

The Macro Outlook: A Divided FOMC and the US Labor Market

The key events shaping the w/c 3 November 2025: US labor market data for Oct, RBA & BoE meetings, PMIs for Oct.

Recap from last week: Review of FOMC, BoC, ECB, and BoJ Decisions

While last week's central bank decisions played out mostly as expected, the FOMC decision was the highlight. It introduced a notable shift in guidance for Dec and revealed an FOMC divided on the outlook. The Australian Q3 CPI was much higher than expected, with implications for the RBA meeting this week. Finally, the meeting and agreement between US President Trump and Chinese President Xi provided a more constructive geopolitical backdrop for now.

FOMC: Shifts Guidance for Dec

The FOMC cut by 25bps last week, with the decision remaining in the realm of a 'risk management' cut, given the rising downside risks to the labor market noted at the Sept meeting. The Fed also announced the end of QT next month. The Fed Chair continued to emphasize the challenging situation of "no risk-free path" as the Committee navigates the tension between its employment and inflation goals.

The key feature of this decision, however, was the division among Committee members. Firstly, the decision to cut was not unanimous, drawing two notable dissents – one member (Schmid) preferred no change at this meeting, while another (Miran) argued for a deeper 50bps cut. Secondly, according to Powell, "there were strongly differing views about how to proceed in Dec", which led to a distinct shift in forward guidance. While markets had priced in a follow-up rate cut in Dec, Chair Powell explicitly countered that expectation:

"A further reduction in the policy rate at the December meeting is not a forgone conclusion—**far from it.**" US Fed Chair Powell, [Press Conference](#), 29 Oct 2025

This shift in guidance appeared to be more than just an attempt to maximize optionality for the Dec meeting. Rather, it reflected the range of views that leaned against the expectation for a continued rate cut in Dec. During the press conference, Powell outlined some of these arguments, including tentative signs that labor market conditions may be stabilizing, as well as members noting "stronger economic activity". Given inflation is still above target, Powell noted that while the "reasonable base case" assumes tariffs will cause a one-off shift in the price level, many on the board are not simply assuming that will be the case. He also cited lingering data uncertainty stemming from the government shutdown as a reason to pause: "What do you do in a fog? You slow down." Finally, an argument for slowing down the cadence of easing emerged, noting that the policy rate was 150bps closer to neutral than a year ago:

"And so there's a growing chorus now of feeling like maybe this is where we should at least wait a cycle, something like that. That's what it is."- US Fed Chair Powell, Press Conference, 29 Oct 2025

The post-meeting commentary underscored the committee's division. Several members outlined their differing views; Schmid (dissent), Logan, and Hammack preferred a hold; Waller still supports

a cut in Dec; and Miran (dissent) likely still supports a 50bps cut in Dec. There are more speakers scheduled this week. Overall, the outcome of the Dec meeting will largely be determined by how the data and momentum, especially for the labor market, evolve over the next few weeks. Assessing this momentum remains challenging given the continued lack of official government data. This week, we will continue to rely on private sector reports, instead of the official government data, to assess the US labor market momentum in Oct.

The BoC Signals a Pause

The BoC cut rates at this meeting as expected, based on ongoing weakness in the economy, while inflation pressures remained 'contained'. The BoC signalled a possible pause, though, with the Governing Council noting that "the current policy rate [is] at about the right level to keep inflation close to 2% while helping the economy through this period of structural adjustment". The BoC noted that the current economic weakness wasn't just cyclical, but that trade and tariff changes were leading to a structural adjustment in the Canadian economy.

The domestic picture still poses a challenge for monetary policy. Like the ECB, the BoC noted that some uncertainty over trade and tariffs had receded – but that growth remained under pressure due to tariffs. In Sept, the unemployment rate remained high at 7.1% while headline inflation was +2.4%, slightly higher than the BoC anticipated. While the preferred measures of core inflation have been sticky around 3%, the "upward momentum had dissipated".

