U.S. Economic Comment

- Government shutdown: resolved after 43-day stalemate; funding in place through January month-end
- Economic growth: likely to remain on track through early 2026; drag from shutdown in Q4 to be recouped in 26-Q1
- Prospects for Fed easing: currently too close to call ahead of the December 9-10 FOMC meeting, although we suspect softening labor market ultimately sways officials toward a cut

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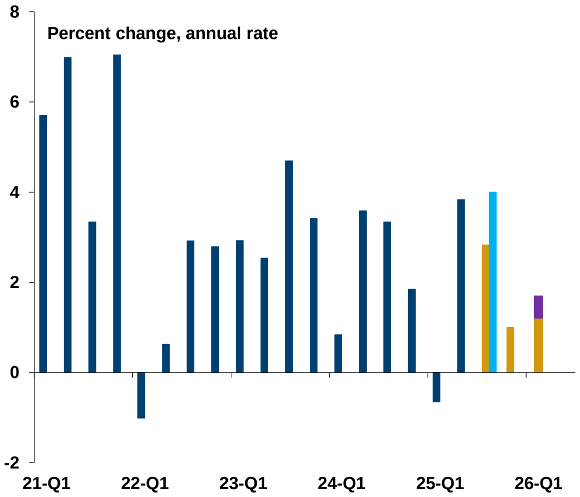
Government Reopened (For Now)

President Trump signed late Wednesday legislation that ended the 43-day government shutdown, the longest in history which exceeded the previous record stoppage of 35 days that ran from late December 2018 until funding was restored on January 25, 2019. The latest continuing resolution, while restoring for a time critical funding to U.S. agencies and allaying fears about the interruption of aid to needy families and pay to members of the armed forces, only keeps the government funded through midnight on January 30. Importantly, the agreement did little to remedy underlying issues that prompted the breakdown of negotiations in the first place – Democratic insistence on (and Republican refusal to) reauthorize healthcare subsidies (tax credits) for individuals and families purchasing insurance through exchanges established via the Affordable Care Act. Thus, a new impasse may soon emerge, although political costs to both parties have been high (e.g., polling numbers indicate low approval ratings among the voter public) – which may motivate Congress to arrive at a longer-term fix (i.e., full-year funding authorization versus a series of continuing resolutions) acceptable to members ahead of the mid-term elections next November.

Setting aside for a moment the direct human costs associated with the intransigence of elected officials and associated disruption to the provision of government services, we should take stock briefly of the current state of the U.S. economy and prospects for early 2026. Prior to the cessation of data publication by governmental statical agencies, we had projected a firm pace of growth in Q3 (2.8 percent, annual rate), although lagging somewhat the strong result currently projected by the Federal Reserve Bank of Atlanta's GDPNow model (4.0 percent, annual rate, as of November 6; chart). At the core of our projection (and that for the Atlanta Fed) is resilient spending by households and a strong performance in business cap-ex (reflecting importantly ongoing robust investment in AI infrastructure). With that said, we are less optimistic about Q4, though we still expect the economy to remain on a growth track. We suspect that ongoing softening in underlying labor market conditions – which is unlikely to be immediately arrested by recent easing in monetary policy – could contribute to more cautious consumer spending into year-end, and that businesses currently reducing payrolls on account of an uncertain outlook may curtail some projects, thereby contributing to an easing in the recent brisk pace of equipment spending. Moreover, we expect that the recently ended shutdown will have a further constraining effect on activity, but most of that is likely to be recovered in early 2026. All told, we currently project GDP growth of 1.0 percent, annual rate, in Q4 (versus 1.5 percent had the shutdown not occurred) and 1.7 percent in Q1 (versus 1.2 percent ex. shutdown).

