WEEKLY ECONOMIC UPDATE

Summary

Equities markets were up last week, with investors expecting a rate cut at this week's FOMC meeting due to weak labor market data, despite modestly disappointing, but dated, inflation data. The Treasuries market, however, showed more caution. While yields from the two-year to the 30-year maturities fell, the three-month yield sharply increased 17 basis points (bps) last week, suggesting bond investors are hedging against a more hawkish Fed. Labor market data were mixed last week, with ADP private payrolls decreasing 32,000 in November, suggesting that the private sector labor market is weakening into the holiday season. Initial unemployment claims gave a more positive signal, falling from 220,000 to 191,000 in the week ending November 29; however, a decrease would be expected given the short holiday week. The personal consumption expenditure price index for September increased 0.4% month-over-month and 2.8% year-over-year, an acceleration from the prior month, with large price increases for energy and nondurable goods. Consumer credit grew $9.2 billion in October, below expectations. Consumer credit was generally buoyed by revolving credit, while nonrevolving credit decelerated. Industrial production inched up just 0.1% in September, with business equipment production up, but consumer goods production down. The ISM Manufacturing PMI for November contracted for the ninth straight month, down to 48.2 from 48.7 in October. This decline was driven by decreases in the new orders index and the employment index, suggesting that there may be some stress for manufacturers moving into the new year. The preliminary reading for December of University of Michigan's consumer sentiment index increased to 53.3 from 51.0 in November. One year forward inflation expectations decreased to 4.1%, the lowest reading since January.

Last Week: Indicator	Number Reported	Consensus Expectation*	Comment
Construction Spending (Sep – Mon 10:00)	DELAYED	+0.0%	
ISM Manufacturing Index (Nov – Mon 10:00)	48.2%	49.0%	
ADP Employment Change (Nov – Wed 08:15)	-32K	20K	
Import Prices (Sep – Wed 08:30)	+0.0%	NA	Imports prices ex. oil: +0.2%
Export Prices (Sep – Wed 08:30)	+0.0%	NA	Export Prices ex. ag: +0.0%
Industrial Production (Sep – Wed 09:15)	+0.1%	+0.1%	
Capacity Utilization (Sep – Wed 09:15)	75.9%	77.3%	
ISM Services (Nov – Wed 10:00)	52.6%	52.4%	
Trade Balance (Oct – Thu 08:30)	DELAYED	-$61.3B	
Initial Claims (11/29 – Thu 08:30)	191K	220K	
Continuing Claims (11/22 – Thu 08:30)	1,939K	NA	
Factory Orders (Sep – Thu 10:00)	+0.2%	NA	
Personal Income (Sep – Fri 10:00)	+0.4%	+0.4%	
Personal Spending (Sep – Fri 10:00)	+0.3%	+0.4%	
PCE Prices (Sep – Fri 10:00)	+0.3%	+0.3%	PCE Prices – Core: +0.2%
Factory Orders (Oct – Fri 10:00)	DELAYED	-0.3%	
U. of MI Consumer Sentiment - Prelim (Dec – Fri 10:00)	53.3	52.0	
Consumer Credit (Oct – Fri 15:00)	$9.2B	$9.8B	

Next Week: Indicator	Consensus Expectation*	Prior	Comment
Productivity-Prel. (Q3 – Tue 08:30)	3.5%	3.3%	
Unit Labor Costs - Prel. (Q3 – Tue 08:30)	+0.9%	+1.0%	
JOLTS - Job Openings (Sep – Tue 10:00)	NA	7.227M	
Employment Cost Index (Q3 – Wed 08:30)	+0.9%	+0.9%	
FOMC Rate Decision (Dec – Wed 14:00)	3.50-3.75%	3.75-4.00%	
Treasury Budget (Nov – Wed 14:00)	-$223.4B	-$284.0B	
PPI (Nov – Thu 08:30)	NA	+0.3%	Core PPI (prior): +0.1%
Initial Claims (12/06 – Thu 08:30)	NA	191K	
Continuing Claims (11/29 – Thu 08:30)	NA	1939K	
Trade Balance (Sep – Thu 08:30)	-$61.7B	-$59.6B	
Wholesale Inventories (Sep – Thu 10:00)	-0.2%	NA	

