US Market Wrap - 5th December 2025

Stocks mixed and bonds sold as eyes turn to FOMC next week

- **SNAPSHOT**: Equities mixed, Treasuries down, Crude up, Dollar flat, Gold down
- **REAR VIEW**: US PCE largely matches expectations; UoM sentiment rises above forecasts; Strong Canada jobs report; G7 & EU reportedly in discussions to remove oil price cap on Russia; RBI cuts Repurchase Rate as expected; NFLX set to acquire WBD; DELL reportedly plans 15-20% price hike from mid December.
- **COMING UP**: **Data:** German Industrial Output, EZ Sentix, Chinese Trade Balance. **Speakers:** BoE's Taylor, Lombardelli; ECB's Cipollone. **Supply:** US.
- **WEEK AHEAD:** Highlights include FOMC, RBA, BoC, SNB, UK GDP, Aussie Jobs, Chinese Trade and Inflation. For the full report, please click here
- **CENTRAL BANK WEEKLY:** Previewing FOMC, RBA, BoC, SNB, CBRT; Reviewing RBI. For the full report, please click here
- **WEEKLY US EARNINGS ESTIMATES:** Highlights include AVGO, ORCL, COST, ADBE, and SNPS. For the full report, please click here

MARKET WRAP

Stocks ultimately finished the session with an upward bias, with SPX, NDX and DJI closing green, but RUT lagged and closed lower. Sectors were also mixed. Communication, Tech and Consumer Discretionary led the gains, while Utilities, Health Care and Industrials underperformed. Focus on Friday was largely on US data, which saw PCE lean softer than expected in September, while UoM beat forecasts with declining inflation expectations. The data had little impact on Fed expectations. Meanwhile, T-notes were sold across the curve with yields settling c. 3bps firmer across maturities tracking Canadian bonds lower after a very strong Canadian jobs report. There was also a slew of chunky block trades in the 5- and 10-year futures alongside commentary from NEC Director Hassett to digest. The potential Fed Chair said it is time for the Fed to proceed "cautiously" with rate cuts, with the cautious language perhaps not as dovish as you would expect from a close Trump ally. The Dollar managed to claw back losses to finish Friday trade flat, with Yen strength pared as the currency appears exhausted by further BoJ hawkish sources, as well as weighed on by higher US yields. CAD was the clear outperformer after a stellar Canadian jobs report, which saw a hawkish shift in rate pricing to see a 25bps hike fully priced in from the BoC next year. Gold continues to hover around USD 4,200/oz while silver caught a bid. Oil prices settled in the green amid the lack of progress on the Russia/Ukraine peace talks.

US DATA

PCE: Core PCE rose 0.198% in September, in line with the 0.2% forecast and prior, seeing the Y/Y rise 2.8%, cooler than the 2.9% seen in August, despite expectations for another 2.9% print. On the headline, PCE rose 0.269%, in line with the 0.3% prior and forecast, with Y/Y rising 2.8%, in line with forecasts but ticking up from the prior 2.7%. Within the report, Personal Income rose 0.4%, above the 0.3% forecast, matching the prior pace, while adj. consumption rose 0.3%, in line with forecasts, while the prior was revised down to 0.5% from 0.6%. Real consumption was unchanged, beneath the 0.1% consensus. The cooler price data is welcome, albeit quite stale, given it is from September, with data delayed due to the government shutdown - it ultimately had little impact on Fed expectations. However, it may influence the projections the Fed are set to update next week. Pantheon Macroeconomics note the rise in core PCE should be small enough for most to revise down near-term inflation forecasts, helping justify more policy easing. PM expects most members to revise down their Core PCE Y/Y forecast to 2.9% next week. Within the report, Pantheon suggests, based on their calculations, that the inflation uplift from the tariffs is continuing to build to 0.41% in September, from 0.37% in August. The desk also writes that "Core PCE inflation probably still will slightly exceed 2% at the end of next year, but progress towards the FOMC's target likely will be sufficient for the Committee to ease policy by a further 75bp in 2026." If the Fed cuts by 25bps (as expected) on Wednesday, it takes the FFR to 3.50-3.75%. The Bloomberg dot plot median estimate for the 2026 dot is at 3.25-3.50%, which implies just one more rate cut in 2026. Money markets and Pantheon are more dovish than this. Money markets are pricing in rates between 3.00-3.25%; Pantheon expects rates between 2.75-3.00%.

