

The Macro Outlook: The US Data Challenge and the Case for a Risk Management Cut

The key events shaping the w/c 1 December 2025: Fed Chair Powell speech, ISM PMIs, Global S&P PMIs, catch-up US data: personal spending, income & PCE inflation for Sep.

The Recap from Last Week

At its meeting next week, the Fed faces the challenge of assessing a still incomplete set of data while disentangling the shutdown's noise from the underlying signal of economic activity. While the end of the government shutdown suggests a rebound in activity is expected, the underlying narrative from last week's US data was negative: sluggish activity, pockets of inflation, weakening sentiment, and continued cooling in the labor market. For the Fed, this confluence of distorted data and negative underlying signals likely builds the case for another risk management cut. Market pricing is now clearly reflecting an increased probability of a cut next week.

Surveys & Data – Sluggish Activity

The [Fed's Beige Book](#) provided a broad backdrop of sluggish activity over the last six weeks. The report noted that most Fed districts had recorded little change in economic activity since the last report (reported before the Oct FOMC meeting). Overall retail spending had declined further, reflecting some cautious discretionary spending. Some districts noted a negative impact on consumers from the government shutdown, and community organizations saw increased demand for food assistance due to disrupted benefits during the shutdown. Furthermore, the catch-up retail sales report for Sep showed nominal retail sales growth had already slowed leading into the government shutdown, with real retail sales falling in the month.

The Beige Book reported some optimism among manufacturers in the outlook. However, this optimism was countered by the two regional activity surveys for Chicago and Dallas, which showed manufacturing activity had slipped further into contraction in Nov. The Beige Book also reported that "revenues in the nonfinancial services sector were mostly flat to down" – a finding that contrasts with the more recent services PMI reports.

Input Price Inflation Persisted

The absence of official government inflation data leading up to the next Fed meeting has complicated the assessment of the dual mandate risks. Nevertheless, the Beige Book highlighted widespread rising input prices affecting both retail and manufacturing firms. While some of these costs were tariff-related, firms also cited rising prices for insurance, utilities, technology, and healthcare. These inflationary impulses seemed to be countered by a lack of firms' pricing power. Although firms expect "upward cost pressures to persist," plans to raise prices in the near-term were mixed. Critically, "margin compression" was noted multiple times, indicating that the extent of pass-through of these higher input costs was limited by competitive pressures, demand, and client pushback.

Sentiment Weakened

The sluggish activity and cautious outlook of firms in the Beige Book was mirrored by the [Conference Board Consumer Confidence](#) survey for Nov. The headline measures of confidence all fell in Nov, with the report reflecting ongoing consumer concerns over inflation, tariffs, and politics, with an increase in mentions of the government shutdown. Since the survey cut-off was just days after the shutdown ended, some rebound in sentiment is possible in the Dec report.

Aside from the temporary nature of the shutdown concern, there were enduring themes leading to weaker sentiment in Nov. The report highlighted weakening labor market conditions (with another fall in the key labor market differential), weakening expectations in the outlook for the labor market and household income, and enduring concerns related to prices, inflation, and tariffs in the write-in responses.

Weakening Labor Market Conditions

For the Fed, one of the more important insights concerns weakening labor market conditions. At this stage, this factor is likely to influence the Fed's decision calculus regarding another risk management cut to a greater degree than the persistence of inflation.

The Beige Book clearly highlighted that employment had declined, albeit slightly, during the inter-meeting period. The labor market dynamic still seemed little changed from the recent low/cautious hiring, but low firing environment, despite the recent increase in layoff announcements. Firms have adapted to the more sluggish and uncertain conditions by adjusting hours worked and managing headcount via hiring freezes, attrition, and replacement-only appointments.