The ECB: Still in a 'Good Place'

The ECB kept policy settings unchanged as expected. The Governing Council noted that inflation is close to the 2% target, and the inflation outlook was broadly unchanged. Although the growth backdrop remained challenging, growth risks had abated. Past rate cuts were cited as an important source of resilience, with the ECB President stating that "Policy is still in a good place". The ECB maintained its meeting-by-meeting approach to its assessment.

The broader Euro area continues to show resilience. The latest prelim GDP for Q3 was better than expected at +0.2%, boosted by some stronger country-level results despite political disruption in France, and the challenging manufacturing and trade backdrop facing Germany and the broader Eurozone manufacturing sector. Meanwhile, the latest prelim Oct CPI for the Euro area was little changed from Sep.

The BoJ Maintains its Policy Rate

The BoJ kept rates unchanged as expected, maintaining its normalisation bias. However, the decision was marked by two dissenting votes preferring a rate hike. The dissenters cited "a shift away from the deflationary norm and the price stability target had been more or less achieved", and "with risks to prices becoming more skewed to the upside, the Bank should set the policy interest rate a little closer to the neutral rate" as reasons for preferring to hike at this meeting.

On the outlook, Governor Ueda reiterated the need for patience, stating: "We held today as we want to see more data on domestic wage-setting behaviors, while uncertainty remains high in overseas economies. If we're convinced, we'll adjust rates regardless of the political situation."

Via Bloomberg: Governor Ueda also made clear that the central bank does not need to see the full results of the wage talks before deciding. He repeatedly emphasized that the BoJ wants only to confirm the initial momentum of wage talks before adjusting policy—a signal that a rate hike may be closer than market reactions might suggest.

Outlook for the week ahead: US Labor Market data for Oct, RBA & BoE meetings, PMIs for Oct

The focus shifts this week to the US labor market for Oct, several central bank decisions, and the full suite of Oct PMIs to assess growth momentum at the start of Q4.

Progress on the resolution of the US government shutdown will also remain in focus this week.

The geopolitical backdrop is expected to remain constructive for now, given positive meetings with US President Trump throughout Asia last week, as well as an agreement signed with Chinese President Xi. While the details of the agreement are limited, markets remain reassured with positive dialogue between the sides.

Key factors & events to watch this week:

US Labor Market for Oct; With the shutdown still in place, we continue to rely on private sector labor market reports (and central bank surveys) to assess momentum in the US labor market.

- ADP is now releasing its 4-week average payroll growth statistic each week. Last week, for the four weeks ended 11 Oct, payroll growth was +14k.
- The full month ADP report for Oct is expected to show payroll growth of +25k, up from -32k in Sept.
- The Challenger Job Cut Announcement survey for Oct will also be released this week. Last month, job cut announcements fell to 54k.
- The various ISM and S&P PMIs will also provide some guidance on changes in employment conditions from the prior month across manufacturing and services firms.

US PMI Data – Oct: ISM & S&P PMI surveys for Oct will provide some further insight into changes in growth momentum.

- The ISM surveys are expected to show stagnant conditions in manufacturing and only modest growth in services in Oct. The ISM manufacturing PMI is expected to stay around 49, while the services PMI is expected to increase to 51. Across both reports, key indicators will be the momentum in orders, employment, and prices.
- The S&P prelim US PMIs for Oct showed somewhat stronger activity in Oct compared to Sept. The S&P manufacturing PMI is expected to confirm a modest expansion at 52.2, and a more widespread expansion in the services sector at 55.2.

US Fed speeches & Data

- There is a range of Fed speeches [scheduled for this week](#). Of note is Governor Waller (central banking and the future of payments), Governor Cook (economic outlook and monetary policy), Vice Chair (Supervision) Bowman, and Fed Vice Chair Jefferson.
- The latest Senior Loan Officer Opinion Survey is expected to be released.
- The US Consumer Credit Change for Sept will be released at the end of the week. Growth in consumer credit in Aug was a mere +\$0.36bn.

The RBA Meeting: last week's Q3 CPI came in higher than the already firmer expectations. Every category made a positive contribution to inflation in Q3. The trimmed mean and median measures of underlying inflation also increased notably compared to Q2, while not to the same degree as headline inflation, but still suggesting that it wasn't just outliers driving the higher inflation in Q3. This will have implications for the RBA decision this week.