GDP Growth*



** The gold bars are DCMA's forecasts through 2026-Q1 (with the purple component showing activity lost in 2025-Q4 due to the government shutdown which was then recovered in the subsequent quarter). The light blue bar is a forecast for 2025-Q3 from the Atlanta Fed's GDPNow model.*

Sources: Bureau of Economic Analysis via Haver Analytics; Daiwa Capital Markets America; Federal Reserve Bank of Atlanta

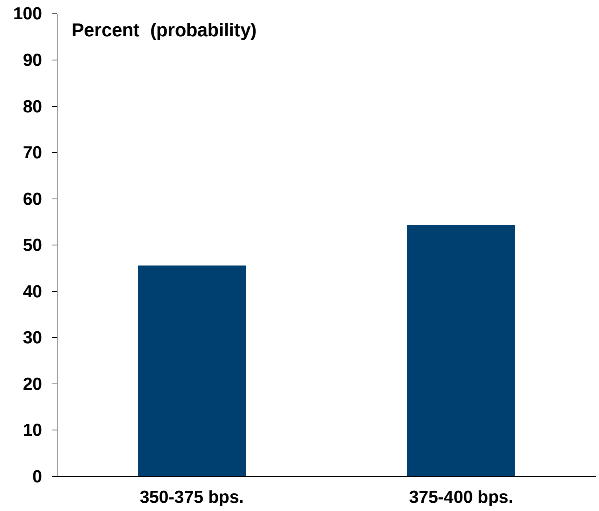
Our assessment of the potential impacts of the government shutdown acknowledges that it is (in real time) a constraint on economic activity in Q4, but a less severe one than suggested by recent projections by the Congressional Budget Office, which assume a drag of 1.0 percentage point on the annualized quarterly growth rate of Q4 GDP for a four-week shutdown, rising to 1.5 percentage points for a six-week episode (which essentially aligns with the actual duration of the shutdown). With that said, our ex-ante assumptions about households and businesses likely vary from those of the CBO. Moreover, we do not yet have a clear view of how various economic actors are responding in real time to the uncertainty generated by the government shutdown, or what the coming “data dump” of previously unreleased reports will mean for the recalibration of forecasts. All this to say, we continue remain guardedly optimistic about the U.S. outlook, especially in light of tailwinds from looser monetary policy, tax cuts extended and enhanced by the One Big Beautiful Bill Act, and the Trump administration’s ongoing deregulation push.

(For more reading on the potential effects on the economy of the lapse in discretionary appropriations, please see: "A Quantitative Analysis of the Effects of the Government Shutdown on the Economy Under Three Scenarios, as of October 29, 2025," Congressional Budget Office. https://www.cbo.gov/publication/61823.)

Brief Thoughts on the Upcoming FOMC Meeting

Expectations for a cut of 25 basis points at the December 9-10 FOMC meeting have whipped around in recent weeks, with Fed Chair Powell first pushing back on the widely held view of easing at sequential meetings into year-end by indicating at his last press conference on October 29 that further cuts were not a “foregone conclusion.” The assessment was almost certainly prompted by a wide dispersion of views among policymakers that was again on display this week, with several voices urging caution in light of above-target inflation and yet-realized price pressure from tariffs. Among the officials voicing concern, Alberto Musalem, President of the Federal Reserve Bank of St. Louis, emphasized the need to “lean against” above-target inflation, while Raphael Bostic of Atlanta warned against feeding the “inflation beast.” Thus, those views have contributed to a market pricing of a tossup at the upcoming FOMC meeting with respect to the Committee standing pat at a target range for the federal funds rate of 3-3/4 to 4 percent versus easing an additional 25 basis points (chart, below left).

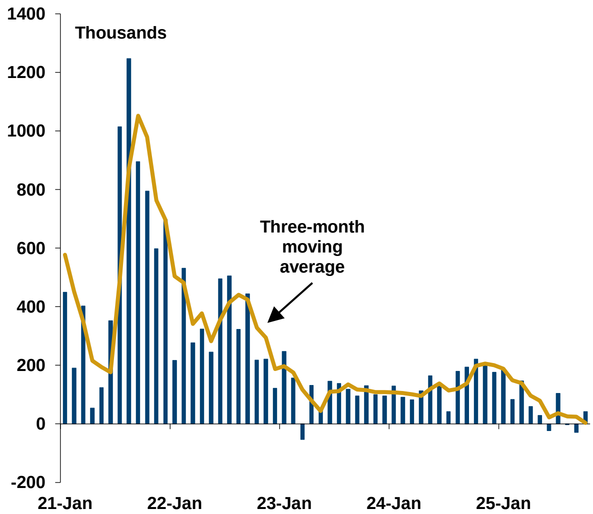
Federal Funds Target Rate Probabilities*



** The implied target range for the federal funds rate at the conclusion of the December 9-10 meeting based on futures pricing data as of November 14, 2025.*

