

## The Macro Outlook: Central Bank Previews - Fed Rate Cut Expected

The key events for the w/c 8 December 2025: Central Bank Decisions: FOMC, RBA, BoC, Aus Labour Market for Nov, US data: ECI Q3, JOLTS Oct.

### The Recap from Last Week – US Data Supports Risk Management Bias

The market widely expects the FOMC to deliver a further rate cut this week, despite the previous decision revealing "strongly differing views" for the Dec meeting. Despite the presence of two-sided risks and "no risk-free path" for the Fed, the risks from cooling labor market conditions have underpinned the recent decisions to ease policy. The data flow leading up to the meeting this week is still likely to support the Fed's risk management bias, highlighting a backdrop characterized by resilient, albeit sluggish growth, stalled progress on inflation, and evidence that the labor market continues to cool and remains "susceptible to negative shocks".

#### Cooling Labor Market Conditions Persist

Cooling conditions in the US labor market have been the key area of concern for the FOMC. Despite a lack of government data since the last meeting, private sector reports likely provide enough direction to maintain that risk management bias.

- The ADP report showed another 32k jobs shed in Nov, particularly in manufacturing and professional services. This contrasted with the recent Challenger Job Cut Announcement survey, which did see a fall in Nov after the elevated number of job cuts announced in Oct.
- The Fed will lean heavily on the most recent Beige Book survey, which showed a slight decline in employment and weaker labor demand, with firms relying on hiring freezes, attrition, and adjusted hours rather than mass layoffs.
- The most recent initial and continuing claims data continue to normalize after the shutdown. Crucially, continuing claims have drifted lower post-shutdown, but remain at an elevated level, highlighting the susceptibility of the labor market to a negative shock.
- The latest Nov S&P PMIs showed some resilience (employment growth steepest in three months in manufacturing and services). But this was countered by the still downbeat view of employment from the ISM surveys – especially in manufacturing.
- The latest JOLTS data for Oct is due this week, with the full Employment Situation report for Nov to be released next week as part of the data catch-up.

#### Inflation Momentum Contained by Margin Compression

While lagging data suggests progress on inflation has stalled above the 2% target, more recent survey data suggests momentum may be contained by firm-level caution over pricing and competitive pressures.

- PCE Inflation – catch-up release: The Sep report is a significantly lagging datapoint, but it did confirm the concern that inflation progress has stalled: headline PCE inflation hit a YTD high of +2.8%, moving well above the +2.3% recorded a year ago. Core PCE edged down from its Aug

YTD high to +2.8% in Sep, and is on par with the rate recorded a year ago, strengthening concerns that inflation progress has stalled.

- The Beige Book: However, surveys suggest some weakness in pricing power. The latest Beige Book showed input prices still increased moderately and were not limited to tariffs. However, there were “multiple reports” that firms had absorbed these increases for now. The outlook for plans to raise prices in the near term was mixed.
- The latest S&P PMIs showed manufacturing firms continued to absorb rising input prices. While services sector inflation increased to “the greatest degree since May”, increases in selling prices remained below recent peaks. The ISM surveys showed price increases remained broadly elevated, but little changed in the manufacturing sector and became less widespread in the services sector.

#### Activity: Downshifted but Resilient

Amidst persistent cost pressures and the government shutdown, activity has remained resilient, though downshifted to a more sluggish pace.

- The Beige Book reported that economic activity was ‘little changed’ across most districts, noting weakness in consumer spending, resilient manufacturing activity, and “flat-to-down” revenue in the services sector.
- The latest S&P PMIs for Nov showed growth momentum had remained broadly moderate and unchanged from Oct, as solid services sector activity helped to offset some weakness in manufacturing demand.

