# CBC Weekly Economic Update

*December 1, 2025*

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Commercial Bank of California

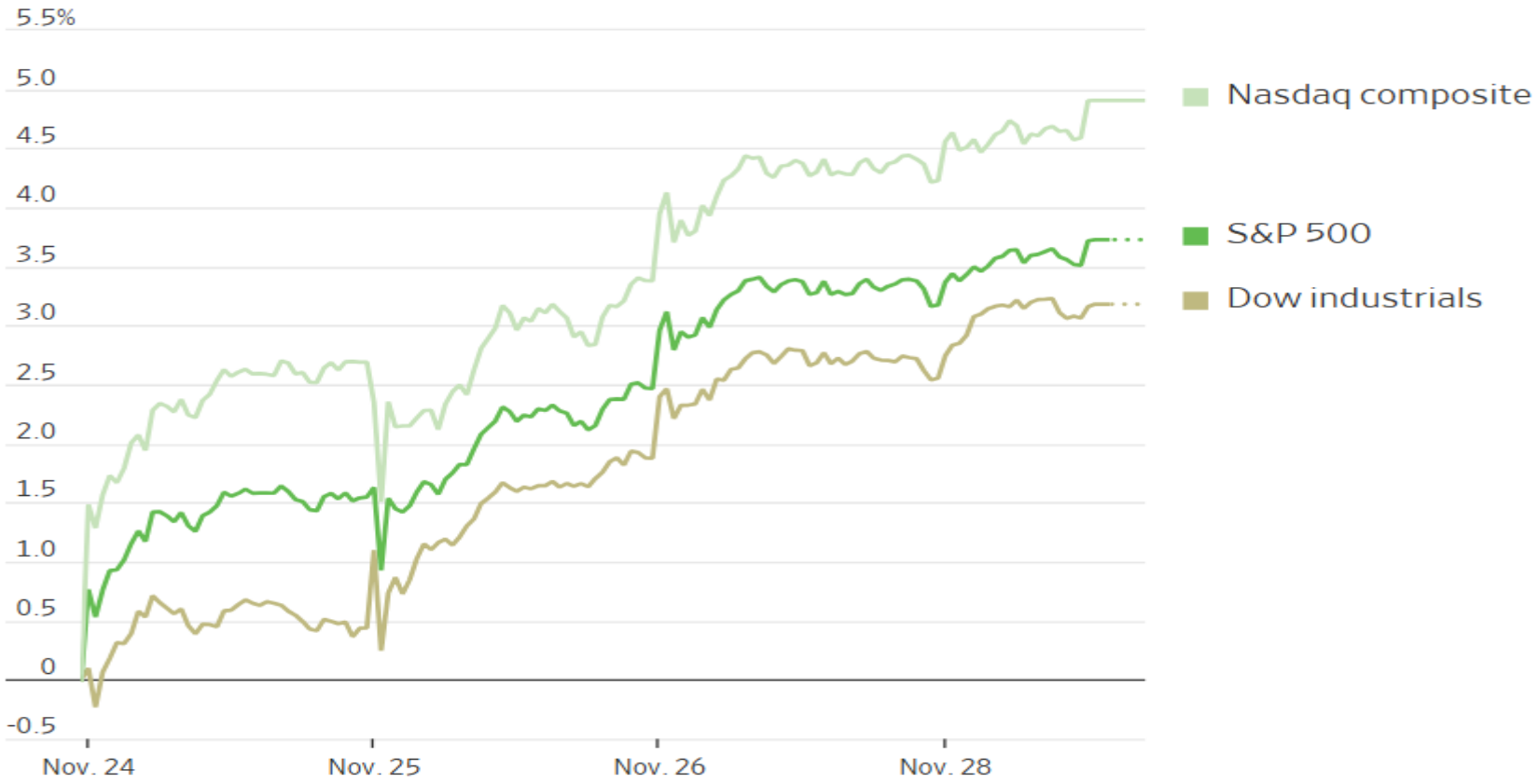
# Discussion Topics

- Stock Markets
- Retail Sales for September
- Producer Price Index for September
- Consumer Confidence for November
- Fed's Beige Book for November
- Weekly Initial Jobless and Continuing Claims
- Rate Cut Expectation & Treasury Yields
  - Treasury Forward Rates
- Key Takeaways

# Stock Markets

# Stock Markets – Strong Gain

- **S&P 500 & Dow:** 7-month winning streak
- **Nasdaq: Strong weekly rebound despite AI valuation concerns**
- Rally fueled by **Fed cut expectations**, holiday boost, and **AI stocks** (Alphabet, Intel)
- **Sector leaders:** Communication Services, Consumer Discretionary