Source: CME Group, FedWatch tool

Change in Nonfarm Private Payrolls



Source: ADP Research, Stanford Digital Economy Lab via Haver Analytics

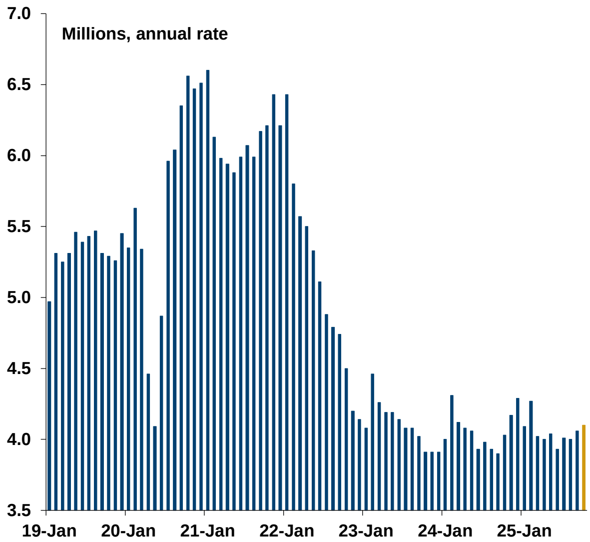
We remain vigilant with respect to inflation, and acknowledge that the government shutdown had hindered our ability to collect the most salient data (e.g., representatives of the Trump administration have indicated that a CPI report for October is unlikely to be published as data collection agents were furloughed during the October survey period). However, the labor market is sending troubling signals in its own right. We note the recent pickup in corporate layoff announcements, along with data on private-sector payroll growth from ADP Research and the Stanford Digital Economy Lab suggesting that hiring has stalled (average job gains of about 3,000 in the past three months versus 139,000 in the first quarter of 2025 and 200,000 in the fourth quarter of last year; chart, prior page, right). Furthermore, although the Bureau of Labor Statistics is now targeting November 20th for the release of the September employment data, it is fairly stale at this junction and will thus offer little insight into the impacts of uncertainty from the shutdown on hiring. Indeed, we anticipate that the October data (when released) will reveal further reductions in government payrolls beyond short-term furloughs tied to the shutdown (those receiving severance packages tied to prior layoffs lost benefits at the end of September and will now be counted in job cuts) and continued deterioration in private-sector hiring. All told, we still anticipate a cut of 25 basis points in early December in an effort to support weakening labor market conditions.

The Week Ahead

Existing Home Sales (October) (Thursday)
Forecast: 4.10 million (+1.0%)

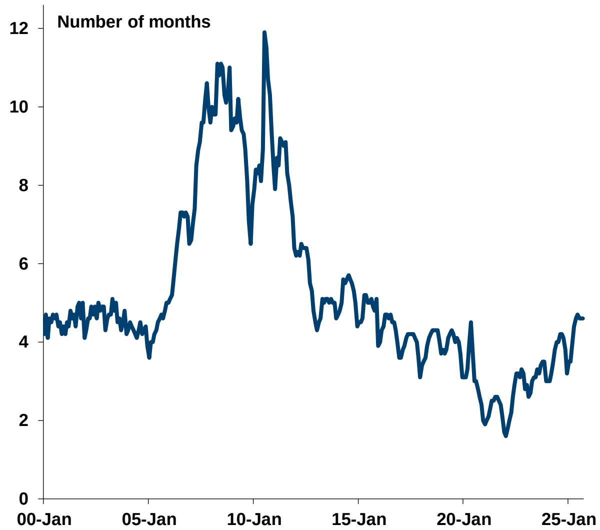
While the latest read for the pending home sales index was unchanged month-to-month, it is still up 4.2 percent in the July-to-September period – a development likely reflective of lower mortgage rates. Thus, some improvement for existing home sales is anticipated in October, though not to a significant extent (note that pending home sales, which measures contract signings, typically lead existing home sales, which measures closings, by one to two months). The projected pace of sales would be in the low end of the longer-term range, highlighting unfavorable conditions currently permeating the housing market. On the point, while evidence of improvement has emerged in recent months, a longstanding lack of inventory has supported both high prices and restrained sales in the market for existing homes. Consequently, unless both mortgage rates and prices continue to tilt lower from their respective highs, meaningful improvement is unlikely to occur in the near term.

