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Research

Economics
US Economic Notes

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What you need to know for the week ahead

Brett Ryan
Senior US Economist
+1-212-250-6294

Matthew Luzzetti, Ph.D.
Chief US Economist
+1-212-250-6161

Justin Weidner
Economist
+1-212-469-1679

Amy Yang
Economist
+1-212-250-9959

Commentary for Monday: Though we have a few private sector data points this week, focus is likely to remain on Fed speak in the wake of Chair Powell's messaging following last Wednesday's FOMC meeting. Briefly recapping (see "Fed Notes: October FOMC recap: Dec not a done deal "), the Committee's decisions on rates and the balance sheet were in line with expectations. On the former, the FOMC delivered a 25bp rate cut, bringing the fed funds rate to the 3.75-4% range. On the latter, an end to balance sheet reduction was announced beginning in December. The rate decision saw two-sided dissents – the first since 2019, with Kansas City Fed President Schmid wanting to keep rates steady and Governor Miran once again preferring a larger (50bp) cut.

However, Chair Powell's press conference was meaningfully more hawkish than we anticipated. In his prepared remarks, Powell cited "strongly differing views" in warning that a December rate cut is "far from…a foregone conclusion." This comment, which was repeated later in the presser and was bolstered by upbeat language on economic activity and more sanguine comments about the labor market, sought to correct market pricing which had moved to reflect near certainty of another rate cut before year end. Powell later cited a "growing chorus" of officials that think the Fed should "wait a cycle", a sentiment that had been foreshadowed in the September SEP (see "Who's who in the Fed's latest dot plot?").

On QT, the Committee announced that it will conclude balance sheet runoff on December 1, broadly in line with our expectations. Thereafter the Fed will roll over maturing Treasury securities via non-competitive bids at Treasury auctions, proportional to announced offering amounts, and reinvest MBS principal payments into Treasury bills.

In Q&A, Powell stated that the Fed plans to hold the aggregate size of its balance sheet unchanged "for a time, but not a tremendously long time," before conducting purchases to grow securities holdings in line with growth in demand for its liabilities. Our expectation is that these purchases will commence in Q1. Powell also indicated that the Committee discussed but made no decisions around the desired long-run composition of the SOMA portfolio but that there is broad agreement on reducing the share of MBS and moving in the direction of a Treasury portfolio that more closely matches the universe of outstanding Treasuries, which will entail shortening the duration of the Fed's holdings.

This week's full line up of Fed speakers will run the gamut across the hawk / dove spectrum. The schedule kicks off on Monday with a moderated discussion with San Francisco President Daly (non-voter) and an outlook speech by Governor Cook. We expect both officials leaned towards another reduction in December and thus were not part of the aforementioned "chorus" of hawkish voices. Another voice supportive of further reductions may be heard from Vice Chair of Supervision Bowman on Tuesday. That said, we will be vigilant about any openness from this group to a skip in December, especially Bowman who could be at risk of a dovish dissent in December if the Committee decides to hold rates steady.

Thursday could provide a critical look at the various camps amongst Fed officials at this point. Among the speakers we are set to hear from are NY Fed President Williams, who we expect to echo Powell's comments, and Governor Waller, though he is participating in a panel on payments. On the hawkish side, Governor Barr will participate in a moderated discussion and St. Louis's Musalem (voter) and Cleveland's Hammack (non-voter) are also set to speak -- the latter has already indicated that she did not support a rate cut in October. Whether Musalem and Barr represent hawkish dissent risks to a December rate cut will be important for understanding Committee dynamics heading into that meeting – we identified both officials as only having one rate cut this year in the September dot plot.

Finally, on Friday, Williams is set to speak again in Frankfurt, Vice Chair Jefferson will speak on AI and the economy, and Governor Miran will speak on stablecoins and monetary policy. While the first two officials are likely to sound similar to Powell, Miran will no doubt reiterate a more dovish take, following his dissent in favor of a 50bp reduction in October.