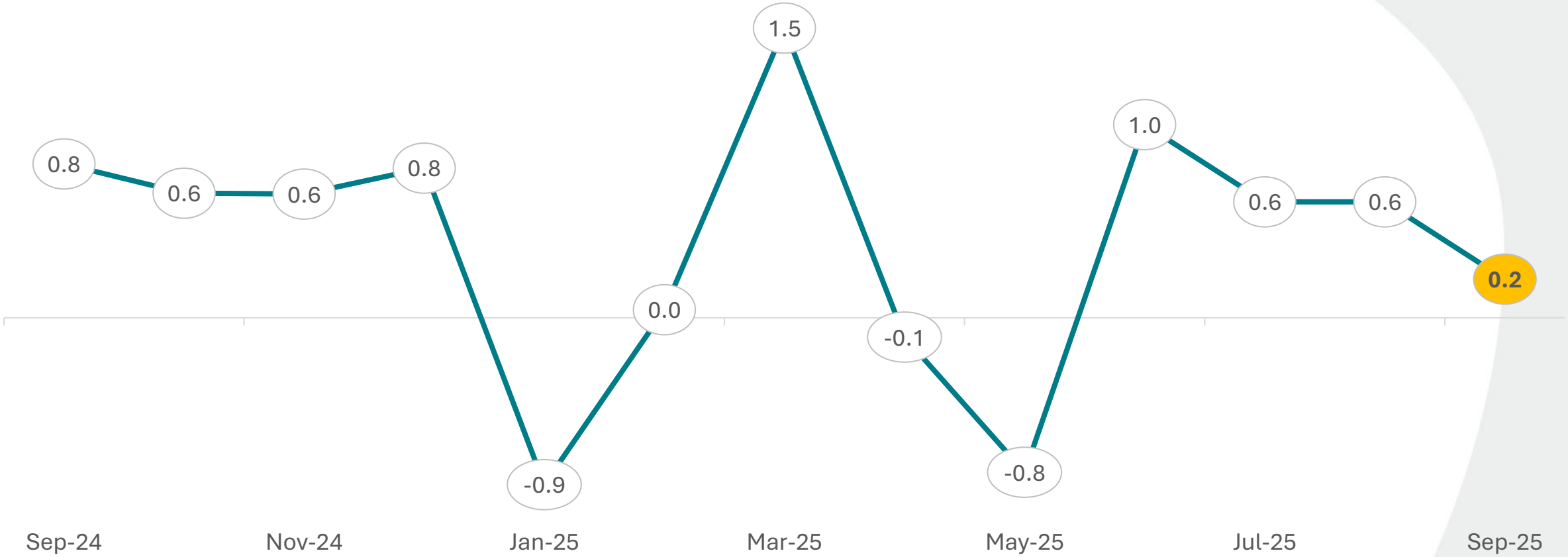



Source: WSJ

# Consumer Activity

# Retail Sales for September

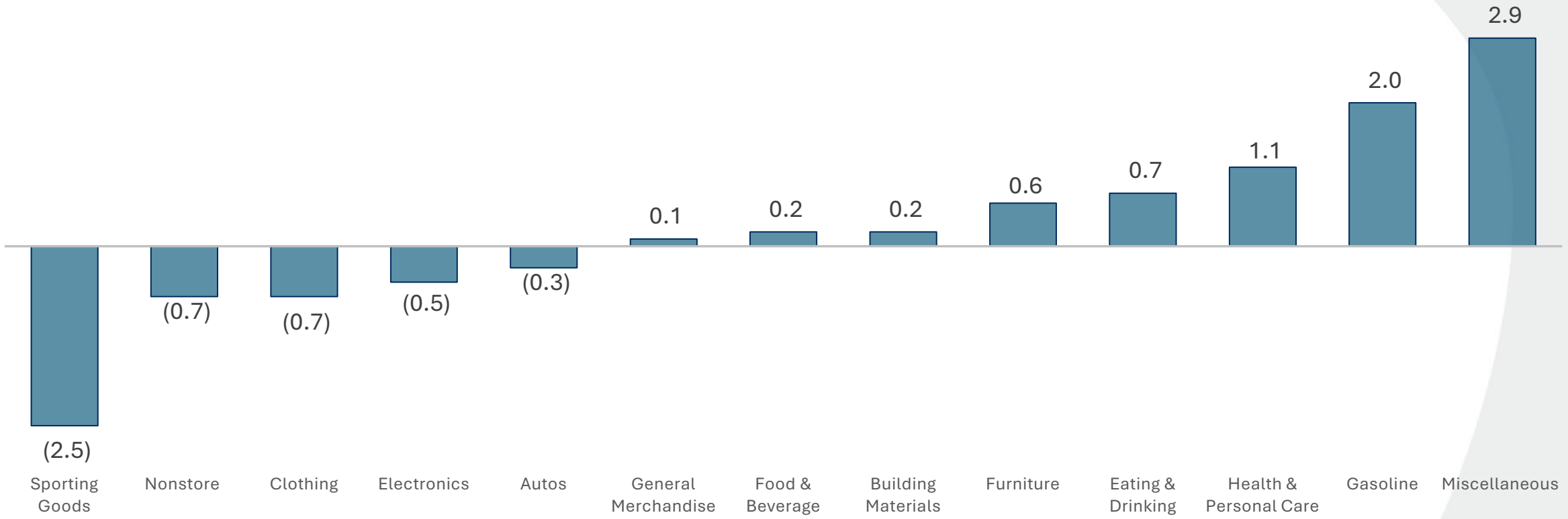
- **Retail sales** up 0.2% in September vs. 0.6% in August; missed 0.4% forecast.
- Year-over-year growth slowed to 4.3% from 5%.
- Signals softer consumer momentum, potential holiday headwinds.




Source: U.S. Census Bureau

# 13 Retail Categories

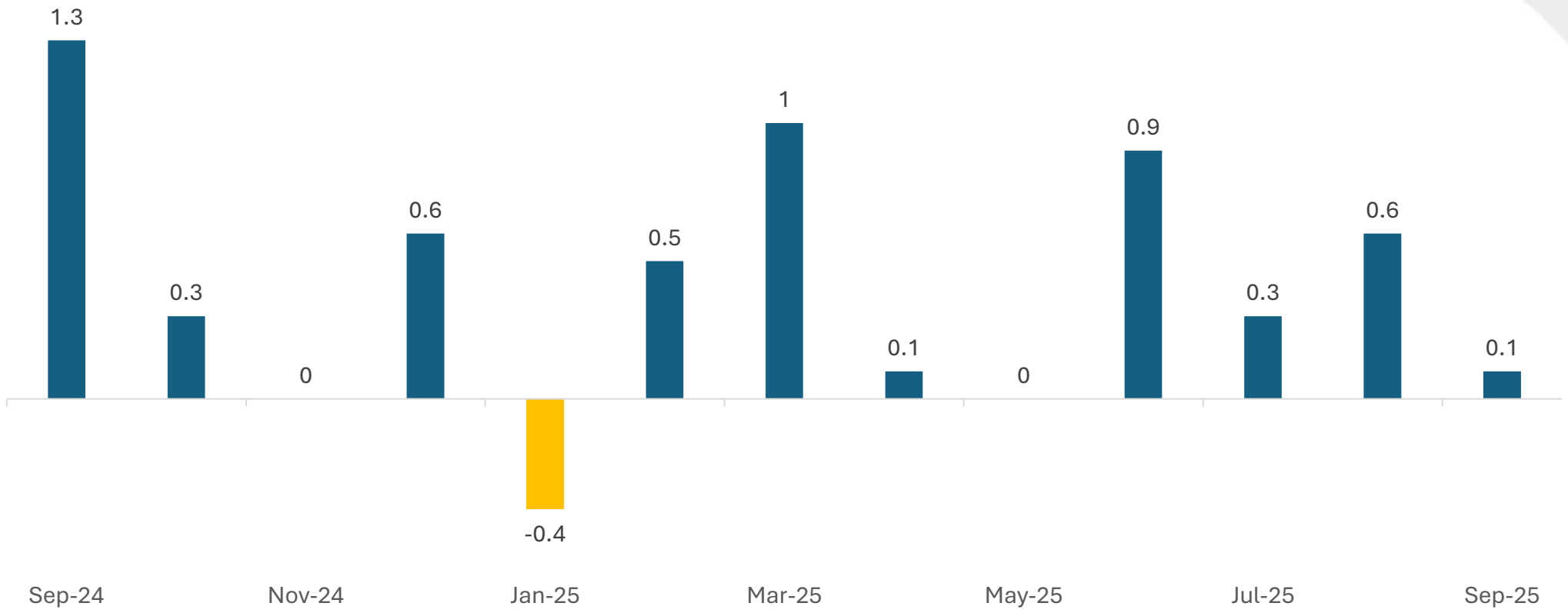
- Most retail categories posted gains, led by discretionary and essential segments; food services continued to show resilience.
- A few sectors softened, including online, apparel, and sporting goods, reflecting post back-to-school pullback.