UOM PRELIM: The Sentiment Index saw its first rise in five months, hitting 53.3 in December from 51.0 in November (exp. 52.0). The increase was concentrated primarily among younger consumers. Current conditions fell to 50.7 from 51.1 despite expectations for an uptick to 51.3. Expectations rose to 55.0, matching the highest forecast among analysts surveyed (exp. 51.2, prev. 51.0), led by a 13% rise in expected personal finances, with improvements visible across age, income, education, and political affiliation. Director Hsu notes that consumers see modest improvements from November on a few dimensions, but the overall tenor of views is broadly sombre, as consumers continue to cite the burden of high prices. On inflation, year-ahead inflation expectations fell to 4.1% from 4.5%, the lowest reading since January, while the five-year-ahead fell to 3.2% from 3.4%.

FIXED INCOME

T-NOTE FUTURES (H6) SETTLED 6+ TICKS LOWER AT 112-16+

T-notes sold across the curve amid a chunky slew of block trades, US data, and commentary from Hassett. At settlement, 2-year +3.6bps at 3.567%, 3-year +3.7bps at 3.590%, 5-year +3.4bps at 3.717%, 7-year +3.0bps at 3.909%, 10-year +3.3bps at 4.141%, 20-year +3.4bps at 4.757%, 30-year +3.0bps at 4.794%.

INFLATION BREAKEVENS: 1-year BEI +0.8bps at 2.743%, 3-year BEI +2.0bps at 2.466%, 5-year BEI +0.4bps at 2.263%, 10-year BEI +0.0bps at 2.253%, 30-year BEI +0.0bps at 2.228%.

THE DAY: T-notes were sold across the curve on Friday with yields 3-4bps firmer across maturities. A lot of the focus was on the US data, which saw US PCE mostly in line with expectations (core Y/Y slightly soft), while UoM sentiment beat expectations with a drop in both inflation expectations. The data did little to shape Fed expectations. However, T-notes started to rise on little news just ahead of the cash equity open before then reversing ahead of the US data. The data supported T-notes briefly, but better selling resumed thereafter across the curve. There was little fresh US news driving prices lower, but there were several, very chunky block trades (click here) likely behind the movement. Meanwhile, Canadian bonds were sold hard with markets now fully pricing in a 25bps hike in 2026 from the BoC after a stellar jobs report, which saw the unemployment rate drop to 6.5% from 6.9%. T-notes settled around lows, but it is worth noting that in wake of the US data, there was a downward revision to the Atlanta Fed GDPNow model to 3.5% from 3.8% for Q3, while the NY Fed Nowcast for Q4 fell to 1.73% from 2.33%, albeit it did little to stop the Treasury downside. There was also commentary from NEC Director, or "potential Fed Chair", Hassett, who perhaps wasn't as dovish as you would expect. He said it is time for the Fed to "cautiously" reduce rates. A cautious approach would differ from one that Trump favours and be more aligned with some of the commentary from current Fed officials. However, he said he did agree with Bessent's view on Fed Reserve Bank Presidents - that they should be living in a district for three years before being a Fed president. The criticism against regional Fed presidents further raises concerns over Fed independence, particularly when it is the regional Fed presidents who are leaning more hawkish than the board of Governors.

SUPPLY:

Notes

- US to sell USD 58bln of 3-year notes on 8th Dec.
- US to sell USD 39bln in 10-year notes on 9th Dec.
- US to sell USD 22bln of 30-year bonds on Dec 11th.

Bills

- US to sell USD 75bln of 6-week bills on December 9th
- US to sell USD 86bln of 13-week bills on December 8th.
- US to sell USD 77bln of 26-week bills on December 8th.

STIRS/OPERATIONS

- **Market Implied Fed Rate Cut Pricing: Dec 21.07bps (prev. 21.3bps), January 29.15bps (prev. 29.6bps), March 36.3bps (prev. 36.7bps).**
- NY Fed RRP op demand at USD 1.5bln (prev. 2.2bln) across 8 counterparties (prev. 39).
- NY Fed Repo Op demand at USD 0.002bln (prev. 0.002bln) across two operations.
- EFFR at 3.89% (prev. 3.89%), volumes at USD 87bln (prev. 85bln) on December 4th.
- SOFR at 3.92% (prev. 3.95%), volumes at USD 3.300tln (prev. 3.360tln) on December 4th.