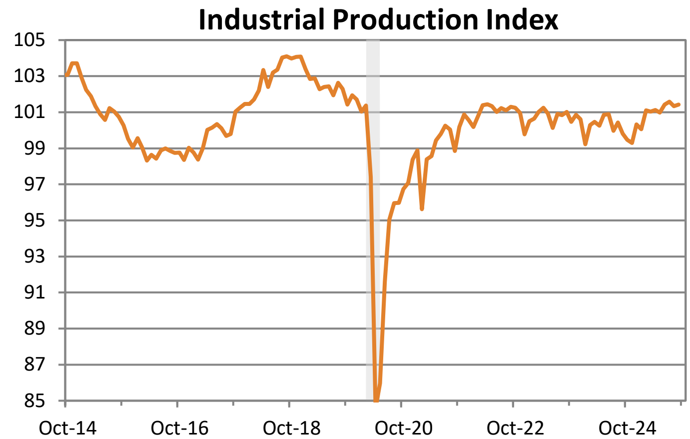
*Sources: www.briefing.com and www.federalreserve.gov

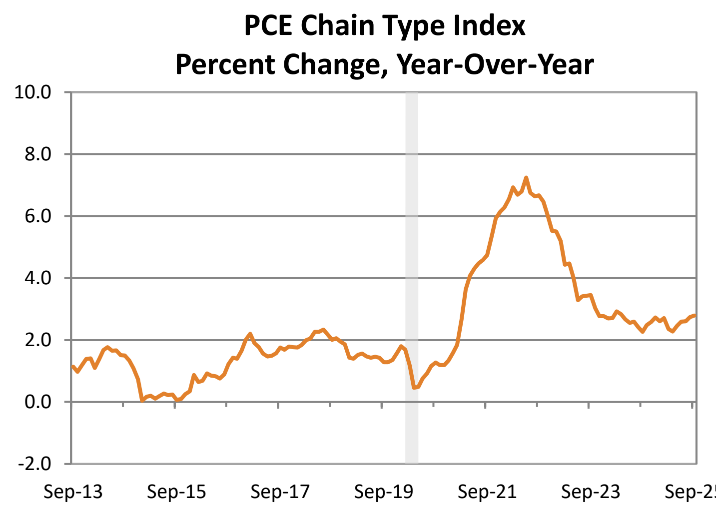
Economic Review

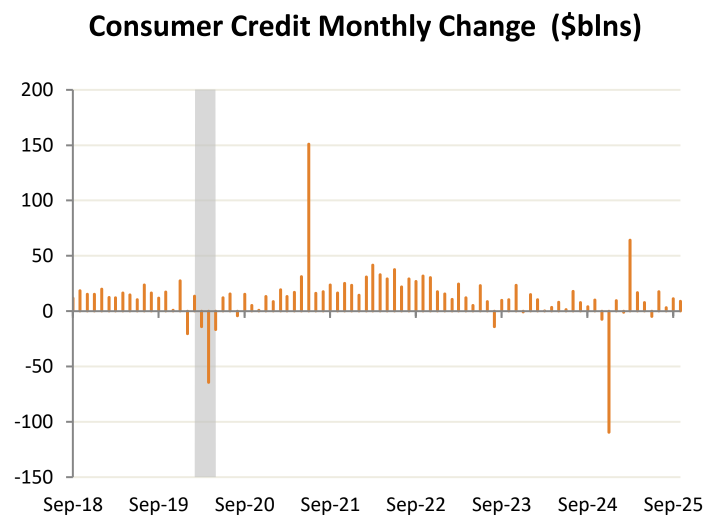
INDUSTRIAL PRODUCTION inched up 0.1% month-over-month in September after a 0.3% decrease in August; however, this modest increase was not uniform across market groups. Business equipment production increased 0.7%, defense and space equipment production increased 0.5%, construction supplies production was up 0.3%, and materials manufacturing was up 0.4% in September. On the other hand, consumer goods production fell 0.6% in September with all major components falling except home electronics production (0.0%) and miscellaneous goods production (+0.2%). Automotive products production fell the most, dropping 2.9%, followed by paper products (-1.1%) and appliances, furniture, and carpeting (-0.7%). Capacity utilization was unchanged in September at 75.9% but is still well below the long-term average of 79.5%.