Source: U.S. Census Bureau

# Core Retail Sales for September

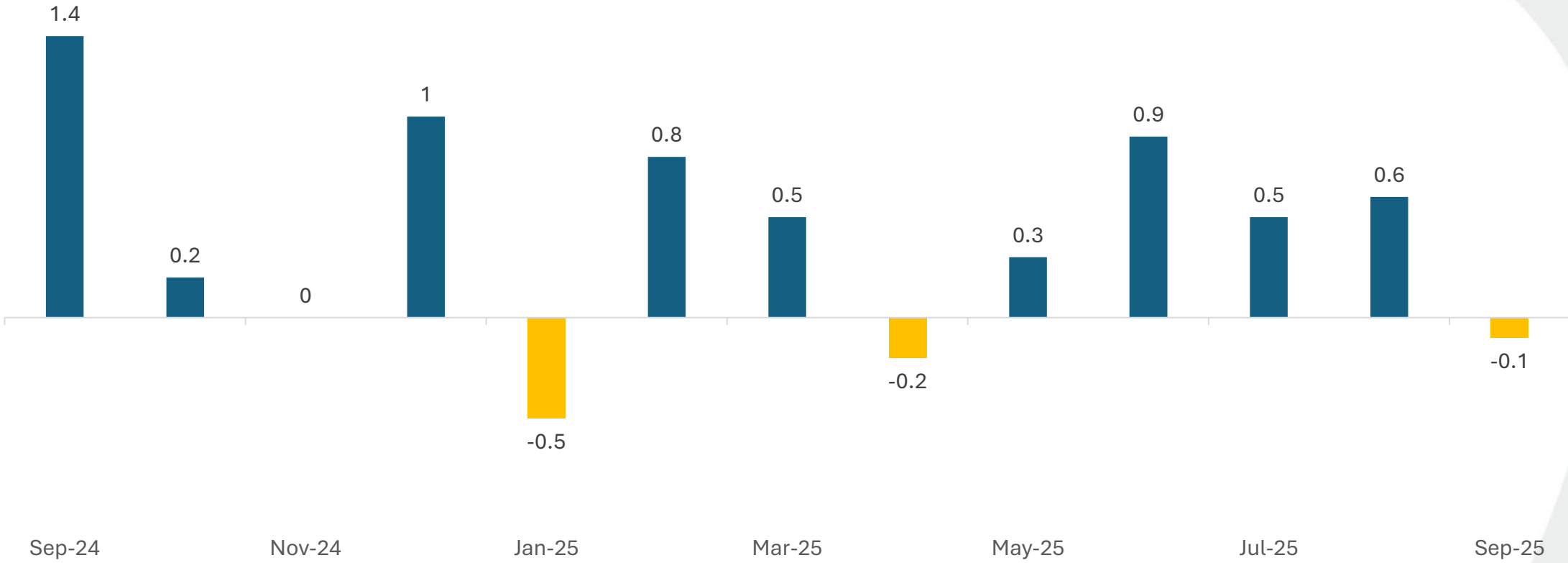
- **Core retail sales** (excluding autos and gasoline) barely rose in September, up 0.1%, missing expectations and signaling a modest slowdown with 4.2% year-over-year growth




Source: U.S. Census Bureau

# Control Group Retail Sales for September

- **Retail control group fell 0.1% in September**, missing forecasts and signaling a late-quarter slowdown in consumer spending.
- **Soft Q4 outlook and cooling demand raise growth risks**, though Q3 GDP remains solid on earlier strength and business investment.

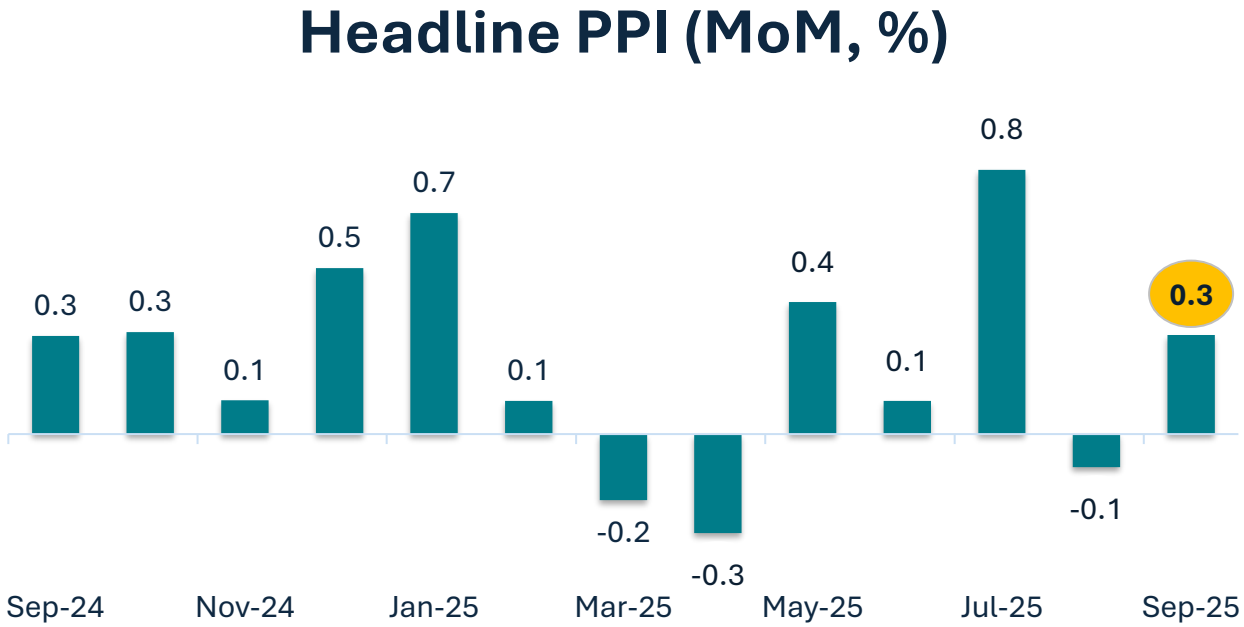


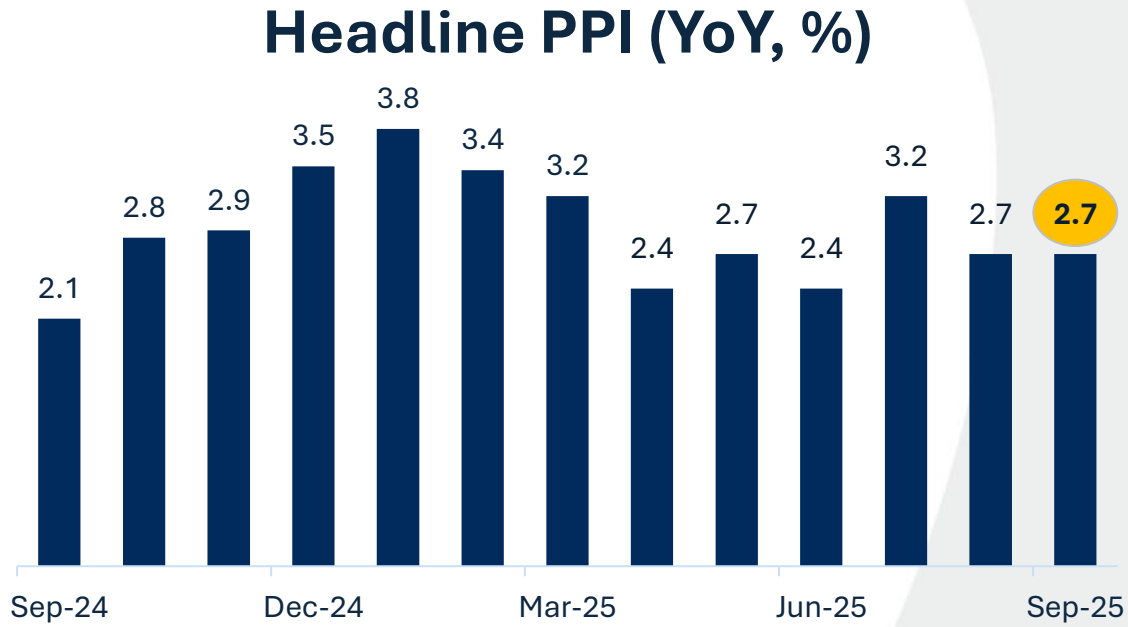

Source: U.S. Census Bureau

# Inflation

# Producer Price Index (PPI) - September

- **Wholesale prices rebounded:** PPI rose **0.3% MoM**, reversing August's decline; annual rate held at **2.7%**, slightly above consensus.
- **Drivers:** Energy costs surged **+3.5% (gasoline)** and food **+1.1%**, lifting goods prices **+0.9%** (strongest since Feb 2024); core goods up **+0.2%**, services flat.

