WEEKLY ECONOMIC UPDATE

Summary

Stocks fell last week as volatility and uncertainty over the future of rate cuts put pressure on investors. Treasury yields declined across the board, reflecting risk off sentiment amid rising concerns about slowing economic growth. Payroll employment was stronger than expected, increasing 119,000 in September; however, the unemployment rate ticked up to 4.4%, suggesting that although the labor market remained steady, signs of weakness are emerging. The final University of Michigan consumer sentiment index for November checked in at 51.0, up from the preliminary reading of 50.3, but below October's final reading of 53.6 and significantly below last year's November reading of 71.8. Inflation expectations remained flat month-over-month at 4.6%. Although the government shutdown has ended, some data for the month of October will not be recovered.

The *Weekly Economic Update* will not be produced next week and will resume on December 8, 2025.Have a wonderful Thanksgiving.

Last Week: Indicator	Number Reported	Consensus Expectation*	Comment
Construction Spending (Aug – Mon 10:00)	0.2%	0.1%	
Import Prices (Oct – Tue 08:30)	--	NA	N/A due to government shut down
Import Prices ex-oil (Oct – Tue 08:30)	--	NA	N/A due to government shut down
Export Prices (Oct – Tue 08:30)	--	NA	N/A due to government shut down
Export Prices ex-ag. (Oct – Tue 08:30)	--	NA	N/A due to government shut down
Industrial Production (Oct – Tue 09:15)	--	0.1%	N/A due to government shut down
Capacity Utilization (Oct – Tue 09:15)	--	77.5%	N/A due to government shut down
Factory Orders (Aug – Tue 10:00)	1.4%	0.8%	
Housing Starts (Oct – Wed 08:30)	--	1340K	N/A due to government shut down
Trade Balance (Aug – Wed 08:30)	-$59.6B	-$61.0B	
Building Permits (Oct – Wed 08:30)	--	1355K	N/A due to government shut down
Nonfarm Payrolls (Sep – Thu 08:30)	119K	50K	
Nonfarm Private Payrolls (Sep – Thu 08:30)	97K	58K	
Unemployment Rate (Sep – Thu 08:30)	4.4%	4.3%	
Avg. Hourly Earnings (Sep – Thu 08:30)	0.2%	0.3%	
Average Workweek (Sep – Thu 08:30)	34.2	34.3	
Initial Claims (11/15 – Thu 08:30)	220K	NA	
Continuing Claims (11/08 – Thu 08:30)	1974K	NA	
Existing Home Sales (Oct – Thu 10:00)	4.10M	4.08M	
Leading Indicators (Oct – Thu 10:00)	--	NA	N/A due to government shut down
U. of Michigan Consumer Sentiment - Final (Nov – Fri 10:00)	51.0	50.3	
Wholesale Inventories (Aug – Fri 10:00)	0.0%	-0.2%	

Next Week: Indicator	Consensus Expectation*	Prior	Comment
PPI (Sep – Tue 08:30)	0.3%	-0.1%	Core PPI (prior): -0.1%
Retail Sales (Sep – Tue 08:30)	0.4%	0.6%	Retail sales ex-auto (prior): 0.7%
Consumer Confidence (Nov – Tue 10:00)	93.3	94.6	
Pending Home Sales (Oct – Tue 10:00)	0.0%	0.0%	
Initial Claims (11/22 – Wed 08:30)	225K	220K	
Continuing Claims (11/15 – Wed 08:30)	NA	1974K	
Durable Orders (Sep – Wed 08:30)	0.3%	2.9%	Durable Goods ex-trans (prior): 0.4%
GDP - Second Estimate (Q3 – Wed 08:30)	NA	NA	
GDP Deflator - Second Estimate (Q3 – Wed 08:30)	NA	NA	
Personal Income (Oct – Wed 08:30)	NA	NA	
Personal Spending (Oct – Wed 08:30)	NA	NA	
PCE Prices (Oct – Wed 08:30)	NA	NA	
PCE Prices - Core (Oct – Wed 08:30)	NA	NA	
New Home Sales (Oct – Wed 10:00)	NA	NA	