The PERSONAL CONSUMPTION EXPENDITURES PRICE INDEX (PCE) accelerated to 2.8% year-over-year in September, up 0.1 p.p. from August. The PCE price index for energy goods and services accelerated the most of any subcategory, increasing 1.7% month-over-month, up 0.8 p.p. from August, and 2.7% year-over-year. Goods inflation generally accelerated, with the PCE index for goods accelerating from a 0.1% month-over-month increase in August to a 0.5% increase in September. This acceleration was mostly in nondurable goods which had a monthly change of 0.7% in September, up from 0.2%. Durable goods, however, continued to decelerate, falling 0.1% in both August and September. Although the PCE price index for energy saw large increases, the core PCE (excluding food and energy) remained at 0.2% month-over-month and decelerated from 2.9% year-over-year in August to 2.8% year-over-year in September.

CONSUMER CREDIT increased at a seasonally adjusted annual rate (SAAR) of $9.2 billion in October, $600 million below consensus expectations and almost $2 billion below the reading from September. The deceleration was mostly due to nonrevolving credit, which fell to a 1.2% SAAR in October from a 2.1% SAAR in September. Revolving credit accelerated from a 4.0% SAAR to a 4.9% SAAR in October. This suggests that consumers are putting off large purchases and instead spending on smaller purchases made with credit cards.







Fed Speeches

There were no speeches, testimony, or interviews by Federal Reserve officials last week relevant to monetary policy. This is due to the Federal Open Market Committee meeting this week.

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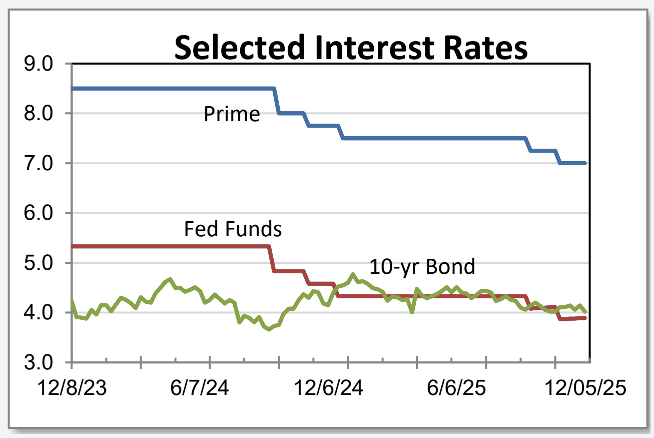
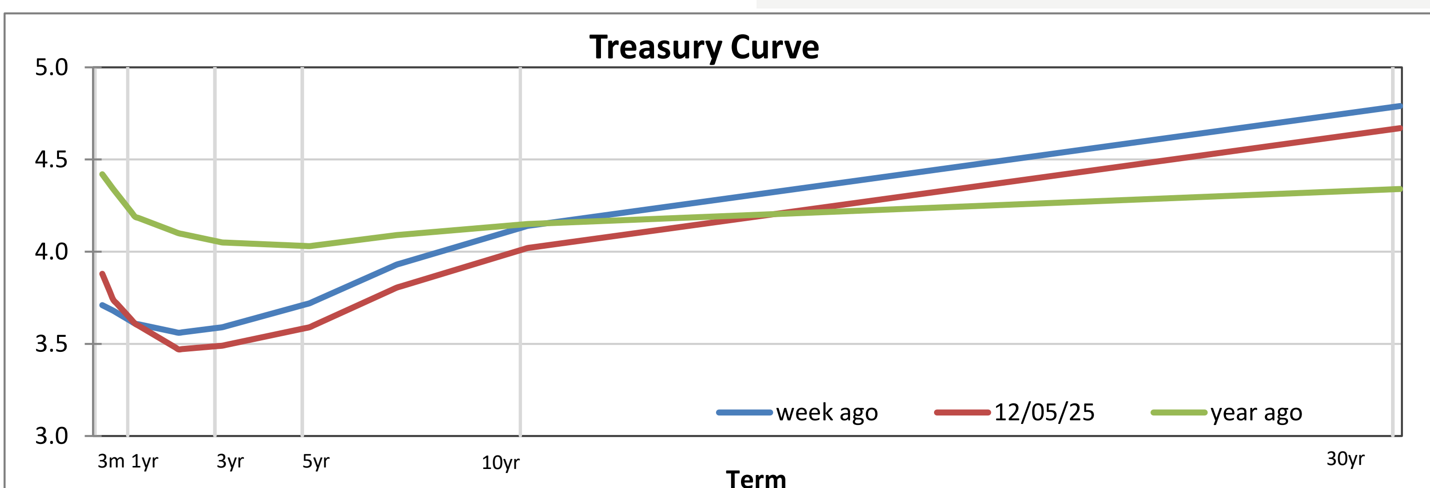
Financial Markets

