

Summary

The economic data release schedule has begun to normalize, with last week showing gains in personal income and spending, ISM services, industrial production, and consumer sentiment. These offset the weaker ISM manufacturing and ADP employment reports.

Equities fared positively around the world, with Europe and Japan outperforming the U.S. Most bonds lagged as interest rates ticked higher, although there were pockets of gains. Commodities gained in both energy and base metals.

Economic Notes

(+) **Personal income** for September rose by 0.4%, beating expectations by a tenth of a percent, with some negative offset from adjustments in farm income in prior months. **Personal spending** rose 0.3%, on par with consensus, and largely due to higher natural gas/utility costs over the month (which has continued more recently). The personal saving rate was flat at 4.7%. Over the past year, both personal income and spending rose roughly 5%, which is a few percent in positive real terms after inflation. The **PCE price index** rose 0.3% on a headline level, while core PCE rose 0.2% after removing food and energy. Year-over-year, headline and core PCE each rose by a rounded 2.8%, with core being a bit down from the prior month, but not meaningfully so. Within PCE for the year, goods prices rose 1.4% (mostly in non-durable goods), while services increased 3.4%, reflecting the pattern seen in CPI as well. Inflation by this metric didn't necessarily worsen, and although core PCE remains well above the Federal Reserve's 2.0% target, it may be flat enough to allow for a less controversial rate cut this coming week (at least based on futures market predictions).

(-) The **ISM manufacturing index** for November fell by -0.5 of a point to 48.2, below the 49.0 level expected, and moved a bit further into contraction from near neutral. Only 4 industries reported expansion, while 11 showed contraction. Under the hood, the inputs were mixed, with new orders down -2 points to 47, further into contraction, as was employment to 44. However, production rose by 3 points back into expansion at 51, in addition to gains in inventory. Prices paid rose by a half-point to over 58, which remains solidly expansionary. Tariffs were mentioned nine times in the report, although that was down in number from the prior month, for those counting. It was noted by survey respondents that conditions remained "soft" due to general "global uncertainty," "higher costs from tariffs," and the government shutdown—the first two in keeping with ongoing concerns in prior months.

(+) The final **S&P Global US manufacturing PMI** for November ticked up by 0.3 of a point to 52.2, further into expansion, beyond the expectations of no change. New orders and employment were each unchanged, while the output data was revised up a point further into expansion. Both input and output prices rose—further into expansion.

(+/0) The **ISM services/non-manufacturing index** ticked up by 0.2 of a point to 52.6 in November, just above the 52.0 level expected. The composition was mixed, with business activity ticking up a few tenths

to around 55, solidly in expansion, while employment rose nearly a point but remained in a slight contraction. The forward-looking new orders number, though, fell by -3 points to 53, but remained in expansion. A gain in supplier deliveries appeared to be due to air traffic slowdowns during the government shutdown, according to the ISM, so it could be less important looking ahead. Prices paid fell by nearly -5 points to 65, the lowest level in six months, but obviously still at an elevated level and expanding. The news release mentioned “positive signs of an emerging recovery” in services, based on the expansion of business activity and new orders. However, “tariffs and the government shutdown” have been mentioned as impacting “both demand and costs,” being mentioned more often than in the prior month. Nevertheless, services continue to plug along at a faster pace than manufacturing, as has been the case for several years.

(0) The final **S&P Global US services PMI** for November fell by -0.9 of a point to 54.1, relative to the unchanged 55.0 expected, but also remaining in solid expansion. New business was revised down a point, but stayed over 54, while employment was revised up a point to 52. Input and output prices were revised down a bit, but remained in the high 55-60 range.

(0) **Industrial production** rose 0.1% for September, in keeping with consensus expectations, albeit now being fairly stale news. On the downside, this also included substantial downward revisions to prior months by several percent each. Manufacturing production was unchanged, as a drop of -3% in auto assemblies was offset by continued gains in business equipment of just under a percent. The overall number was also helped by utilities production up 1%, which is largely weather-driven, while mining/petroleum extraction was unchanged. Year-over-year, total industrial production was up 1.6%, led by double-digit gains in high-tech equipment and business equipment, related to continued exuberance over artificial intelligence data center expansion, which offset outright declines in consumer goods and autos. **Capacity utilization** was unchanged for the month at 75.9%, despite expectations of a higher figure of 77.2%.

(-) The **ADP** private sector employment report for November showed that jobs declined by -32k, the largest drop since March 2023, which was in contrast to expectations of a 10k gain, and well below the revised 47k gain in October. The downward move was highlighted by declines in professional/business services (-26k) and information services (-20k), which more than offset the gain in education/health services (33k). Overall, services jobs fell by -12k, while those in goods-producing industries fell -19k (with negative results in both manufacturing and construction). While a bit off-track at times from the government payroll numbers, weakness in labor is apparent, and could add to the Fed’s rate cut narrative.