- RBA Decision: expected to stay on hold. The RBA also stayed on hold at the last meeting pending the Q3 inflation print, noting that the Sept quarter inflation could be higher than expected.
- Updated forecasts will also be released.

The BoE Meeting

- BoE Decision: expected to stay on hold, despite some recent continued cooling in the labor market. Markets are expecting a hold pending the UK government budget release later in Nov.

Canada Labour Market – Oct

- Conditions are expected to remain weaker, with employment expected to fall by -4k (versus +60k in Sept), and the unemployment rate is expected to increase to 7.2%.

The full suite of global S&P PMIs for Oct will be released this week.

US Treasury Issuance; 3 – 7 November 2025

This week, the US Treasury will auction and settle approx. \$532bn in ST Bills, raising approx. \$42bn in new money.

QT this week: Approx \$13bn in ST Bills will mature on the Fed balance sheet and will be reinvested.

WEEK	Auction Date	Settlement Date	Marketable Securities	Auction Amount \$B (TBAC)	Amount Maturing \$B	New Money \$B		Prior Auction High Rate %
3-7 Nov	30-Oct	04-Nov	4 week bill	110			Actual 3.910%	3.945%
	30-Oct	04-Nov	8 week bill	95			Actual 3.890%	3.900%
	29-Oct	04-Nov	17 week bill	69			Actual 3.705%	3.735%
				274	255	19		
	03-Nov	06-Nov	13 week bill	86			Announced	3.730%
	03-Nov	06-Nov	26 week bill	77			Announced	3.640%
	04-Nov	06-Nov	6 week bill	95			Announced	3.880%
				258	235	23		
			Total - securities setting this week	532	490	42		
			Net New Cash Raised Qtr to Date	3350	3014	336		
			<i>Estimated Net Cash to be Raised Q4</i>			<i>590</i>		
			Face value of US Federal Reserve SOMA securities maturing	\$B				
			Maturing & reinvestment					
		04-Nov	ST Bills	0.9				
		06-Nov	ST Bills	12.2				
				13.1				
			Maturing & redemption (balance sheet roll-off)					
			nil					
				0.0				

Quantitative Tightening Overview – Nov 2025

The end of QT was announced at the Oct FOMC meeting and is expected to finish at the end of this month (Nov 2025). The cap on US Treasury redemptions was already lowered to \$5bn back in Apr 2025.

In Nov, the face value of Coupons maturing on the Fed balance sheet is approx. \$47.2bn. This is more than the \$5bn monthly cap on Treasury redemptions. So of the \$47.2bn of Coupons

maturing in Nov, \$5bn will roll off the Fed balance sheet (redeemed) and \$42.2bn will be reinvested. It also means that all ST Bills maturing in Nov will be reinvested.

Summary of Total Coupons & Bills to Redeem at the \$5bn redemption cap - Nov			
			\$5
		Redeem \$Bn	Reinvest \$ Bn
15-Nov-25	Notes & Bonds	2.3	19.5
30-Nov-25	Notes & Bonds	2.7	22.8
	ST Bills - Nov	-	58.1
Total Notes & Bonds		5.0	100.3

ST Bill maturity schedule – Nov 2025;

Bill Maturity Schedule - Nov	Weekly Totals \$Bn			
	Par Value of Bills Maturing	% Maturity by Wk	Bill Redemption	Bill Reinvestment
2025/11/04	0.89	2%		0.89
2025/11/06	12.17	21%		12.17
2025/11/12	0.75	1%		0.75
2025/11/13	16.45	28%		16.45
2025/11/18	0.74	1%		0.74
2025/11/20	12.53	22%		12.53
2025/11/25	0.73	1%		0.73
2025/11/28	13.79	24%		13.79
	58.1	100%		58.1

