

Weekly Economic Commentary

November 14, 2025

Now that that government door has reopened, we anxiously await the data blitz that will soon hit the headlines.

The jobs report for September should be released fairly soon, as the data were collected before the shutdown. But don't expect to receive much information about what happened in October as the blackout impaired data collection for that month. The administration has already admitted that there won't be an inflation report for the period, as no data on prices were collected. What's more, only half of the all-important jobs report will be made available, including the number of people on payrolls as companies that are surveyed for that tally can readily look back to see who they paid a month or two ago. However, the unemployment rate, which is covered in a separate survey of households, will not be released.

Hence, the Federal Reserve will be flying half blind at its upcoming policy meeting on December 9-10. A month ago, it was deemed almost a certainty that another quarter-point rate cut was in the cards, following similar reductions in September and October. Recall that in those previous months, the official data available confirmed that job growth had almost stalled out whereas inflation, while sticky, was not under as much upward pressure from tariffs as feared. The consecutive rate cuts and high prospect of another one in December were viewed as the most responsible course of action given the greater risk of a collapsing job market than of accelerating inflation.

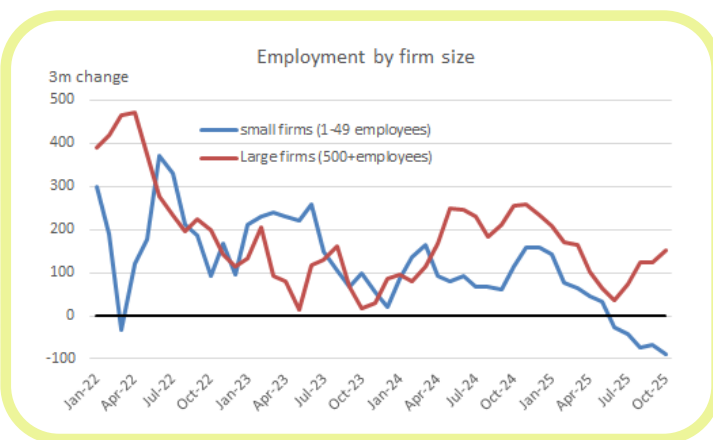
However, in recent weeks the Fed's tone has become more hawkish. Starting with Chair Powell's statement in his post-meeting press conference last month that another rate cut was certainly "not a foregone conclusion" a number of Fed officials have opined in recent weeks that the bar for a December rate cut has risen considerably. The financial markets have taken notice and now view the prospect of a pending rate reduction on December 10 as a coin toss. That more hawkish tone is one reason the stock market turned more wobbly in recent weeks, including some steep daily price declines. Another catalyst for heightened market jitters is that investors may be having second thoughts about the high valuations of tech companies that drove stock prices to record highs this year. Many are wondering if future earnings will justify the lofty price-earnings ratios on several of these AI-related companies.

The prospect of a severe market setback is of no small concern. Keep in mind that upper-income households are the economy's main growth driver of late, and this cohort holds the vast majority of stocks. The wealth derived from the astonishing stock market rally in recent years has underpinned the resilience in consumer spending, which cushioned the economy from tariffs and other headwinds that sent household confidence to recession levels. As we have often noted

the wealth effect can work both ways, highlighting the risk facing an economy that is supported mainly by a small fraction of the population. Should wealthier households zip up their wallets because of a negative hit to stock portfolios, the mantle of support would pass to low and middle-class consumers who are coping with strained budgets from high prices and low job security.

The dependence of the expansion on a sliver of wealthy households highlights the bifurcated nature of the economy that has opened up in recent years. The growing divide is not only evident among households, but also among businesses. But unlike consumption, where relatively few households are doing the heavy lifting, most jobs are created by small businesses, the mom-and-pop establishments that are

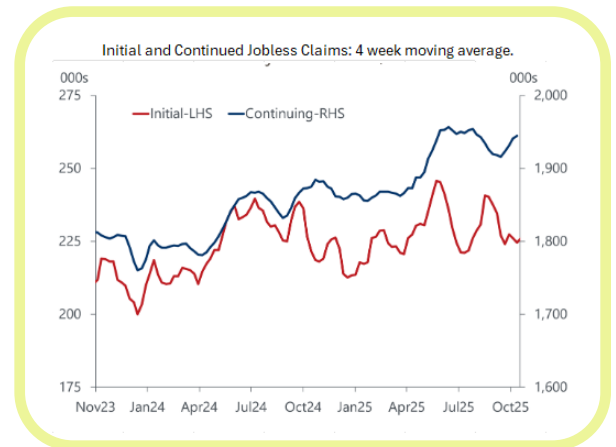
the mirror image of low and middle-class households. Indeed, firms with fewer than 50 employees account for more than half of gross jobs created in the past few years, according to the Census business employment dynamics data. Importantly, they also account for a little more than half of jobs eliminated, which is where the rubber meets the road at the present time.