(+) The preliminary **Univ. of Michigan consumer sentiment index** for December rose by 2.3 points (4.5%) to 53.3, exceeding the 51.0 level expected. As assessments of current conditions fell by about a percent, this was led by expectations for the future, which rose 8% for the month. Inflation expectations for the coming year fell by -0.4% to 4.1%, while those for the next five years declined by -0.2% to 3.2%, with each being below expectations that called for little change. The survey sponsor optimistically mentioned that future expectations were helped by a gain in personal finances, across a variety of ages

and demographic and political groups; at the same time, labor market expectations had improved but “remained relatively dismal.” The “overall tenor of views is broadly somber” it was noted, as consumers continue to absorb higher price impacts from past inflation and now tariffs to varying degrees.

(+) **Initial jobless claims** for the Nov. 29 ending week fell by -27k to 191k, well below the 220k median forecast. Continuing claims for the Nov. 22 week fell by -4k to 1.939 mil., also well below the 1.963 mil. expected. It was apparent that no extreme jumps in claims occurred, although the data also included some potential seasonal adjustment issues around the timing of Thanksgiving weekend.

Market Notes

Period ending 12/5/2025	1 Week %	YTD %
DJIA	0.62	14.58
S&P 500	0.35	18.22
NASDAQ	0.93	22.84
Russell 2000	0.88	14.47
MSCI-EAFE	0.77	28.38
MSCI-EM	1.42	31.53
Bloomberg U.S. Aggregate	-0.48	6.94

U.S. Treasury Yields	3 Mo.	2 Yr.	5 Yr.	10 Yr.	30 Yr.
12/31/2024	4.37	4.25	4.38	4.58	4.78
11/28/2025	3.88	3.47	3.59	4.02	4.67
12/5/2025	3.71	3.56	3.72	4.14	4.79

U.S. stocks gained last week, with slower pre-holiday trading, but continued hopes of a Federal Reserve interest rate cut this coming Wednesday. By sector, gains were led by technology (Nvidia, but even more so by firms like Salesforce and Adobe) and energy, up by over 1% for the week. Sentiment for artificial intelligence appeared to turn bullish again, in a continued back-and-forth lately between optimism about its productivity potential versus higher valuations for related firms and substantial cash flows spent on infrastructure. Laggards included more defensive sectors utilities, health care, and consumer staples, all of which lost several percent. Real estate also fell back by over -1% along with higher interest rates.

Foreign stocks outperformed U.S. last week, with help from a weaker U.S. dollar. Europe and Japan each saw gains of around a percent, while emerging markets outgained all other regions last week. Within EM, South Korea and Taiwan led, in keeping with a connection to U.S. technology sentiment, along with gains in China, which offset a drop of over a percent in Brazil. At least some foreign sentiment appeared to be tied to this coming week’s FOMC decision, which can exacerbate currency trends, particularly in EM.

Bonds fell back last week, with yields moving higher along with not-terrible economic data. While investment-grade corporates lost a bit less than U.S. Treasuries last week, the only sectors with gains

were high yield and floating rate bank loans, the latter as would be expected. Foreign bonds were mixed, with a weaker U.S. dollar helping local currency bonds outperform USD-hedged. The Japanese 10-year bond moved back into positive real yield territory for the first time in several years, as markets have been expecting another pickup in BOJ rate hikes.

Commodities were up overall last week, with gains of several percent each in energy and industrial metals, while precious metals were flat, and agriculture lost some ground. Crude oil prices rose nearly 3% last week to \$60/barrel, as geopolitical risk due to some re-escalation between Russia-Ukraine during peace negotiations, which offset weaker demand fundamentals and high supplies generally. Natural gas prices continued to move sharply higher, over 7%, along with strong early winter demand due to early cold weather in the U.S., as well as for U.S. exports, which have been increasingly replacing gas from other global suppliers.

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Sources: FocusPoint Solutions, American Association for Individual Investors (AAII), Associated Press, Barclays Capital, Bloomberg, Citigroup, Deutsche Bank, FactSet, Financial Times, First Trust, Goldman Sachs, Invesco, JPMorgan Asset Management, Marketfield Asset Management, Morgan Stanley, MSCI, Morningstar, Northern Trust, PIMCO, Standard & Poor's, StockCharts.com, The Conference Board, Thomson Reuters, T. Rowe Price, Univ. of Michigan, U.S. Bureau of Economic Analysis, U.S. Federal Reserve, Wall Street Journal, The Washington Post. Index performance is shown as total return, which includes dividends. Performance for the MSCI-EAFE and MSCI-EM indexes is quoted in U.S. Dollar investor terms.

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Notes key: (+) positive/encouraging development, (0) neutral/inconclusive/no net effect, (-) negative/discouraging development.



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