0 3.5 3.0 2.5 2.0 1.5
2019 2020 2021 2022 2023 2024 2025 2026
Source: Bloomberg Finance L.P., MNI
Spread of 30Y Conforming Rate To Tsy Yields (%pts)
30Y to 10Y Tsy
30Y to 30Y Tsy
3.5 3.0 2.5 2.0 1.5 1.0 0.5
2019 2020 2021 2022 2023 2024 2025 2026
Source: Bloomberg Finance L.P., MNI

Fed Personnel Considerations:

- Trump said on Sunday that he has chosen his Fed Chair pick.
- This had been expected to be announced before Christmas, but Trump now says it's probably early next year.
- The likelihood of NEC's Hassett being made Fed Chair has climbed further this week with Trump explicitly referencing him as the potential Fed Chair, although reports of Wall Street pushback has dented these odds to 72% at typing.
- Bessent touts rule that regional Fed presidents must have been living in their respective district for three years, coming ahead of renewals of five-year terms in February 2026. Hassett supports this.

Hassett Backs Bessent On Regional President Change With Feb Renewal Eyed (Dec 5)

- "*HASSETT: NOT DISCUSSED FED PRESIDENTS ISSUE WITH TRUMP
- *HASSETT: I BACK BESSENT'S VIEW ON FED RESERVE BANK PRESIDENTS
- *HASSETT: NOT DISCUSSED DERAILING APPROVAL OF PRESIDENTS IN FEB." - bbg

Hassett appears cautious on publicly discussing any attempts to "derail" these picks at this stage.

Bessent to Push New Residency Rule for Regional Fed Heads – Bloomberg (Dec 3)

Bloomberg reports (link) Treasury Secretary Scott Bessent will push for a new rule that candidates for regional Federal Reserve presidents must have lived in that district for at least three years. It should be viewed in the context of the upcoming renewal of regional Fed presidents' five-year terms in February 2026. From the Bloomberg report:

- The Treasury chief repeated a claim he made last week that three current Fed presidents don't meet his criteria.
- "So I am going to start advocating going forward, not retroactively, that regional Fed presidents must have lived in their district for at least three years".
- The new rule may need congressional approval, or could be implemented by the Fed chair and the board, Bessent said.

Bessent Under Discussion to Also Lead National Economic Council (Dec 3)