As already noted, government data on employment trends have been unavailable thanks to the shutdown. But that hasn't left a complete void on labor conditions, as myriad private sources continue to publish data that give a fairly good sense of what is happening. One such source is the large payroll processing firm, ADP, which publishes data for the private sector. What its survey shows is that net employment at firms with fewer than 50 employees has declined in five out of the past six months, in contrast to continued net hiring at larger firms. Taking all firms into account, the trend firmly echoes that seen in the government data prior to the shutdown, namely that overall job growth is downshifting sharply.

The good news is that we are not seeing massive job losses despite a spike in announced layoffs by a number of high-profile companies. If that were to occur, it would show up at state unemployment offices where claims for jobless benefits are made. So far, that has not been the case, as such applications have held steady at relatively low levels. That said, the surge in high-profile layoff announcements noted above may eventually push that number higher, as there is a lag between announcements and actual layoffs. Keep in mind that layoff announcements usually have severance packages attached, many of which include several months of wages. Usually, it is only after fired workers stop getting paid that they apply for jobless benefits. That is particularly the case with the nearly 1 million Federal workers who accepted voluntary resignations under DOGE last spring but continued to receive paychecks for at least six months. Those paychecks will soon stop coming, prompting many of those workers to visit unemployment offices.

Despite these proliferating signs of weakness, there is little indication that the economy is running out of steam. Banks are reporting strong use of credit cards to support consumer purchases, retailers expect a solid holiday shopping season and, importantly, the thrust from AI spending is boosting business investment. As the calendar turns to 2026, households will be receiving tax breaks and larger than usual refunds, owing to the One Big Beautiful Bill Act signed into law this summer. This fiscal stimulus and the fading of tariff uncertainty should add fuel to the economy's growth engine. It may also allow the Fed to focus more on inflation if the job market holds up. Based on the more hawkish remarks coming from Fed officials lately, such a reshuffling of priorities may already be underway, raising the odds that rates will be held steady at the upcoming policy meeting in December. That does not mean the rate-cutting campaign has ended. If, as we expect, inflationary pressures ease next year along with a weakening job market and the easing of trade tensions, the central bank should continue to nudge rates lower towards its perceived neutral level, one that neither stimulates nor retards economic activity. By most estimates, that rate is still about one percentage point lower than it is now.



Key Financial Indicators

Interest Rates

	November 14	Week Ago	Month Ago	Year Ago
3-month Treasury bill	3.88	3.85	3.93	4.51
6-month Treasury bill	3.83	3.79	3.81	4.48
2-year Treasury note	3.61	3.57	3.47	4.33
5-year Treasury note	3.73	3.69	3.60	4.31
10-year Treasury note	4.15	4.10	4.01	4.44
30-year Treasury bond	4.76	4.70	4.61	4.62
30-year fixed mortgage rate	6.24	6.22	6.27	6.78
15-year fixed mortgage rate	5.49	5.50	5.52	5.99

Stock Market

Dow Jones Industrial Index	47147.48	46987.10	46190.61	43444.99
S&P 500	6734.11	6728.80	6664.01	5870.62
NASDAQ	22900.59	23004.54	22679.97	18680.12

Commodities

Gold (\$ per troy ounce)	4083.70	4011.8	4245.2	2567.5
Oil (\$ per barrel) - Crude Futures (WTI)	60.02	59.85	57.70	66.95

Key Economic Indicators

	Latest Month/Quarter	Previous Month/Quarter	Two-Months/ Quarters Ago	Average-Past 6 Months or Quarters
Small Business Optimism Index (October)	98.2	98.8	100.8	99.3

Millennium Corporate Credit Union

8615 West Frazier Street
Wichita, KS 67212