<https://www.newyorkfed.org/markets/treasury-rollover-faq>

Recommended US Treasury Financing Q3 2025 and Est Q4 2025

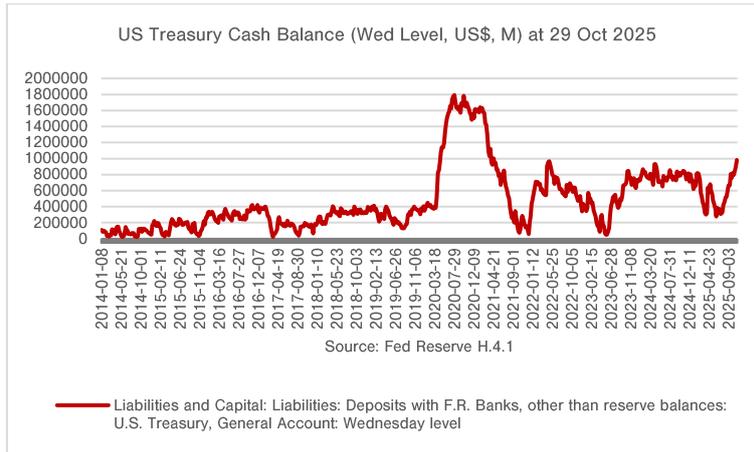
The next quarterly refunding update will be released this week on 3 and 5 Nov 2025. The latest update of the US Treasury borrowing requirements for Q4 and Q1 2026 (estimate) can be found on the US Treasury website [here](#).

There was a notable upward revision to the Q3 net borrowing requirement due to the lower opening cash balance for Q3 - the US Treasury expected to borrow \$1.007 trillion in privately held net marketable debt, assuming an end-of-Q3 cash balance of \$850 billion.

Est Q4 - the US Treasury expects to borrow \$590 billion in privately held net marketable debt, assuming an end-of-December cash balance of \$850 billion. This estimate will be updated this week.

US Treasury Cash Levels (TGA)

As of Wed 29 Oct 2025, the level of the TGA increased to \$984bn (+\$79bn compared to the week prior). The TGA balance is now approx. \$137bn *higher* than the same week a year ago.



<https://www.federalreserve.gov/datadownload/Download.aspx?rel=H41&series=53198152b62add5ad59ae42b6d3d720d&filetype=sheetml&label=include&layout=seriescolumn&from=01/01/2002&to=01/27/2021>

QE Program

There are no Treasury or MBS purchase operations scheduled at this time. Links to historical operation schedules: - <https://www.newyorkfed.org/markets/domestic-market-operations/monetary-policy-implementation/treasury-securities/treasury-securities-operational-details>

https://www.newyorkfed.org/markets/ombs_operation_schedule

CALENDAR W/C 3 November 2025

MONDAY 3 NOVEMBER (US Eastern Time, unless stated otherwise)

US	S&P Manufacturing PMI – Final (Oct), ISM Manufacturing PMI (Oct), Senior Loan Officer Opinion Survey, Fed speeches: Daly, Cook (econ outlook)
Australia	RBA Monetary Policy Meeting

TUESDAY 4 NOVEMBER

Europe	ECB Lagarde speech
US	Fed speeches: Vice Chair (Supervision) Bowman (bank supervision & monetary policy)
NZ	Labour Market Report Q3

WEDNESDAY 5 NOVEMBER

Europe	Germany Factory Orders (Sep), PPI (Sep)
US	MBA Mortgage Applications wk ending 1 Nov, ADP Employment Change (Oct), S&P Services PMI – Final (Oct), ISM Services PMI (Oct)

THURSDAY 6 NOVEMBER

Europe	Germany Industrial Production (Sep), Eurozone Retail Sales (Sep)
US	Challenger Job Cut Announcements (Oct) Fed speeches: Barr, Williams, Hammack, Musalem, Paulson, Waller (central banking & the future of payments)
China	Trade Balance, Exports, and Imports (Oct)

FRIDAY 7 NOVEMBER

US	Consumer Credit Change (Sep) Fed speeches: Williams, Jefferson (AI & the economy), Miran (stablecoins & monetary policy)
Canada	Labour Market (Oct)