Existing Home Sales*



** The gold bar is a forecast for October 2025.*
Sources: National Association of Realtors via Haver Analytics; Daiwa Capital Markets America

Months' Supply of Unsold Homes



Source: National Association of Realtors via Haver Analytics

Note to readers:

Despite an end to the government shutdown, economic data are still delayed. We have made best efforts to incorporate revised release schedules from various statistical agencies, although some changes may not be reflected in the below calendar. Moreover, given late announcements concerning various data, we had not prepared forecasts for this issue's Week Ahead section. We will again provide forecasts for high frequency data beginning next week.

Daiwa Capital Markets

Economic Indicators

November/December 2025

Monday	Tuesday	Wednesday	Thursday	Friday
10	11	12	13	14
	NFIB SMALL BUSINESS OPTIMISM INDEX Aug 100.8 Sep 98.8 Oct 98.2 *VETERANS DAY*		CPI (POSTPONED)	PPI (POSTPONED) RETAIL SALES (POSTPONED) BUSINESS INVENTORIES (POSTPONED)
17	18	19	20	21
EMPIRE MFG (8:30) Sep -8.7 Oct 10.7 Nov -- CONSTRUCTION (10:00) June -0.4% July -0.1% Aug -- FEDERAL BUDGET (2:00) (11-17 – 11/21) 2025 / 2024 Aug -\$344.8B -\$380.1B Sep \$198.0B \$80.3B **Oct -\$219.0B** -\$257.5B	IMPORT/EXPORT PRICES (8:30) (POSSIBLY POSTPONED) IP & CAP-U (9:15) (POSSIBLY POSTPONED) NAHB HOUSING INDEX (10:00) Sep 32 Oct 37 Nov -- FACTORY ORDERS (10:00) June -4.8% July -1.3% Aug -- TIC FLOWS (4:00) (POSSIBLY POSTPONED)	HOUSING STARTS (8:30) (POSSIBLY POSTPONED) TRADE BALANCE (8:30) June -\$59.1 billion July -\$78.3 billion Aug -- FOMC MINUTES (2:00)	UNEMP. CLAIMS (8:30) (POSSIBLY POSTPONED) EMPLOYMENT REPORT (8:30) Payrolls / Un. Rate July 79,000 4.2% Aug 22,000 4.3% Sep -- -- PHILADELPHIA FED MFG BUSINESS OUTLOOK (8:30) Sep 23.2 Oct -12.8 Nov -- EXISTING HOME SALES (10:00) Aug 4.000 million Sep 4.060 million **Oct 4.100 million** LEADING INDICATORS (10:00) (POSSIBLY POSTPONED)	REVISED CONSUMER SENTIMENT (10:00) Sep 55.1 Oct 53.6 Nov(p) 50.3
24	25	26	27	28
CHICAGO FED NATIONAL ACTIVITY INDEX	FHFA HOME PRICE INDEX S&P COTALITY CASE-SHILLER 20-CITY HOME PRICE INDEX CONFERENCE BOARD CONSUMER CONFIDENCE PENDING HOME SALES	UNEMP. CLAIMS REVISED Q3 GDP INTERNATIONAL TRADE IN GOODS DURABLE GOODS ORDERS ADVANCE INVENTORIES MNI CHICAGO BUSINESS BAROMETER PERSONAL INCOME, CONSUMPTION, AND CORE PRICE INDEX NEW HOME SALES BEIGE BOOK	*THANKSGIVING DAY*	
1	2	3	4	5
ISM MFG. INDEX CONSTRUCTION	JOLTS DATA VEHICLE SALES	ADP EMPLOYMENT ISM SERVICES INDEX	UNEMP. CLAIMS TRADE BALANCE	EMPLOYMENT REPORT CONSUMER SENTIMENT FACTORY ORDERS CONSUMER CREDIT

(p) = preliminary

Forecasts in bold (except for the federal budget which is a projection from the Congressional Budget Office). Please note that release dates for select indicators are subject to change. With the resolution of the government shutdown, several agencies will likely be posting updated releases schedules in coming days.