**Sources: www.briefing.com and www.federalreserve.gov*

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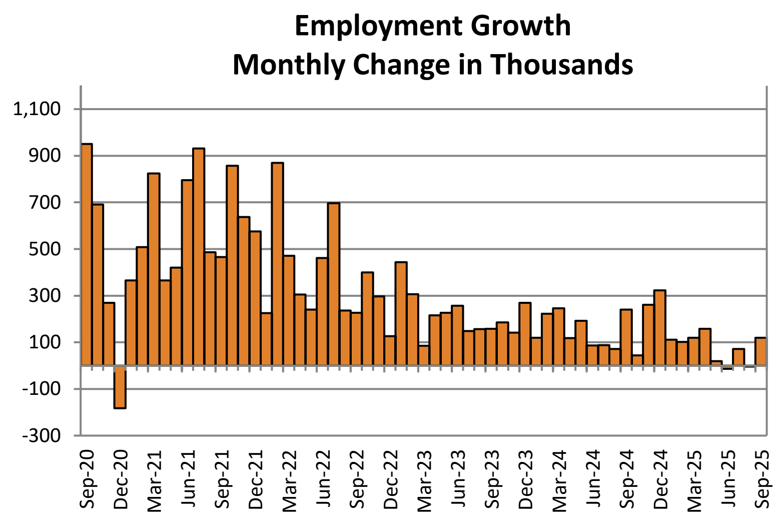
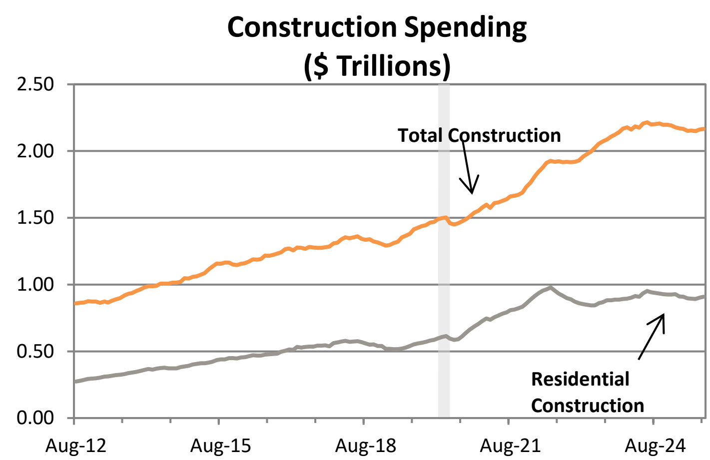
Economic Review

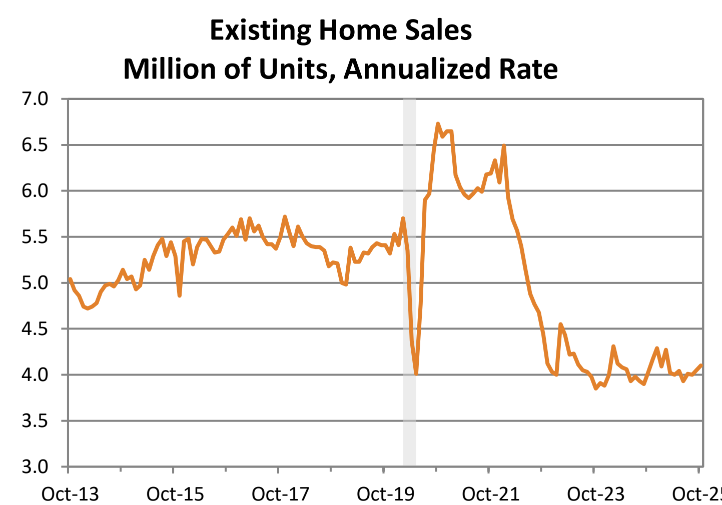
The EMPLOYMENT REPORT for September was released last week, delayed due to the federal shutdown. The October employment report is cancelled; some October data will be released in the November report, but it will be incomplete. Nonfarm payrolls rose 119,000, an improvement from the revised 4,000 decline in August. The September unemployment rate ticked up to 4.4% from 4.3% the previous month, reaching the highest rate since October 2021. Those unemployed for 27 weeks or longer dropped from 25.7% to 23.6% in September, indicating that unemployed may be finding employment more quickly than the previous month. The broader U6 unemployment rate, which accounts for underemployed and unemployed workers, decreased slightly in September to 8.0%. The labor force participation rate increased to 62.4%. Wage pressures softened: average hourly earnings rose just 0.2%, keeping year-over-year growth at 3.8%, and the average workweek held at 34.2 hours.

CONSTRUCTION SPENDING rose modestly in August, increasing 0.2%, slightly above expectations, following a 0.2% increase in July. The improvement was driven entirely by private construction which increased 0.3% month-over-month; public construction was flat. On a year-over-year basis, construction spending decreased 1.6%. Residential spending increased 0.8% in August, while nonresidential spending fell 0.2%. Residential spending was driven by multi-family construction (0.8%); single-family construction slipped 0.4%. Private nonresidential outlays fell 0.3%, weighed down by a 1.0% drop in manufacturing structures.