#### Central Bank Previews – Focus on Policy Outlook

- The FOMC: While a further rate cut is expected by the FOMC this week, the decision will be important for its signalling on the outlook. There was a notable division at the last meeting on the current policy stance, between those who thought policy was still restrictive and needed to move toward neutral and those who thought policy was “not clearly restrictive”, supporting a slower cadence of cuts. The latest projections should reflect how policymakers have shifted their views on the path of rates, as well as expectations for the economy.
- The RBA meets this week – and is expected to keep policy settings unchanged. This will also be an important meeting, not so much for the decision, but for the parsing of recent data (firmer inflation, stronger labour market, and solid growth) and the implications for the outlook. At the last meeting, the RBA Governor noted that the recent data flow has led to increased uncertainty over the assessment that monetary policy remains a “little restrictive”. Based on the data flow since then, markets have removed rate cuts from the outlook and even started to price in the chances of a hike. The signalling in this decision will be important for the outlook.
- Finally, the BoC will also meet this week and is expected to keep policy settings unchanged. At the last meeting, the BoC signalled that it saw its policy rate of 2.25% as “at about the right level to keep inflation close to 2%”. The latest Canadian labor market report for Nov confirmed a firming trend in employment growth, while the unemployment rate stepped notably lower from 6.9% to 6.5%.

#### **Outlook for the week ahead: Central Bank Decisions: FOMC, RBA, BoC, Aus Labour Market for Nov, US data: ECI Q3, JOLTS Oct.**

The focus shifts firmly to central bank decisions this week, including the FOMC, RBA, and BoC. While the decisions are widely expected to be clear-cut, the signalling on policy stance and the implications for the outlook will be in focus for markets.

## Key factors & events to watch this week:

### Key central bank decisions

#### US Federal Reserve meeting (FOMC)

- Expected Action: Markets are expecting the FOMC to cut rates again this week to: 3.5% - 3.75%
- Decision Focus: Details of the decision will be in focus - the status of the decision (still a risk management cut?), the balance of risks to the outlook (labor market versus inflation bias?), and changes to the degree of dissent/division among committee members on the policy stance compared to the previous meeting.
- Forward Guidance: The latest Summary of Economic Projections (SEP) will be released. In focus will be any change to the cadence of policy easing as well as updates to the outlook for growth, inflation, and the labor market. Expect uncertainty to be elevated given the lack of data, effects of post-shutdown normalization on the economy, and fiscal impacts in early 2026.
- Post-meeting speeches will also be in focus.

#### The Reserve Bank of Australia (RBA)

- Expected Action: The RBA is expected to keep rates unchanged at 3.6% at its meeting this week.
- Signalling Focus: Details of the decision will be a key focus – especially around how recent firmer data may change the Board's view on the current policy stance (previously, “increased uncertainty” over whether policy was a “little restrictive”).
- Domestic Data: The Nov labour market survey is expected to show continued growth in employment of +20k, down from +42k in Oct. The unemployment rate is expected to edge back up to 4.4% from 4.3% in Oct.

#### The Bank of Canada (BoC)

- Expected Action: The BoC is expected to keep policy settings unchanged at this meeting at 2.25%.

### US labor market data

- Ahead of the release next week of the up-to-date Employment Situation report for Nov, the latest JOLTS data for Oct will be released this week. Job openings for Oct are expected to be 7.2m in Oct, little changed from 7.22m in Sep. This report will provide our first read on any shift to the low-hiring/low-firing dynamic of the US labor market.
- Initial jobless claims for the wk ending 6 Dec are expected to increase slightly to 221k from 191k wk ending 29 Nov, which reflected the short week for Thanksgiving. The trend of continuing claims will be in focus for the wk ending 29 Nov, given the recent downshift post-shutdown.
- Data catch-up: US Employment Cost Index Q3: QoQ expecting +0.9%, unchanged from +0.9% in Q2.
- The catch-up international trade data for Sept will be released this week (BEA), with the release of the initial estimate of US Q3 GDP growth pushed out to 23 Dec.

### 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](#).

## US Treasury Issuance; 8 - 12 December 2025

This week, the US Treasury will auction and settle approx \$502bn in ST Bills, with a net paydown of \$38bn. The US Treasury will also auction the 30-year Bond, 3-year, and 10-year Notes this week – all will settle next week on 15 Dec.