This low-hiring/low-firing dynamic is also still reflected in the most recent initial and continuing claims data, though the latter remains distorted by the government shutdown. Initial claims have continued to ease, including a notable slowdown in initial claims from Federal government employees. At the same time, continuing claims have remained elevated, near cycle highs, keeping the labor market susceptible to a negative shock. The latest week of data for continuing claims (wk ending 15 Nov) still reflects the government shutdown and includes a notable number of furloughed Federal workers, which should begin to revert after next week's report.

Outside of the US

The inaugural Aus monthly CPI for Oct came in higher than expected – and continued to reinforce the RBA's on-hold status. Headline CPI increased by +3.9% in Oct, up from +3.6%, while the trimmed mean inflation rate increased by +3.3% in Oct, also up from +3.2% in Sept.

The Tokyo CPI remained firm for Nov (a leading indicator for the National CPI), while retail spending growth increased and industrial production also increased.

The RBNZ cut rates by 25bps as expected. The decision highlighted that a further cut would help support an enduring recovery, underpin consumer and business confidence, and still meet the inflation goal. The outgoing head of the RBNZ noted that there was now a “high hurdle” for further rate cuts (source: [Bloomberg](#))

Outlook for the week ahead: Fed Chair Powell speech, ISM PMIs, Global S&P PMIs, catch-up US data: personal spending, income & PCE inflation for Sep.

The week ahead will continue to focus on the catch-up of US data. One of the key reports will be the US PCE inflation data for Sep as a part of the personal spending and income report. While a lagging report, its importance is heightened because consistent inflation data has largely been absent from the broader economic narrative over the last six weeks. Amid the focus on weakening activity and a cooling labor market, the inflation side of the dual mandate has felt like a missing

piece of the assessment. Other US catch-up reports for Sep will include factory orders and import/export prices.

This would usually have been the week for official US jobs data; however, the updated Employment Situation data is still several weeks away. This week, we will instead receive the monthly ADP as well as the Challenger Job Cut Announcements for Nov. Other US reports that will be in focus this week will be the ISM surveys for Nov.

Key factors & events to watch this week:

US Fed Chair “brief remarks” within the blackout period

- There are several speeches noted in the official calendar despite this being the blackout period ahead of the Fed meeting next week – see the [official Fed calendar](#).
- Fed Chair Powell is expected to give “brief remarks” and take part in a panel discussion. It's unlikely he'll cover the economic outlook given the blackout conditions.
- Vice Chair (Supervision), Bowman, will also give testimony this week.

US Data

- Data catch-up: US headline PCE inflation for Sep is expected to increase by +0.3% over the month, up slightly from +0.26% in Aug. The annual rate is expected to increase to +2.8% from +2.7% in Aug. Core PCE inflation is expected to increase by +0.2% over the month, unchanged from Aug. The annual core PCE inflation rate is expected to remain unchanged at +2.9% in Sep.
- Data catch-up: Personal income is expected to increase by +0.4% in Sep, unchanged from +0.4% in Aug. Personal spending is expected to increase by +0.2% in Sep, down from +0.6% in Aug.
- Data catch-up: Factory Orders for Sep are expected to increase by +0.2%, down from +1.4% in Aug.
- Data catch-up: US import and export prices for Sep.
- The ISM PMIs: the headline manufacturing PMI is expected to be little changed at 48.6, while the services PMI is expected to slow slightly to 52.1.
- US labor market data: the ADP monthly employment change is expected to slow to +20k in Nov, from +42k in Oct. The Challenger Job Cut Announcement survey for Nov is expected to fall after the notable increase to 153k in Oct.
- Initial jobless claims for the wk ending 29 Nov are expected to remain little changed at 218k, after falling to 216k in the prior week. The continuing claims will be in focus for the wk ending 22 Nov – and could start to see furloughed Federal workers roll off the claims data. Continuing claims came in at 1.960m in the week ending 15 Nov.
- Michigan Consumer Sentiment – the prelim read for Dec should highlight the degree of any rebound from the end of the government shutdown.

Updated US data release schedules

- Link to the BLS page for the revised news release is [here](#).
- The Bureau of Economic Analysis (BEA) schedule page can be found [here](#).
- The US Census Bureau page can be found [here](#).