EXISTING HOME SALES increased 1.2% in October to a 4.10 million annual rate, marking a second straight monthly increase and a modest improvement from September. Sales were 1.7% higher than a year earlier, supported in part by further easing in mortgage rates. Prices continued to firm; the median existing home price rose 2.1% year-over-year to $415,200, the 28th consecutive annual gain, with single-family prices up 2.2%. Inventory tightened slightly, with 1.52 million homes for sale (-0.7% from September), though supply remained 10.9% above last year. Months' supply dipped to 4.4, still short of the approximately 6 months associated with a balanced market. First-time buyers increased their share to 32%, the highest in several months, while all-cash purchases eased to 29%.







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Fed Speeches

In remarks at the Bank Policy Institute and the Small Business & Entrepreneurship Council, Governor Stephen Miran argued that the structure of post-crisis banking regulation has become a central driver of the Federal Reserve's balance sheet and, in turn, of monetary policy implementation. He warned that today's rules have accidentally forced the Fed to keep a much bigger, less flexible balance sheet by pushing banks to hold more reserves and making it harder for them to handle Treasury market activity. As a result, the FOMC has less freedom to run monetary policy the way it intends.

Miran explained that the Fed's balance sheet has become large because of the way banking rules are set up. These rules tell banks they must hold a lot of very safe assets, like reserves at the Fed or Treasury securities; but at the same time, other regulations make it costly for banks to hold those same assets. The result is a distorted environment where monetary policy tools, including balance sheet reductions and interest on reserve balances, are shaped more by regulation than by macroeconomic conditions. He says,

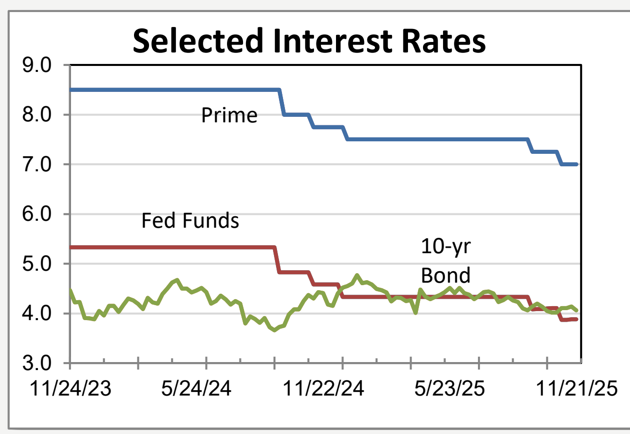
> *"For all the talk about fiscal dominance of monetary policy, the reality is that the size of the balance sheet is a result of regulatory dominance."*

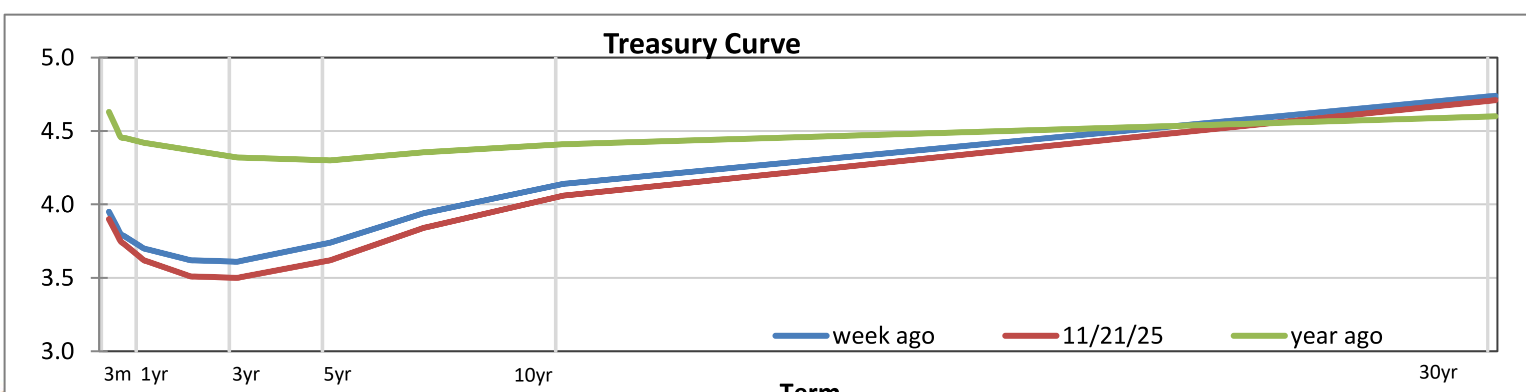
He stressed that debates over the optimal size of the balance sheet can't be resolved until the regulatory framework is re-aligned. He thinks the Fed should be targeting the smallest footprint consistent with effective policy transmission, which means reducing structural reserve demand by improving regulatory design.