Approx \$11bn 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 %
8-12 Dec	04-Dec	09-Dec	4 week Bill	90			Actual 3.680%	3.905%
	04-Dec	09-Dec	8 week Bill	80			Actual 3.620%	3.840%
	03-Dec	09-Dec	17 week Bill	69			Actual 3.620%	3.740%
				239	270	-31		
	04-Dec	08-Dec	2-Day CMB	25			Actual 3.720%	n/a
				25	25			
	08-Dec	11-Dec	13 week Bill	86			Announced	3.725%
	08-Dec	11-Dec	26 week Bill	77			Announced	3.635%
	09-Dec	11-Dec	6-week Bill	75			Announced	3.700%
				238	245	-7		
			<b>Total - securities settling this week</b>	<b>502</b>	<b>540</b>	<b>-38.0</b>		
			<b>Net New Cash Raised Qtr to Date</b>	<b>6351</b>	<b>5826</b>	<b>525</b>		
			<i>Estimated Net Cash to be Raised Q4</i>			<i>569</i>		
			<b>Face value of US Federal Reserve SOMA securities maturing</b>	<b>\$B</b>				
			<b>Maturing &amp; reinvestment</b>					
		09-Dec	ST Bills	0.7				
		11-Dec	ST Bills	10.3				
				11.0				
			<b>Upcoming Auctions</b>	<b>\$B</b>				
	08-Dec	15-Dec	3yr Note	58				
	09-Dec	15-Dec	10yr Note	39				
	11-Dec	15-Dec	30yr Bond	22				
				119				

## 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	42.1
	<b>Total Notes &amp; Bonds</b>	<b>65.5</b>

## 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	24%	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	31%	13.2	
2025/12/30	0.79	2%	0.8	
	42.1	100%	42.1	

<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. The US Treasury communication noted 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.”

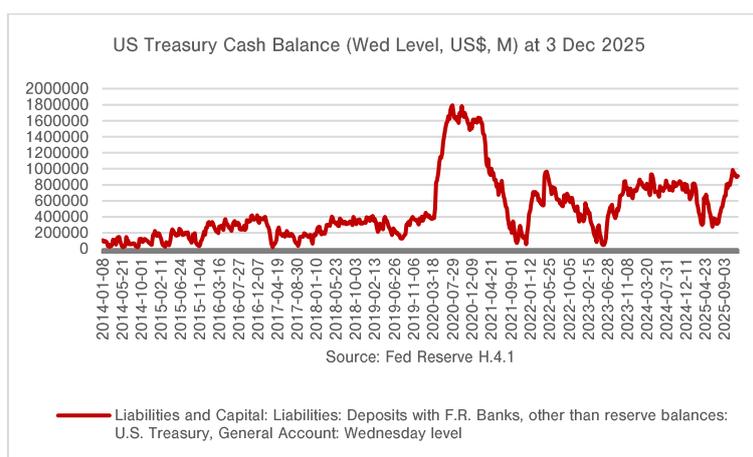
Updated Q4 estimates: Treasury expects to borrow \$569 billion in privately held net marketable debt (only -\$21bn lower than initially estimated), assuming an end-of-December cash balance of \$850 billion.

During the January–March 2026 quarter, the US 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 3 Dec 2025, the level of the TGA increased to \$908bn (+\$9bn compared to the week prior). The TGA balance is now approx. \$93bn *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](https://www.newyorkfed.org/markets/ombs_operation_schedule)

## CALENDAR W/C 8 December 2025

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### MONDAY 8 DECEMBER (US Eastern Time, unless stated otherwise)

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Japan	(Sunday night) GDP Q3 – Final
China	(Sunday night) Trade Balance, Exports, and Imports (Nov)
Europe	Germany Industrial Production (Oct)
Australia	NAB Business Conditions & Confidence Survey (Nov) RBA Monetary Policy Decision

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### TUESDAY 9 DECEMBER

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US	JOLTS (Oct), NFIB Business Optimism Index (Nov), ADP 4-week Avg Payrolls Growth
Japan	PPI (Nov)
China	CPI & PPI (Nov)

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### WEDNESDAY 10 DECEMBER

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US	MBA Mortgage Applications wk ending 6 Dec, ECI Q3 FOMC Monetary Policy Decision
Canada	BoC Monetary Policy Decision
Australia	Labour Market Survey (Nov)

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### THURSDAY 11 DECEMBER

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Switzerland	SNB Monetary Policy Decision
US	Initial Jobless Claims – wk ending 6 Dec, Goods Trade Balance (Sep)

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### FRIDAY 12 DECEMBER

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Japan	Industrial Production – Final (Oct)
UK	GDP Monthly (Oct), Industrial Production (Oct)
US	Fed speeches (tbc): Paulson, Hammack, Goolsbee

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