Regarding the data docket, while the list of delayed federal government releases continues to pile up, we will see a few private-sector data points starting with Monday's manufacturing ISM (48.9 forecast vs 49.1 previously) and Ward's unit motor vehicle sales (16.4mn vs. 16.6mn). The former will provide an early read on current-quarter factory sector activity while the latter will give some insights into consumer spending. Vehicle sales will no doubt be the more important release as it will help sharpen forecasters' Q4 real GDP forecasts. To be sure, as the CBO recently quantified in detail, the government shutdown will weigh heavily on inflation-adjusted output, though most of it will be made up over the next couple of quarters.

More important for the Fed – and market pricing of the near-term policy path – will be Wednesday's ADP private employment survey (+50k vs. -32k). Weekly ADP data through the first couple of weeks of the month suggested a modest rebound in private sector job gains, which was perhaps one reason why Powell felt more comfortable downplaying prospects of a December rate cut. Indeed, what was clear from Powell's press conference was that further evidence of deterioration in the labor market would be the bar for additional Fed easing at this point. Hence, a bounce back in the ADP report, even if it is modest, would point to a stabilization in the labor market that may not warrant additional monetary accommodation at this point. In our view, a rebound in the ADP survey would be very much in line with the patterns we've seen over the last couple of years over the summer/fall – patterns that are not only exacerbated by the low-hiring, low-firing environment we've been in for some time, but by the more recent decline in labor supply due to changing immigration policies.

We will get two more data releases on Friday with the preliminary University of Michigan consumer sentiment survey (51.0 vs. 53.6) for September and the Fed's consumer credit (+$5.0bn vs. +$0.4bn). The former are likely to garner the most market attention – particularly considering KC Fed President's Schmid's dissenting statement to last week's FOMC decision. Recall that Schmid noted "I view inflation expectations not as an input into Fed's decisions, but as the outcome of the policy decisions that the Fed makes." If inflation expectations in the University of Michigan survey were to continue to remain elevated or even tick up, it would speak to that view.

Lastly, on the political front, all eyes will be on Washington not only for signs as to whether the Congressional impasse may be close to ending but on the Supreme Court, which will hear oral arguments on Wednesday regarding the Trump administration's IEEPA tariffs. Recall that just over half of the additional tariff revenue collected through the first 10 months of the year compared to last year (~140bn) has been the result of IEEPA tariffs. The two lower court rulings were clear in declaring illegal the Trump Administration's use of IEEPA authority in the cases brought before the court. Any signals from the Supreme Court in supporting the lower court rulings would have meaningful implications for the fiscal outlook.

Regarding the government shutdown, some signs of a thaw began to pick up toward the end of last week and with the President back from his Asia trip, we would not be surprised to see the Congressional logjam finally begin to clear. To be sure, once the government is re-opened, market participants will be dealing with a tsunami of economic data. In short, the low volatility period in the bond market may be coming quickly to an end.

Please see the following pages for a forecast summary and estimates of the upcoming US high-frequency data over the next several weeks.

Figure 1: Fedspeak calendar

Region	Name	Date	Dove/Hawk	Voter	Events
San Francisco	Daly	Nov-3	Neutral	N	Moderated conversation
Governor	Cook	Nov-3	Dove	Y	Speaks on economy and monetary policy
VC Supervision	Bowman	Nov-4	Dove	Y	Speaks on supervision and monetary policy
New York	Williams	Nov-6	Dove	Y	Speaks at Goethe University in Frankfurt, Germany
Governor	Barr	Nov-6	Dove	Y	Moderated discussion
Cleveland	Hammack	Nov-6	Hawk	N	Speaks at Economic Club of New York
Governor	Waller	Nov-6	Dove	Y	Panel participation on central banking and payments
Philadelphia	Paulson	Nov-6	Neutral	N	Speaks on Consumer Finance Institute
St. Louis	Musalem	Nov-6	Hawk	Y	Speaks at a Fireside Chat on Monetary Policy
New York	Williams	Nov-7	Dove	Y	Keynote speech at ECB Conference in Frankfurt
Vice Chair	Jefferson	Nov-7	Neutral	Y	Speaks on AI and economy
Governor	Miran	Nov-7	Dove	Y	Speaks on Stablecoins and monetary policy