Ultimately, Miran urged policymakers to recognize that durable monetary policy independence requires a regulatory framework that does not inadvertently dictate the Fed's operating regime. Updating this framework is essential for ensuring the Fed can execute policy with clarity, credibility, and precision.

Financial Markets

Equity markets declined last week, with all three major indices moving lower as investors digested a combination of mixed labor data, slowing consumer activity, and renewed worries of a softening economy. The DJIA and S&P 500 both fell 1.9%, while the NASDAQ dropped 2.7%, reflecting continued pressure on high-valuation technology stocks. Treasury yields fell across all maturities, with the sharpest declines concentrated in the two- and five-year note yields. This severe drop could imply rising expectations of a rate drop in early 2026, if economic indicators continue to soften. Longer-term yields also moved lower suggesting that while inflation expectation remain contained, investors are increasingly focused on weakening economic growth. Commodity movements reinforce this concern, with the CRB index, which tracks a basket of commodities, falling 2.2% week-over-week, signaling softer global demand. The 30-year conventional mortgage rate continued its slow upward climb, now at 6.26% but still significantly lower than levels during the summer. After previously stabilizing, oil prices have again begun to decline, with the price per barrel falling 3.4% in one week, although it remains higher than the price a month ago.





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Interest Rate Forecast*

During the Fed's October policy meeting, the Federal Open Market Committee (FOMC) lowered the federal funds target rate to 3.75% to 4.00%. In the statement released following the meeting, the FOMC stated, “In support of its goals and in light of the shift in the balance of risks, the Committee decided to lower the target range for the federal funds rate by 1/4 percentage point to 3-3/4 to 4 percent. In considering additional adjustments to the target range for the federal funds rate, the Committee will carefully assess incoming data, the evolving outlook, and the balance of risks. The Committee decided to conclude the reduction of its aggregate securities holdings on December 1.”

Avg. for:	Prime	Fed Funds	SOFR	6-Mo. T-Bill	2-Yr. Note	10-Yr. Treasury	30-Yr Bond	30-Yr Mortgage
4th Qtr ‘25	7.06	3.93	3.96	3.73	3.46	4.00	4.55	6.18
1st Qtr	6.75	3.63	3.64	3.57	3.42	3.89	4.33	6.02
2nd Qtr	6.59	3.46	3.47	3.48	3.41	3.82	4.25	5.93
3rd Qtr	6.42	3.29	3.30	3.35	3.36	3.75	4.19	5.84
4th Qtr ‘26	6.25	3.13	3.14	3.19	3.28	3.68	4.13	5.74

November 2025

FINANCIAL MARKET SUMMARY

	As of 11/21/2025	As of 11/14/2025	Weekly Change	4-Week Change	13-Week Change
MONEY MARKETS (Changes in BPs)					
Prime	7.00	7.00	0	(25)	(50)
Secured Overnight Financing Rate (SOFR)		4.00			
Fed Funds (Wed close)	3.88	3.88	0	(23)	(45)
TREASURIES (BE) (Changes in BPs)					
3 Months	3.90	3.95	(5)	(3)	(37)
6 Months	3.75	3.80	(5)	(1)	(33)
1 Year	3.62	3.70	(8)	4	(25)
2 Years	3.51	3.62	(11)	3	(17)
5 Years	3.62	3.74	(12)	1	(14)
10 Years	4.06	4.14	(8)	4	(20)
30 Years	4.71	4.74	(3)	12	(17)
MUNICIPALS- AAA G.O. & Mortgage (Changes in BPs)					
2-Year Muni	2.48	2.48	0	3	26
5-Year Muni	2.41	2.39	2	5	2
10-Year Muni	2.74	2.72	2	38	(48)
30-Year Muni	4.11	4.10	1	2	(55)
30-Year Conventional Mortgage	6.26	6.24	2	(1)	(32)
MARKET INDICATORS (Changes in %)					
DJIA	46,245.41	47,147.48	(1.9)	(2.0)	1.3
S&P 500	6,602.99	6,734.11	(1.9)	(2.8)	2.1
NASDAQ	22,273.08	22,900.59	(2.7)	(4.0)	3.6
CRB Futures	369.00	377.16	(2.2)	(2.2)	(0.5)
Oil (WTI Crude)	58.06	60.09	(3.4)	0.8	(7.5)
Gold	4,065.14	4,084.06	(0.5)	(0.9)	20.5
Yen / Dollar	156.41	154.55	1.2	3.9	6.3
Dollar / Euro	1.15	1.16	(0.9)	(0.9)	(1.8)

The information in this newsletter is obtained from sources we believe to be reliable. We cannot, however, guarantee its accuracy and completeness. Furthermore, the opinions in this report constitute our present judgment, which is subject to change without notice.

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