CRUDE

WTI (F6) SETTLED USD 0.41 HIGHER AT 60.08/BBL; BRENT (G6) SETTLED USD 0.49 HIGHER AT USD 63.75/BBL

Crude extended on recent gains driven by a lacklustre US/Russia meeting aimed at finding a resolution on the Russia-Ukraine war. Market-moving headlines were absent to end the week as newsflow dried up with Russia's Kremlin saying Moscow is waiting for the US reaction after the Putin-Witkoff meeting; no plan for Putin-Trump call for now, they said. Energy updates included discounts for Russian ESPO blend crude oil delivered to China, widening to USD 5-6/bbl vs ICE Brent due to falling demand; Russia planning to boost oil exports from western ports by 27% M/M in December; and the G7 and EU discussing imposing a full ban on accessing maritime services by Russia to disrupt oil exports (all via Reuters). WTI and Brent hit highs of USD 60.50/bbl and USD 64.09/bbl, respectively, but trimmed around half of the gains into settlement. Meanwhile, the weekly Baker Hughes rig count saw drillers add oil and natgas rigs for the fourth time in five weeks: Oil +6 at 413, natgas -1 at 129, total +5 at 549.

EQUITIES

CLOSES: SPX +0.19% at 6,870, NDX +0.43% at 25,692, DJI +0.22% at 47,955, RUT -0.38% at 2,521

SECTORS: Utilities -0.98%, Energy -0.43%, Health -0.41%, Materials -0.39%, Industrials -0.28%, Consumer Staples -0.26%, Real Estate unchanged, Financials +0.03%, Consumer Discretionary +0.44%, Technology +0.45%, Communication Services +0.95%.

EUROPEAN CLOSES: Euro Stoxx 50 +0.12% at 5,725, Dax 40 +0.66% at 24,039, FTSE 100 -0.45% at 9,667, CAC 40 -0.09% at 8,115, FTSE MIB -0.20% at 43,433, IBEX 35 -0.35% at 16,689, PSI -0.49% at 8,198, SMI +0.31% at 12,934, AEX -0.03% at 948

STOCK SPECIFICS

- **Hewlett Packard Enterprise (HPE):** Decline in server revenue outweighs earnings beat.
- **DocuSign (DOCU):** Uncertainty surrounding FY27 setup weighs.
- **Ulta Beauty (ULTA):** Beat quarterly exp.; raised FY revenue & SSS outlook.
- **Netflix (NFLX):** To buy Warner Bros Discovery (WBD, +2.9%) for an equity value of USD 72bln; US Senator Elizabeth Warren called the deal an 'anti-monopoly nightmare' which will raise consumer costs and limit choice.
- **Parsons (PSN):** Double downgraded at Raymond James after the FAA awarded a contract to Peraton instead.

- **Oklo (OKLO):** Announced equity distribution agreement for up to $1.5B.
- **MP Materials (MP):** Upgraded at Morgan Stanley to 'Overweight' from 'Equal Weight'.
- **Albemarle (ALB):** Upgraded at UBS to 'Buy' from 'Neutral'.
- **Shell (SHEL), BP (BP):** Downgraded at BofA.

FX

The Dollar Index was flat on Friday, with the delayed September PCE report likely having little impact on the Fed's decision-making at the December meeting. The report was largely in line with expectations (core Y/Y slightly soft), with monthly figures in keeping with H2 25 levels. Separately, UoM Sentiment saw its first increase in five months after hitting its second-lowest level ever in November, helped by a rise in expected personal finances, particularly those of a younger age. DXY hit 98.805 lows before recovering losses amid an extension of the move higher in US yields; newsflow was light at the time.

CAD outperformance was seen on the November jobs report. Job growth surprised on the upside (act. 53.6k vs exp. -5k) with the unemployment rate sinking to 6.5% from 6.9% (exp. 7.0%) alongside a drop in the participation rate to 65.1% from 65.3%. The report resulted in a huge shift in BoC policy expectation, whereby money markets now look for a 25bps hike by the end of 2026 as opposed to the prior view of rates being steady. USD/CAD moved lower to September levels, trading around the lows of 1.3834 from an earlier peak of 1.3960.

JPY was weaker vs USD as the currency appears exhausted by further BoJ hawkish sources, as well as weighed on by higher US yields. This time, Bloomberg reported that the BoJ is likely to hike in December and leave the door open to more, but before it will check data and market moves. JPY had been originally firmer on said themes, extending after verbal intervention from Chief Cabinet Secretary Kihara, leaving USD/JPY hitting lows of 154.35 before moving back above 155.20 over EU & US trade as the Dollar clawed back lost ground.

INR finished weaker vs USD following the RBI decision to cut the Repo Rate by 25bps to 5.25%, as widely expected. The central bank maintained its neutral stance while lowering its FY26 CPI inflation outlook to 2.0% from 2.6%.

BRL was hit on Friday following Former Brazilian President Bolsonaro stating for the first time that he wants to launch his son, Flávio Bolsonaro, in the 2026 election against President Lula, local press reported. The development leaves political uncertainty heightened, with Flávio consolidating party unity and having a significant support base of allied governors like Tarcísio de Freitas (Republicanos) in São Paulo, aiming to clash with President Lula.