Treasury Financing

November/December 2025

Monday	Tuesday	Wednesday	Thursday	Friday
10	11	12	13	14
AUCTION RESULTS: Rate / Cover 13-week bills 3.780% 2.83 26-week bills 3.690% 2.95 6-week bills 3.890% 2.70 3-yr notes 3.579% 2.85 **ANNOUNCE:** $69 billion 17-week bills for auction on Nov 12 $110 billion 4-week bills for auction on Nov 13 $95 billion 8-week bills for auction on Nov 13	***VETERANS DAY***	**AUCTION RESULTS:** Rate / Cover 17-week bills 3.750% 3.18 10-yr notes 4.074% 2.43 **SETTLE:** $69 billion 17-week bills $110 billion 4-week bills $95 billion 8-week bills	**AUCTION RESULTS:** Rate / Cover 4-week bills 3.900% 2.73 8-week bills 3.835% 2.87 30-yr bonds 4.694% 2.29 **ANNOUNCE:** $163 billion 13-,26-week bills for auction on Nov 17 $95 billion 6-week bills for auction on Nov 18 $16 billion 20-year bonds for auction on Nov 19 $19 billion 10-year TIPS for auction on Nov 20	**SETTLE:** $163 billion 13-,26-week bills $95 billion 6-week bills
17	18	19	20	21
AUCTION: $163 billion 13-,26-week bills **SETTLE:** $58 billion 3-year notes $42 billion 10-year notes $25 billion 30-year bonds	**AUCTION:** $95 billion 6-week bills **ANNOUNCE:** $69 billion* 17-week bills for auction on Nov 19 $110 billion* 4-week bills for auction on Nov 20 $95 billion* 8-week bills for auction on Nov 20 **SETTLE:** $69 billion 17-week bills $110 billion 4-week bills $95 billion 8-week bills	**AUCTION:** $69 billion* 17-week bills $16 billion 20-year bonds	**AUCTION:** $110 billion* 4-week bills $95 billion* 8-week bills $19 billion 10-year TIPS **ANNOUNCE:** $163 billion* 13-,26-week bills for auction on Nov 24 $95 billion* 6-week bills for auction on Nov 25 $50 billion* 52-week bills for auction on Nov 25 $69 billion* 2-year notes for auction on Nov 24 $70 billion* 5-year notes for auction on Nov 25 $44 billion* 7-year notes for auction on Nov 26 $28 billion* 2-year FRNs for auction on Nov 25	**SETTLE:** $163 billion 13-,26-week bills $95 billion 6-week bills
24	25	26	27	28
AUCTION: $163 billion* 13-,26-week bills $69 billion* 2-year notes	**AUCTION:** $95 billion* 6-week bills $50 billion* 52-week bills $70 billion* 5-year notes $28 billion* 2-year FRNs **ANNOUNCE:** $69 billion* 17-week bills for auction on Nov 26 $110 billion* 4-week bills for auction on Nov 26 $95 billion* 8-week bills for auction on Nov 26 **SETTLE:** $69 billion* 17-week bills $110 billion* 4-week bills $95 billion* 8-week bills	**AUCTION:** $69 billion* 17-week bills $110 billion* 4-week bills $95 billion* 8-week bills $44 billion* 7-year notes **ANNOUNCE:** $163 billion* 13-,26-week bills for auction on Dec 1 $95 billion* 6-week bills for auction on Dec 2	***THANKSGIVING DAY***	**SETTLE:** $163 billion* 13-,26-week bills $95 billion* 6-week bills $50 billion* 52-week bills $19 billion 10-year TIPS $28 billion* 2-year FRNs
1	2	3	4	5
AUCTION: $163 billion* 13-,26-week bills **SETTLE:** $16 billion 20-year bonds $69 billion* 2-year notes $70 billion* 5-year notes $44 billion* 7-year notes	**AUCTION:** $95 billion* 6-week bills **ANNOUNCE:** $69 billion* 17-week bills for auction on Dec 3 $110 billion* 4-week bills for auction on Dec 4 $95 billion* 8-week bills for auction on Dec 4 **SETTLE:** $69 billion* 17-week bills $110 billion* 4-week bills $95 billion* 8-week bills	**AUCTION:** $69 billion* 17-week bills	**AUCTION:** $110 billion* 4-week bills $95 billion* 8-week bills **ANNOUNCE:** $163 billion* 13-,26-week bills for auction on Dec 8 $95 billion* 6-week bills for auction on Dec 9 $58 billion* 3-year notes for auction on Dec 8 $39 billion* 10-year notes for auction on Dec 9 $22 billion* 30-year bonds for auction on Dec 11 **SETTLE:** $163 billion* 13-,26-week bills $95 billion* 6-week bills	

**Estimate*