Source: Bloomberg Finance LP, Deutsche Bank Research

Figure 2: DB US economic forecast summary

Economic Activity	2025				2026				2027				2025F	2026F	2027F
(% qoq, saar)	Q1	Q2	Q3F	Q4F	Q1F	Q2F	Q3F	Q4F	Q1F	Q2F	Q3F	Q4F	Q4/Q4	Q4/Q4	Q4/Q4
GDP	-0.6	3.8	2.8	1.3	1.6	1.9	2.2	2.4	2.2	2.4	2.1	2.2	1.8	2.0	2.2
Private consumption	0.6	2.5	2.5	1.8	2.2	1.9	1.9	2.1	2.1	2.2	2.1	2.2	1.8	2.0	2.1
Investment	23.3	-13.7	7.1	1.6	-0.4	2.5	3.4	4.2	3.1	3.6	2.7	2.5	3.7	2.4	3.0
Nonresidential	9.5	7.3	3.6	0.8	1.3	2.3	2.5	2.4	2.8	2.9	3.3	3.2	5.3	2.1	3.0
Residential	-1.0	-5.1	-6.0	-4.0	-2.0	2.0	3.0	3.0	2.5	2.4	2.6	2.3	-4.0	1.5	2.4
Gov't consumption	-1.0	-0.1	-0.3	-1.8	1.1	1.8	1.6	1.6	1.5	1.5	1.5	1.5	-0.8	1.6	1.5
Exports	0.2	-1.8	1.5	1.5	1.6	2.1	2.1	2.0	2.0	2.1	2.0	2.1	0.3	1.9	2.0
Imports	38.0	-29.3	3.5	1.1	1.7	1.9	1.7	1.9	2.1	2.0	1.9	2.0	0.5	1.8	2.0
Contribution (pp): Inventories	2.6	-3.4	0.6	0.3	-0.2	0.1	0.1	0.3	0.1	0.2	-0.1	-0.1	0.0	-0.1	0.1
Net trade	-4.7	4.8	-0.4	0.0	-0.1	-0.1	0.0	-0.1	-0.1	-0.1	-0.1	-0.1	0.0	-0.1	-0.1
Unemployment rate, %	4.1	4.2	4.3	4.5	4.5	4.5	4.4	4.4	4.3	4.3	4.3	4.3	4.5	4.4	4.3
Prices (% yoy)															
CPI	2.7	2.5	2.9	3.1	3.1	3.3	3.1	2.7	2.5	2.5	2.4	2.4	3.1	2.7	2.4
Core CPI	3.1	2.8	3.1	3.2	3.4	3.7	3.5	3.0	2.9	2.7	2.5	2.4	3.2	3.0	2.4
PCE	2.6	2.4	2.7	3.0	3.0	3.0	2.8	2.3	2.1	2.0	2.0	2.0	3.0	2.3	2.0
Core PCE	2.8	2.7	2.9	3.1	3.3	3.3	3.1	2.6	2.3	2.2	2.0	2.1	3.1	2.6	2.1
Fed Funds	4.375	4.375	4.125	3.625	3.625	3.625	3.625	3.625	3.625	3.625	3.625	3.625	3.625	3.625	3.625