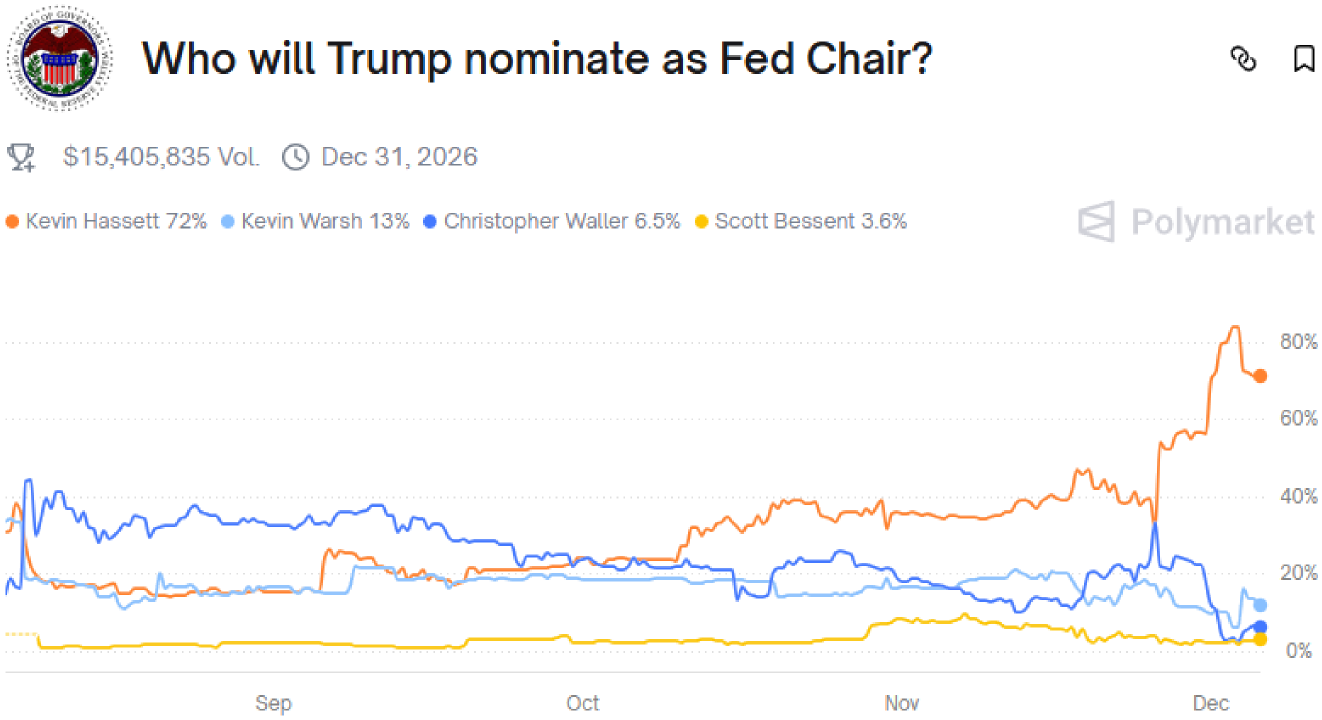
Adding this in the context of Hassett's perceived likelihood of being made Fed chair, Bloomberg reports (link) that "Donald Trump's aides and allies are discussing the possibility of making Treasury Secretary Scott Bessent the top White House economic adviser — in addition to his current job — should the president pick Kevin Hassett as the next chair of the Federal Reserve, according to people familiar with the matter."

FT Echoes Fox's Gasparino On Wall Street Warnings Of Hassett As Fed Chair (Dec 3)

- The FT has run a report saying bond investors warned US Treasury over picking Kevin Hassett as Fed chair in November.
- It builds on reporting from Fox Business' Gasparino earlier saying there has been a last ditch effort by Wall Street and corporate America insiders to caution Trump on Hassett (as we noted in US: Wall Street Cautions Trump Against Hassett As Fed Chair – Gasparino at 1124ET).
- Of course, Trump has since explicitly floated the idea of Hassett as Fed Chair in remarks yesterday which has seen Hassett currently at 81% likelihood of being Trump's pick on Polymarket.

See the FT report in full, here: https://www.ft.com/content/ad4bfd8b-a0f8-4f9e-a234-eed589e3d0ab

- Two short excerpts: "Bond investors have told the US Treasury they are concerned about Kevin Hassett's potential appointment as Federal Reserve chair, worrying he will cut interest rates aggressively to please President Donald Trump.
- The Treasury department solicited feedback on Hassett and other candidates in one-on-one conversations with executives at major Wall Street banks, asset management giants and other big players in the US debt market, according to several people familiar with the conversations."



STIR: December Cut Seen As Locked In But Hawkish Shift Further Out

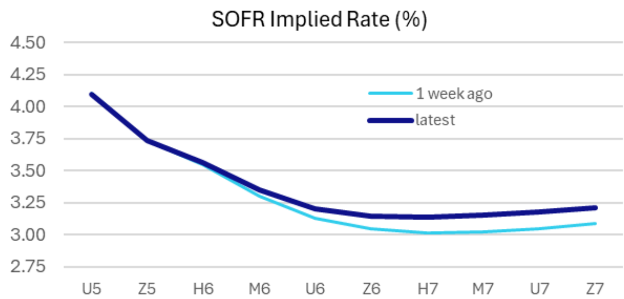
FOMC-dated Fed Funds futures implied rates