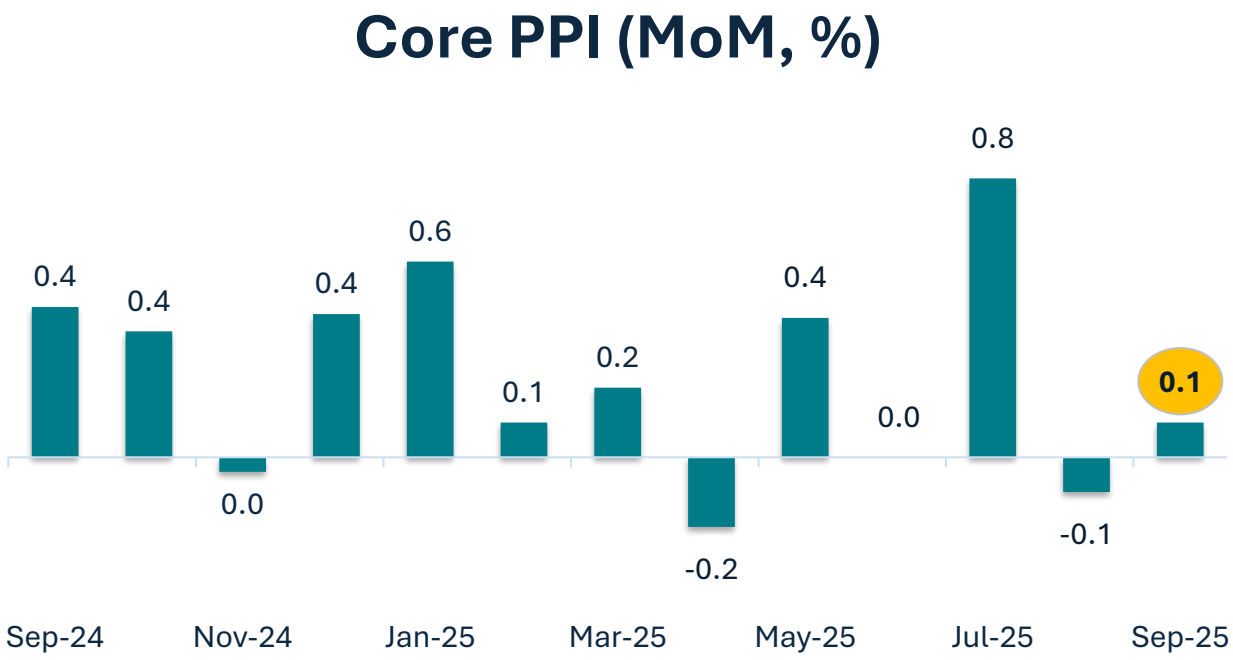


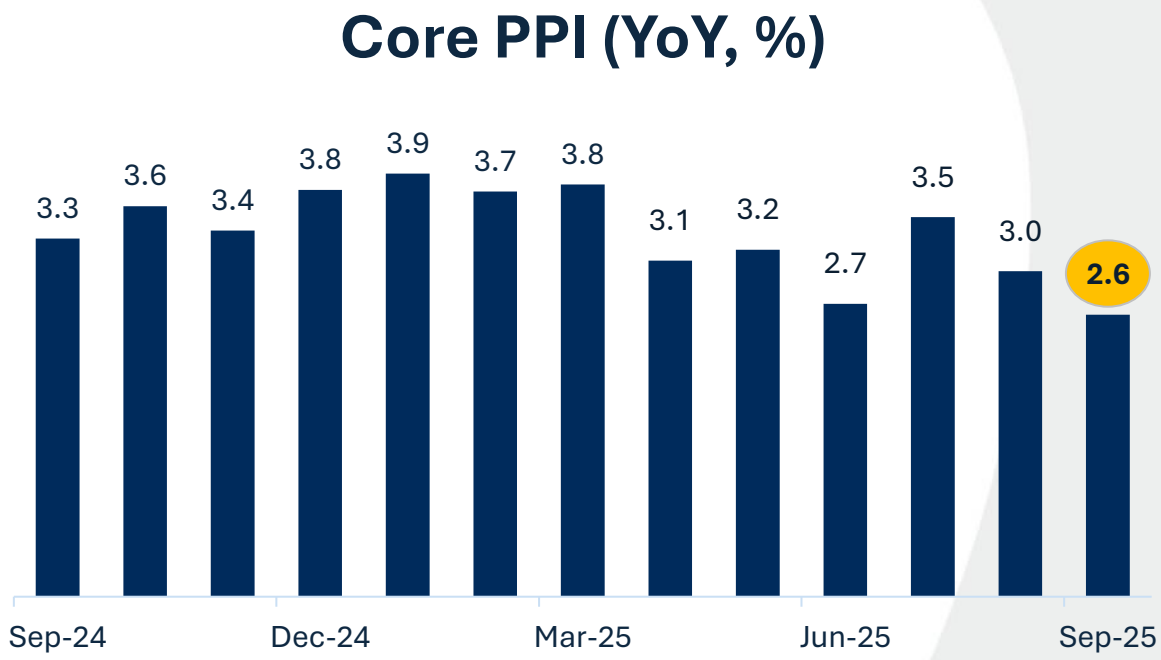




Source: Bureau of Labor Statistics

# Core PPI - September

- **Core PPI** rose **0.1% in September** (vs. 0.2% forecast); **annual rate fell to 2.6%,** the lowest since June.
- **Super Core PPI** also up **0.1%**, missing 0.3% estimate; **annual rate steady at 2.9%.**




Source: Bureau of Labor Statistics

# Consumer Confidence

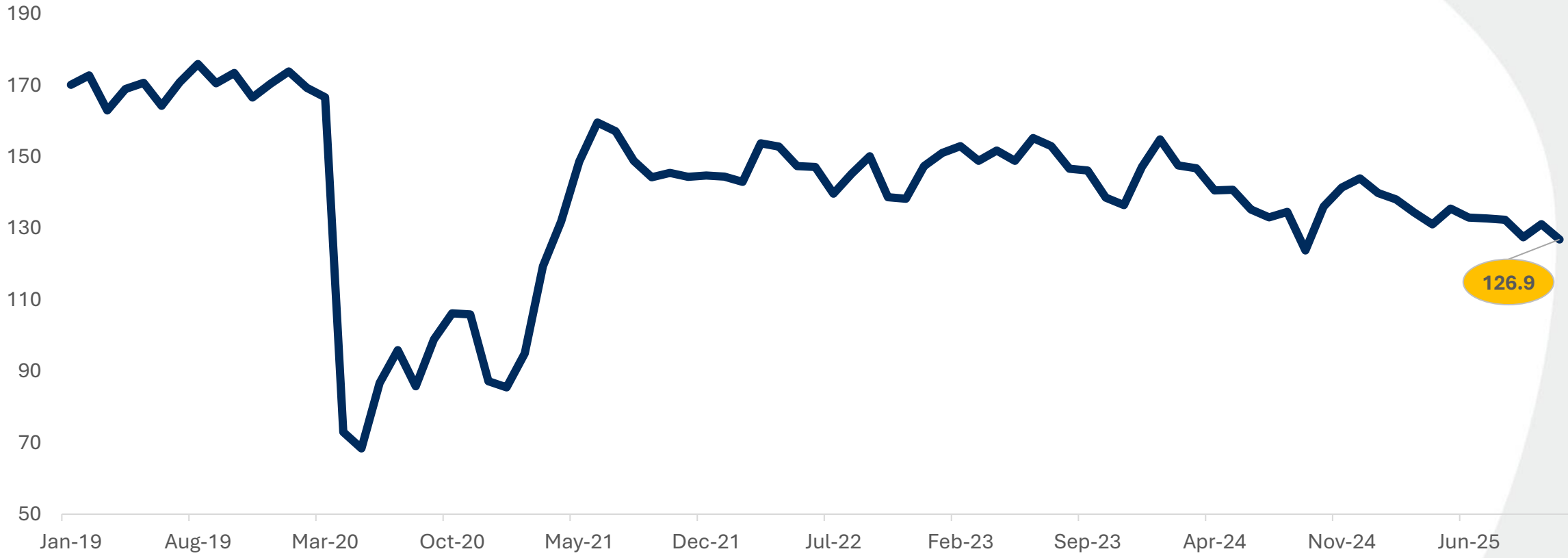
# Consumer Confidence - November

- Consumer confidence dropped to 88.7 in November, its lowest since April, well below the 93.3 forecast, amid rising economic and job concerns.


