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Financial Week Newsletter

Summarized by Smith Shellnut Wilson

December 1, 2025

"Forecasting our futures is built into our psyches because we will soon have to manage that future."Dr Alan S Greenspan

MARKETS

Macro Recap: The economy remained largely stable, according to the Fed's Beige Book, which reported minimal overall change. Consumer spending softened slightly, with higher-end retail holding firm, while lower-income households showed caution, partly due to lingering effects from the recent government shutdown. Manufacturing activity ticked up modestly, though tariff uncertainty continued to weigh on sentiment. Labor demand eased as companies favored hiring freezes and attrition over layoffs, and wage growth moderated.

Inflation remained a central focus. The September Producer Price Index rose 0.3% month-over-month, signaling moderate wholesale price pressures, while core inflation hovered near 2.8%, reinforcing the Fed's cautious stance. Later in the week, market sentiment shifted toward the likelihood of a December rate cut, driven by softer economic data, dovish Fed commentary, and falling Treasury yields. While the decision will hinge on incoming data rather than pre-set views before the communication blackout, a cut appears possible, though likely contentious, with potential dissents among FOMC members. Meanwhile, President Trump indicated he has chosen the next Fed Chair and could announce the decision imminently. Secretary Bessent has narrowed the shortlist to five candidates: Fed Governors Miki Bowman and Chris Waller, former Governor Kevin Warsh, NEC Director Kevin Hassett, considered the frontrunner, and Rick Rieder, BlackRock's Fixed Income CIO.

Equity Recap: Stocks closed the week with strong gains as investors welcomed renewed optimism for a potential December rate cut. All major indexes climbed back above their 50-day moving averages, led by the Nasdaq Composite up 4.9%, the S&P 500 advancing 3.7%, and the Dow Jones Industrial Average rising 3.0% for the week.

Bond/Rate Recap: Treasury yields moved lower during the week as rate-cut expectations gained traction. The 2-year yield slipped by 2 basis points to 3.49%, while the 10-year yield fell more sharply by 5 basis points to 4.01%, briefly dipping below the key 4% level.

INDICES

	Nov 24 Open	Nov 28 Close	Weekly Change	Dec 31 2024	YTD Change
DJIA	46,245	47,716	3.2%	42,544	12.2%
S&P 500	6,603	6,849	3.7%	5,882	16.4%
NASDAQ	22,273	23,366	4.9%	19,311	21.0%
Russell 2000	2,370	2,500	5.5%	2,230	12.1%
KBW Bank Indx	148.1	154.1	4.1%	127.5	20.9%
Bitcoin	$87,269	$85,783	-1.7%	$93,714	-8.5%
Oil (WTI)	$58.06	$59.09	1.8%	$71.72	-17.6%
Gold	$4,065	$4,262	4.8%	$2,625	62.4%
Prime	7.00	7.00	0.00	7.50	-0.50
Effective Fed Funds	3.88	3.88	0.00	4.33	-0.45
3m Tbill	3.82	3.79	-0.03	4.31	-0.52
2yr UST	3.51	3.49	-0.02	4.24	-0.75
10yr UST	4.06	4.00	-0.06	4.57	-0.57
2-10yr UST Spread	55	55	0	33	23
2y AAA Muni/10y UST	70.6%	71.0%	0.4%	66.5%	4.6%
10y AAA Muni/10y UST	67.5%	67.9%	0.4%	68.4%	-0.6%
5yr Inflation Forecast	2.33	2.34	0.01	2.42	-0.08

Week Ahead

- **Monday:** ISM manufacturing
- **Tuesday:** No major reports
- **Wednesday:** ADP Employment, Industrial production
- **Thursday:** Jobless claims
- **Friday:** U of M sentiment

***Could be delayed or canceled**

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