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	3.89			3.88				3.88			
Dec'25	3.66	-23.1	-23.1	3.78	-10	-10.1	*-12.0*	3.82	-6	-6	*-15.9*
Jan'26	3.59	-7.1	-30.2	3.64	-14	-24.2	*-5.0*	3.68	-14	-20	*-9.4*
Mar'26	3.51	-7.8	-38.0	3.53	-11	-34.9	*-2.1*	3.59	-9	-29	*-8.2*
Apr'26	3.45	-6.3	-44.3	3.44	-9	-44.2	*0.9*	3.52	-7	-36	*-7.6*
Jun'26	3.32	-12.8	-57.1	3.28	-16	-60.5	*4.4*	3.37	-16	-52	*-4.6*

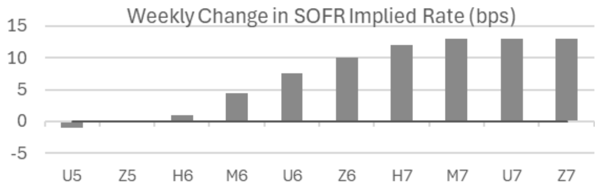
Source: Bloomberg Finance L.P., MNI.

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

Weekly changes:



Source: Bloomberg Finance L.P., MNI.



The US Macro Week Ahead: FOMC In The Spotlight

Next week's US calendar is dominated by the FOMC decision on Wednesday, with a third consecutive 25bp cut almost fully priced. Expect it to be a contentious meeting however, with many arguing for a pause not least whilst they're still relatively in the dark on key official data releases following the government shutdown. Fed Chair Powell opted for a surprisingly hawkish tone at the late October press conference, highlighting a deeply divided committee on prospects for another cut in December. The "fog" had appeared to win out until NY Fed's Williams, a senior permanent voter, gave unusually explicit guidance on still seeing room "for a further adjustment in the near term". With no pushback from FOMC members or media briefings, it appears this message has approval from the core of the FOMC which should be enough to see a rate cut this month. The likely catalyst was the further increase in the unemployment rate to 4.44% back in September, although subsequent tracking suggests stabilization and jobless claims data don't show any signs of deterioration. We'll be looking for the number of hawkish dissents (we'd be surprised if anyone joins Miran dissenting for a 50bp cut) and expect a greater number to object to a cut in the 2025 dot plot, whilst the distribution of dots for 2026 should be in greater focus. As for the economic projections, we expect upward revisions to GDP growth but downward revisions to near-term core PCE inflation with tariff passthrough proving less severe than previously feared.

Upcoming Data Calendar

mni

Post-shutdown catch-up
Regular release schedule
Weekly indicator

Mon, Dec 08	11:00	NY Fed Consumer Survey	NY Fed	Nov
Tue, Dec 09	06:00	NFIB Small Business Optimism	NFIB	Nov
Tue, Dec 09	08:15	ADP NER Pulse	ADP	
Tue, Dec 09	08:55	Redbook Retail Sales	Johnson Redbook	
Tue, Dec 09	10:00	JOLTS	BLS	Oct (incl Sep)
Tue, Dec 09	10:00	KC Fed LMCI	Kansas City Fed	Nov
Wed, Dec 10	07:00	Mortgage Applications	MBA	Nov 28
Wed, Dec 10	08:30	Employment Cost Index	BLS	Q3
Wed, Dec 10	14:00	Monthly Treasury Statement	Treasury	Nov
Thu, Dec 11	08:30	Jobless Claims	BLS (Dept of Labor)	Dec 6 / Nov 29
Thu, Dec 11	08:30	International Trade	Census Bureau (Dept of Commerce)	Sep
Thu, Dec 11	10:00	Wholesale sales/inventories	Census Bureau (Dept of Commerce)	Sep/Sep F
Thu, Dec 11	10:00	State Labor Data	BLS	Sep
Thu, Dec 11	11:30	Dallas Fed Weekly Economic Index	Dallas Fed	Nov 22
Thu, Dec 11	12:00	Household Net Worth	Federal Reserve	Q3
Fri, Dec 12	10:00	Business Formation Statistics	Census Bureau (Dept of Commerce)	Sep-Nov

The following week sees a return of top tier data releases with November reports for both NFP (Dec 16) and CPI (Dec 18)