Source: The Conference Board, Bloomberg

# Consumer Confidence - Present Situation - November

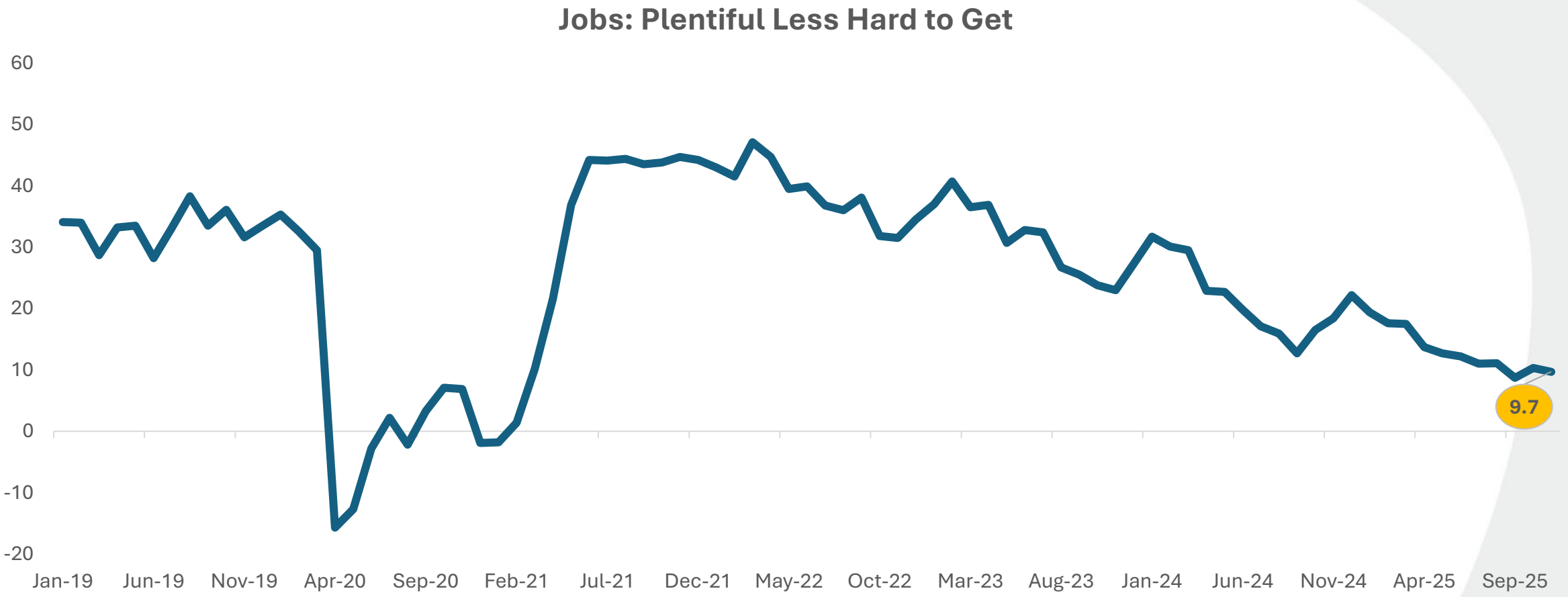
- The Present Situation Index dropped 4.3 points to 126.9 from 131.2, reflecting less optimism about current business and labor conditions.




Source: The Conference Board, Bloomberg

# Labor Market Differential- November

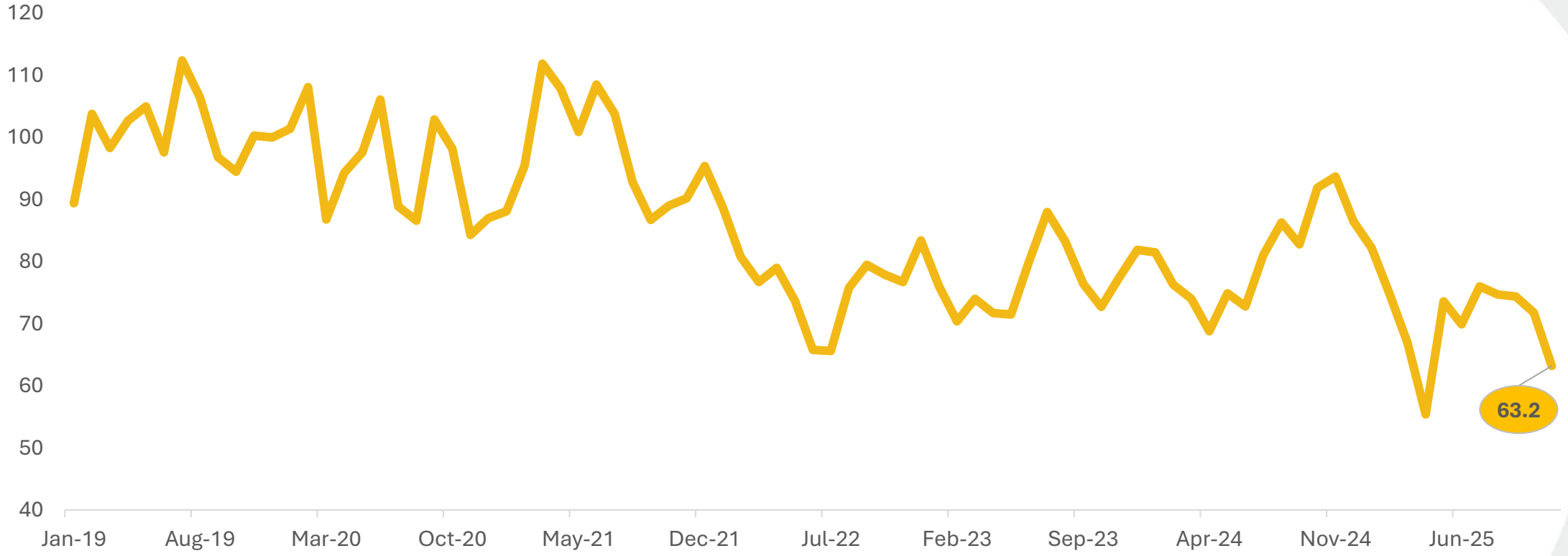
- Labor market confidence is slipping as fewer consumers see jobs as plentiful, signaling growing caution about job availability.