Europe

- The prelim Euro area CPI for Nov is expected to firm. Headline CPI is expected to increase to +2.2% in Nov, up from +2.1% in Oct. Core CPI is also expected to increase to +2.5% in Nov, up from +2.4% in Oct.
- Euro area GDP for Q3 is expected to be confirmed at +0.2% over the quarter, and employment growth at +0.1% over the quarter.

Canada's labour market survey for Nov is expected to show stalled employment growth of -7k after a notable increase of +66k in Oct. The unemployment rate is expected to tick higher to 7% in Nov from 6.9% in Oct.

Australian GDP for Q3 is expected to increase by +0.7% over the quarter (QoQ), up from +0.6% in Q2.

The full suite of global S&P PMIs for Nov will be released this week, providing an update on activity and momentum midway through Q4.

US Treasury Issuance; 1 – 5 December 2025

This week, the US Treasury will auction and settle approx \$691bn in ST Bills, Notes, and Bonds, raising approx. \$66bn in new money.

QT this week: Approx \$30bn in ST Bills, Notes, and Bonds will mature on the Fed balance sheet and will be reinvested. Approx \$2.7bn in Notes and Bonds will mature on the Fed balance sheet and be redeemed (from Nov). The QT program will end as of 1 Dec.

WEEK	Auction Date	Settlement Date	Marketable Securities	Auction Amount \$B (TBAC)	Amount Maturing \$B	New Money \$B	Prior Auction High Rate %
1-5 Dec	26-Nov	02-Dec	4 week bill	100			Actual 3.905%
	26-Nov	02-Dec	8 week bill	85			Actual 3.840%
	26-Nov	02-Dec	17 week bill	69			Actual 3.740%
				254	265	-11	
	01-Dec	04-Dec	13 week bill	86			Announced 3.745%
	01-Dec	04-Dec	26 week bill	77			Announced 3.670%
	02-Dec	04-Dec	6-week bill	75			Announced 3.850%
				238	245	-7	
	24-Nov	01-Dec	2-Year Note	69			Actual 3.489%
	25-Nov	01-Dec	5-Year Note	70			Actual 3.562%
	26-Nov	01-Dec	7-Year Note	44			Actual 3.781%
	19-Nov	01-Dec	20-Year Bond	16			Actual 4.706%
				199	115	84	
			Total - securities selling this week	691	625.1	65.9	
			Net New Cash Raised Qtr to Date	5849	5286	563	
			<i>Estimated Net Cash to be Raised Q4</i>			<i>569</i>	
			Face value of US Federal Reserve SOMA securities maturing	\$B			
			Maturing & reinvestment				
		02-Dec	ST Bills	0.8			
		04-Dec	ST Bills	6.4			
		01-Dec	Notes & Bonds (Nov)	22.8			
				30.0			
			Maturing & redemption (balance sheet roll-off)				
		01-Dec	Notes & Bonds (Nov)	2.7			

SOMA Reinvestment – December 2025

The program of Quantitative Tightening (QT), or balance sheet roll-off, has ended as of 1 December. See note [here](#). All principal payments from the Fed’s holdings of Treasury securities will be rolled over, and all principal payments from the Fed’s holdings of agency securities will be reinvested into Treasury bills through secondary market purchases.

Summary of total SOMA Securities Maturing in Dec		
		Reinvest \$Bn
31-Dec-25	Notes & Bonds	23.4
	Bills	41.8
	Total Notes & Bonds	65.2

ST Bill maturity schedule – Dec 2025;

Bill Maturity Schedule - Dec			Weekly Totals \$Bn
	Par Value of Bills Maturing	% Maturity by Wk	Bill Reinvestment
2025/12/02	0.79	2%	0.8
2025/12/04	6.42	15%	6.4
2025/12/09	0.73	2%	0.7
2025/12/11	10.26	25%	10.3
2025/12/16	0.73	2%	0.7
2025/12/18	8.40	20%	8.4
2025/12/23	0.74	2%	0.7
2025/12/26	13.24	32%	13.2
2025/12/30	0.48	1%	0.5
	41.8	100%	41.8