With tech bubble fears subsiding and weak labor market data pushing up expectations for a Federal Funds rate cut, stocks ended the week with gains, led by the NASDAQ (+0.9%), followed by the S&P 500 (+0.5%) and DJIA (+0.3%). The Treasury market, however, was mixed. Two-year yields (-9 bp), five-year yields (-13), ten-year yields (-12), and 30-year yields (-12) all fell on the week suggesting that bond investors are pricing in slower growth. On the shorter term, however, three-month yields increased 17 bp, suggesting that the bond market is hedging for a hawkish Fed at the upcoming meetings. While, unlikely to invert in the near term, the double digit rise in the three-month yield and the double digit fall in the ten-year yield brings the Treasury curve closer to an inversion. An inversion occurs when short-term Treasury yields rise above long-term yields; under typical economic conditions, long-term yields should have higher yields, and when an inversion occurs, it is typically a signal of recession. Oil prices fell 2.5% last week as the global slowdown and supply glut put downward pressure on prices. Gold fell a more modest 0.3%.





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	7.05	3.92	4.00	3.78	3.56	4.08	4.67	6.21
1st Qtr	6.75	3.63	3.64	3.66	3.51	3.89	4.51	6.02
2nd Qtr	6.59	3.46	3.48	3.54	3.48	3.82	4.30	5.96
3rd Qtr	6.42	3.29	3.31	3.39	3.41	3.75	4.20	5.88
4th Qtr '26	6.25	3.13	3.14	3.23	3.29	3.68	4.14	5.79

December 2025

FINANCIAL MARKET SUMMARY

	As of 12/05/2025	As of 11/28/2025	Weekly Change	4-Week Change	13-Week Change
MONEY MARKETS (Changes in BPs)					
Prime	7.00	7.00	0	0	(50)
Secured Overnight Financing Rate (SOFR)	3.92	4.12	(20)	0	(49)
Fed Funds (Wed close)	3.89	3.89	0	2	(44)
TREASURIES (BE) (Changes in BPs)					
3 Months	3.88	3.71	17	(13)	(19)
6 Months	3.74	3.68	6	(2)	(11)
1 Year	3.61	3.61	0	(2)	(4)
2 Years	3.47	3.56	(9)	(8)	(4)
5 Years	3.59	3.72	(13)	(8)	0
10 Years	4.02	4.14	(12)	(9)	(8)
30 Years	4.67	4.79	(12)	(3)	(11)
MUNICIPALS- AAA G.O. & Mortgage (Changes in BPs)					
2-Year Muni	2.47	2.47	0	(2)	32
5-Year Muni	2.41	2.41	0	1	14
10-Year Muni	2.75	2.74	1	35	(32)
30-Year Muni	4.16	4.11	5	5	(33)
30-Year Conventional Mortgage	6.19	6.23	(4)	(3)	(31)
MARKET INDICATORS (Changes in %)					
DJIA	47,954.99	47,716.42	0.5	2.1	5.6
S&P 500	6,870.40	6,849.09	0.3	2.1	6.0
NASDAQ	23,578.13	23,365.69	0.9	2.5	8.7
CRB Futures	382.53	376.65	1.6	2.0	3.8
Oil (WTI Crude)	58.55	60.08	(2.5)	(3.8)	(8.5)
Gold	4,243.00	4,254.90	(0.3)	6.0	18.3
Yen / Dollar	155.33	156.18	(0.5)	0.8	5.6
Dollar / Euro	1.16	1.16	0.4	0.7	(0.6)