Source: The Conference Board, Bloomberg

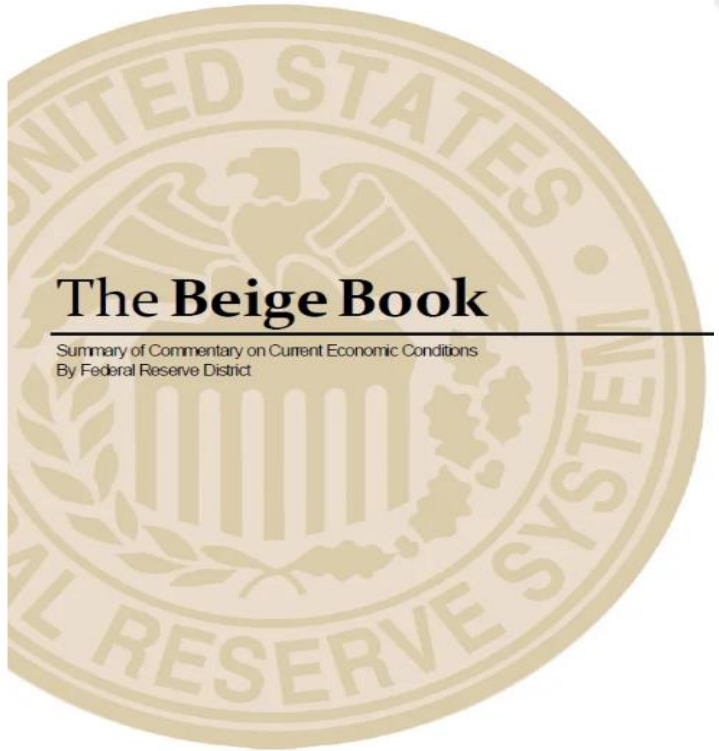
# Consumer Confidence – Expectations - November

- Expectations Index plunged to 63.2, staying below the recession warning level for the 10th straight month, signaling persistent pessimism about business, jobs, and income.
- Spending plans cooled: fewer big-ticket purchases, service spending down, and vacation intentions eased—domestic travel still leads.




Source: The Conference Board, Bloomberg

# Fed's Beige Book – November 2025



# Overall Economic Activity – Largely Unchanged

- **Consumer Spending:** Continued to fall; strong among upper-income, weaker for low/mid-income households.
- **Key Sectors:**
  - EV sales dropped after tax credit expired.
  - Travel & tourism steady amid cautious spending.
  - Manufacturing saw slight gains despite tariff headwinds.
  - Services flat to down; residential construction softened.
  - Agriculture & energy stable.
- **Outlook:** Mostly unchanged, but some warn of slower activity ahead.

# Labor Market – Weaker Labor Demand

- **Employment:**
  - Slight decline; ~50% of Districts reported weaker demand
  - Firms avoided layoffs → hiring freezes, attrition, shorter hours
- **Hiring:**
  - Easier overall, but skilled roles remain challenging
  - Fewer immigrant workers added pressure
  - AI adoption replacing entry-level jobs & boosting productivity
- **Wages & Costs:**
  - Modest wage growth overall
  - Higher pressure in manufacturing, construction, health care
  - Rising health insurance premiums driving labor costs up

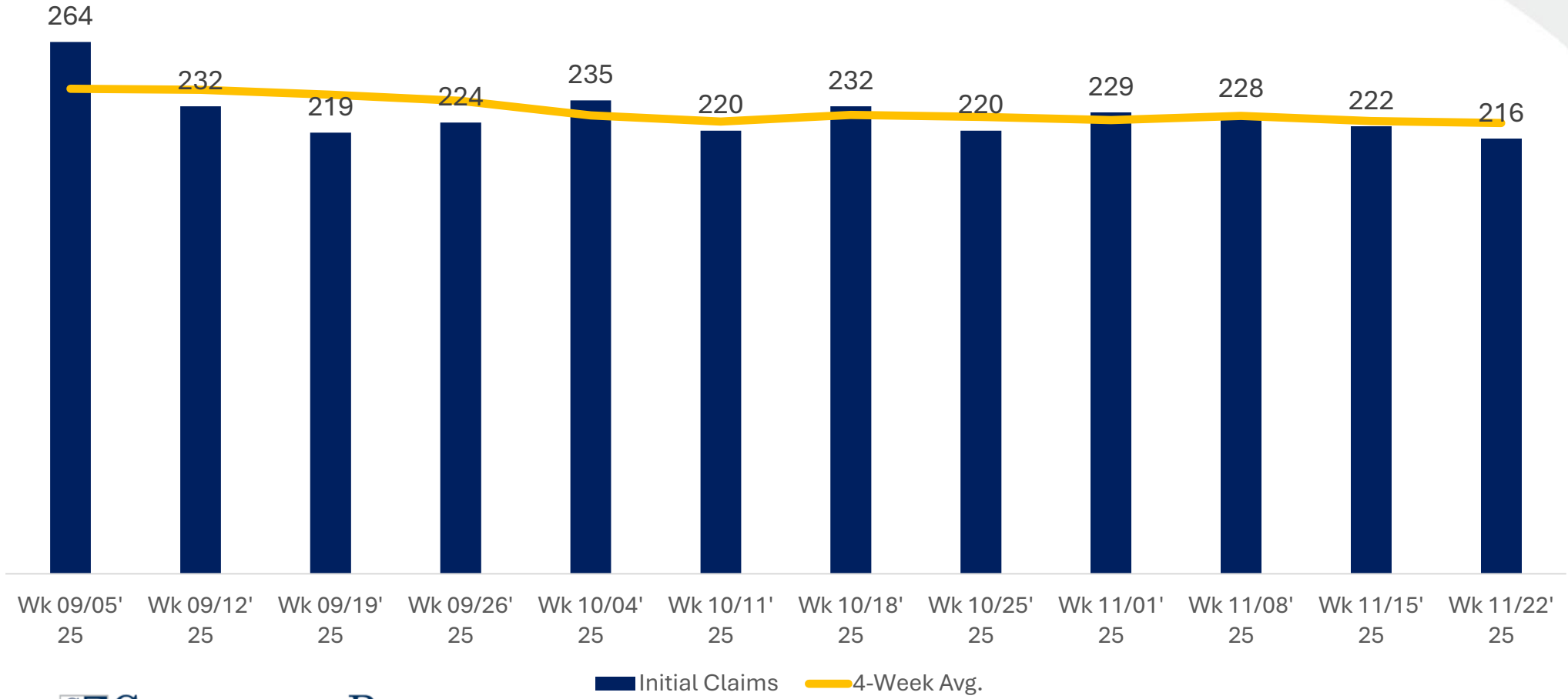
# Prices – Still Rising

- Prices up moderately from tariffs and rising costs (insurance, utilities, tech, health care)
- Mixed success passing costs to customers → margin squeeze
- Some material prices fell with weak demand
- Cost pressures likely to persist; price hikes uncertain


# Employment - Weekly

# Weekly Initial Jobless Claims (000s) – Week Ending 11/22/25

- **Businesses are retaining workers:**
  - Initial claims fell to **216,000** (down 6,000 from prior week, below 225,000 forecast)
  - Four-week average declined to **22,750**, down 1,000