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

Recommended US Treasury Financing Q4 2025 and Est Q1 2026

The latest quarterly US Treasury borrowing estimates were released on 3 and 5 Nov 2025. In a statement posted on 5 Nov, the US Treasury noted that it expects to maintain the current nominal coupon sizes for “at least the next several quarters”. However, the US Treasury did indicate that it “has begun to preliminarily consider future increases to nominal coupon and FRN auction sizes, with a focus on evaluating trends in structural demand and assessing potential costs and risks of various issuance profiles.”

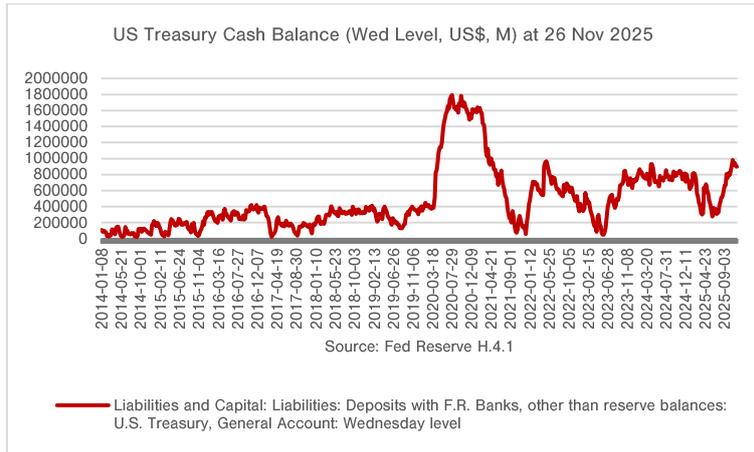
Updated Q4 estimates: Treasury expects to borrow \$569 billion in privately held net marketable debt (only -\$21bn lower than initially estimated), assuming an end-of-December cash balance of \$850 billion.

During the January–March 2026 quarter, Treasury expects to borrow \$578 billion in privately-held net marketable debt, assuming an end-of-March cash balance of \$850 billion.

The latest update of the US Treasury borrowing requirements for Q4 and Q1 2026 (estimate) can be found on the US Treasury website [here](#).

US Treasury Cash Levels (TGA)

As of Wed 26 Nov 2025, the level of the TGA decreased to \$899bn (-\$1bn compared to the week prior). The TGA balance is now approx. \$117bn *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 1 December 2025

MONDAY 1 DECEMBER (US Eastern Time, unless stated otherwise)

Japan	BoJ Governor Ueda speech
US	ISM Manufacturing PMI (Nov), S&P Manufacturing PMI (Nov), Fed Chair Powell – remarks & discussion

TUESDAY 2 DECEMBER

Europe	Euro area CPI – prelim (Nov)
US	Total Vehicle Sales (Nov) – tbc, Fed Vice Chair (Supervision) Bowman – testimony
Australia	GDP Q3

WEDNESDAY 3 DECEMBER

US	MBA Mortgage Applications wk ending 29 Nov, ADP Employment Change (Nov), Import/export Price Index (Sep), ISM Services PMI (Nov), S&P Services PMI (Nov)
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THURSDAY 4 DECEMBER

Europe	Eurozone Retail Sales (Oct)
US	Initial Jobless Claims – wk ending 29 Nov, Challenger Job Cut Announcements (Nov), Fed Vice Chair (Supervision) Bowman – speech.

FRIDAY 5 DECEMBER

Europe	Germany Factory Orders (Oct), Euro area GDP & Employment – final Q3
Canada	Labour Market Survey (Nov)
US	PCE Inflation, Income, and Spending (Sep), Factory Orders (Oct), Michigan Consumer Sentiment – prelim (Dec), Consumer Credit Change (Oct)