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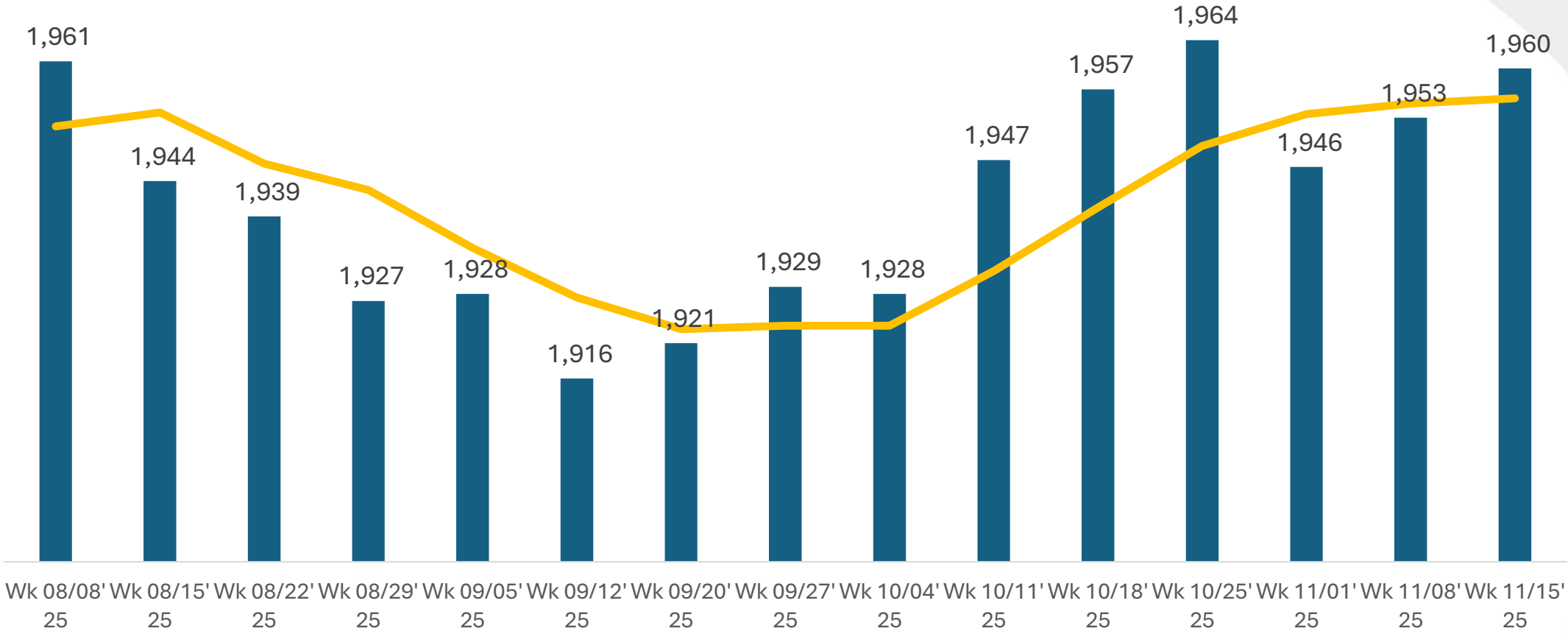
Source: Labor Department, Bloomberg

# Weekly Continuing Jobless Claims (000s) – Week Ending 11/15/25

- **Continuing claims point to softer hiring:**
  - Rose to **1.96 million** (up 7,000 from prior week)
  - Four-week moving average edged up to 1.956 million, marking a seven-week upward trend
  - Overall trend: **low hiring, low firing**

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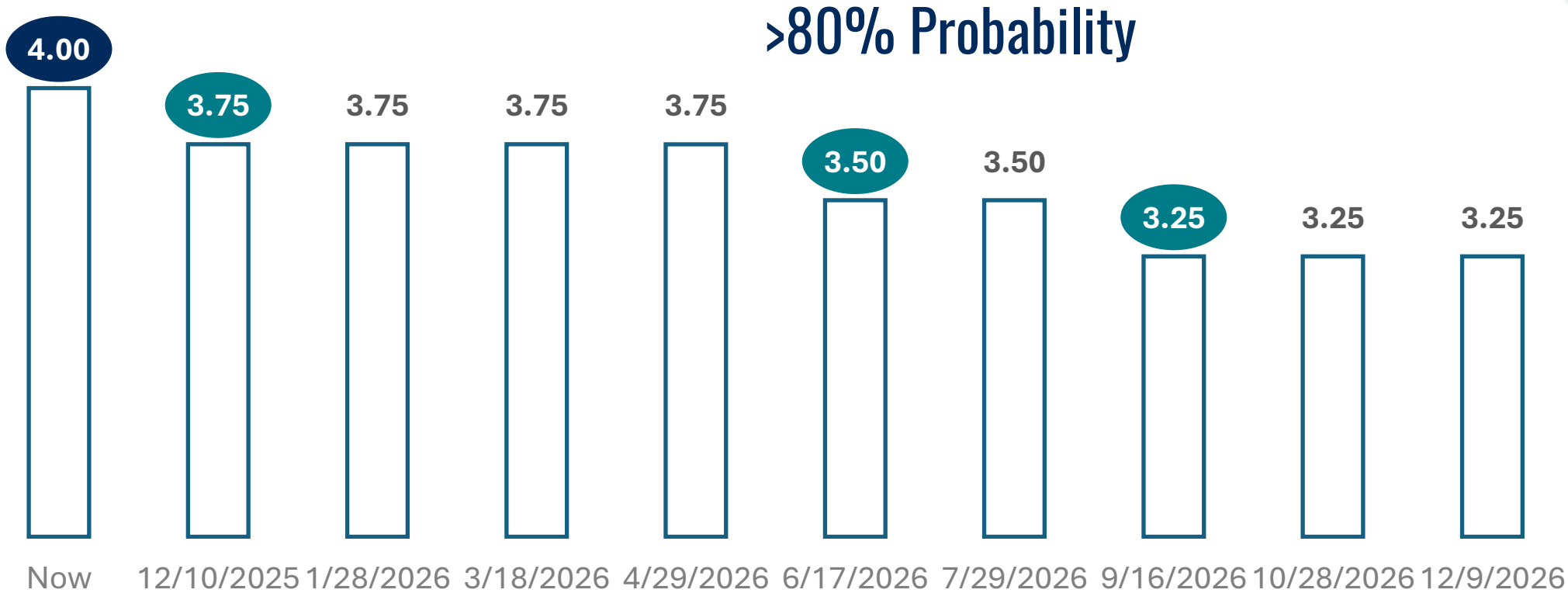
Source: Labor Department, Bloomberg


# Rate Cut Expectation & Treasury Yields

# Rate Cut Expectation – 11/28/25

- **Dec FOMC**: Cut odds up to **83%** (from 63%)
- **2026:** Two **25 bps cuts** priced in (June & Sept)
- **Jan 2027**: Odds eased to **65%** (from 80%)
- Cuts would lower Fed funds upper bound to **3.25%** (from 4.00%)

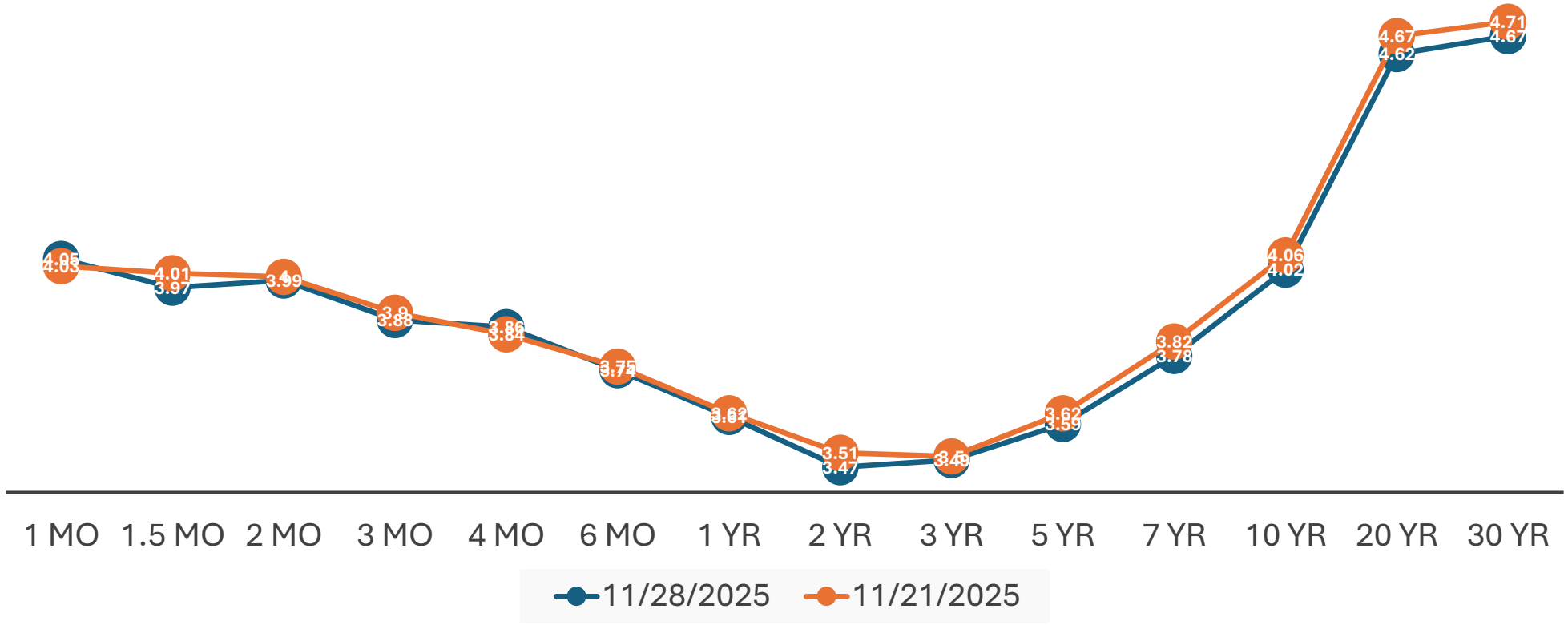



Source: Bloomberg

# Treasury Market – Week Ending 11/28/25

- **Treasury yields fell:**
  - 2-yr: **3.47% (-4 bps)**
  - 5-yr: **3.59% (-3 bps)**
  - 10-yr: **4.02% (-4 bps)**

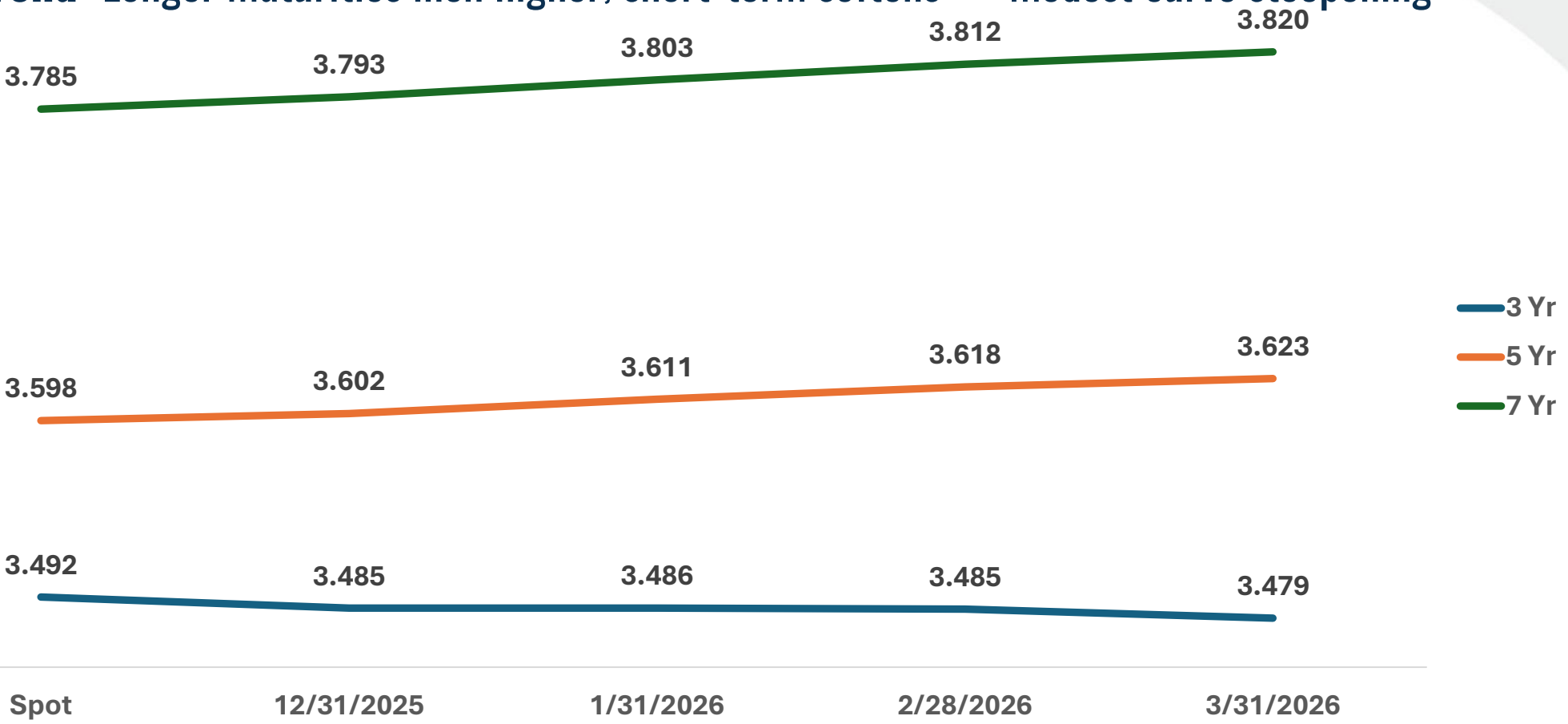
- **Key drivers:** Soft economic data (PPI & retails sales), signaling slowing economy & cooling inflation and boosting rate cut expectations for December




Source: Department of Treasury

# US Treasury Forward Rates (%) - 11/28/2025

- **7-Year:** Rises slightly from **3.785% → 3.820%**
- **5-Year:** Edges up from **3.598% → 3.623%**
- **3-Year:** Dips slightly **from 3.492% → 3.479%**
- **Trend:** Longer maturities inch higher; short-term softens → modest curve steepening




Source: Bloomberg


# Key Takeaways

# Recap I

- **September retail sales** slowed sharply, signaling cautious consumers and softer Q4 momentum, reinforcing expectations for Fed rate cuts.
- **Wholesale prices** rose modestly on energy and food costs, while core inflation stayed soft—keeping overall pressures moderate and supporting a cautious Fed stance.
- **Consumer confidence** plunged to its lowest since April, with rising pessimism on jobs and spending—signaling mounting caution heading into year-end.

# Recap II

- **Beige Book** shows steady activity with softer consumer spending, easing labor markets, and moderate price gains—firms face margin pressure and risks of slower growth ahead.
- **Jobless claims** hit their lowest since April, but rising continuing claims show it's harder to find new jobs—reinforcing a 'low hiring, low firing' labor market.


Questions?