Source: Deutsche Bank Research

Figure 3: Data calendar and DB forecasts

Oct-27	Oct-28	Oct-29	Oct-30	Oct-31
Durable Goods Orders 8:30 AM Jul: Aug: Sep: Headline -2.7% +2.9 *+0.3* Ex-Trans. +1.0% +0.4 *+0.3* Core +0.8% +0.6 *+0.3* **2 Yr Note Auction** $69bn **5 Yr Note Auction** $70bn	**Consumer Confidence** 10:00 AM Aug: 97.8 Sep: 95.6 Oct: 94.6 **7 Yr Note Auction** $44bn	**Advance Goods Trade Balance** 8:30 AM Jul: -$103.6B Aug: -85.5 Sep: *-90.1* **Pending Home Sales Index** 10:00 AM Jul: -0.3% Aug: +4.2 Sep: Unch. **FOMC Meeting** **2 Yr FRN Auction** $30bn	**Real GDP** Deflator 8:30 AM 1Q25: -0.6% +3.6% 2Q25: +3.8 +2.1 Adv: 3Q25: *+2.8* *+2.4* **Initial Claims** 8:30AM Oct-11 NA NA Oct-18 NA NA Oct-25	**Personal Income** 8:30 AM Jul: Aug: Sep: Income +0.4% +0.4 *+0.3* Consump. +0.5% +0.6 *+0.3* Core PCE +0.2% +0.2 *+0.3* **Employment Cost Index** 8:30AM Q125: +0.9% Q225: +0.9 Q325: *+0.8* **Chicago PMI** 9:45 AM Aug: 41.5 Sep: 40.6 Oct: 43.8

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Nov-03	Nov-04	Nov-05	Nov-06	Nov-07
ISM Index 10:00 AM Aug: 48.7 Sep: 49.1 *Oct: 48.9* **Construction Spending** 10:00 AM Jul: -0.1% Aug: NA *Sep:* **Unit motor vehicle sales** Aug: 16.4 Sep: *16.6* *Oct: 16.4*	**International Trade Balance** 8:30 AM Jul: -$78.3B Aug: NA *Sep:* **September JOLTS data released** **Factory Orders** 10:00 AM Jul: -1.3% Aug: NA *Sep:*	**ADP Employment Report** 8:15 AM Aug: -3k Sep: -32 *Oct: +50* **ISM Services** 10:00 AM Aug: 52.0 Sep: 50.0 *Oct: 51.1* **3 Yr Note Announcement** *$58bn* **10 Yr Note Announcement** *$42bn* **30 Yr Bond Announcement** *$25bn*	**Productivity** ULCs 8:30AM 1Q25: -1.8% +6.9% 2Q25: +3.3 +1.0 *Prelim: 3Q25:* **Initial Claims** 8:30AM Oct-18 NA NA Oct-25 NA NA *Nov-01* **Wholesale Inventories** 10:00 AM Jul: Unch. Aug: -0.2 *Sep:*	**Employment** 8:30 AM Aug: Sep: *Oct:* Payrolls +22k *+75* *-60* Private +38k *+75* *+50* UnRate 4.3% *4.3* *4.3* Hrly Erngs +0.3% *+0.3* *+0.3* Workwk 34.2 *34.3* *34.3* **Consumer Sentiment** 10:00 AM Sep: 55.1 Oct: 53.6 *Prelim: Nov: 51.0* **Consumer Credit** 3:00 PM Jul: +$18.1B Aug: +0.4 *Sep:* **Fed Vice-Chair Jefferson** speaks on AI and economy at Frankfurt.

Nov-10	Nov-11	Nov-12	Nov-13	Nov-14
3 Yr Note Auction *$58bn*		**10 Yr Note Auction** *$42bn*	**CPI Price** Total Core 8:30AM Aug: +0.4% +0.3% Sep: +0.3 +0.2 *Oct:* **20 Yr Bond Announcement** *$16bn* **30 Yr Bond Auction** *$25bn* **10 Yr TIPS Announcement** *$19bn* **Business Inventories** 10:00 AM Jul: +0.1% Aug: Unch. *Sep:*	**Retail Sales** 8:30AM Aug: Sep: *Oct:* Total +0.6% *+0.3* Ex Autos +0.7% *+0.3* Control +0.7% *+0.3* **PPI** Total Core 8:30AM Aug: -0.1% -0.1% Sep: +0.2 +0.2 *Oct:*

Nov-17	Nov-18	Nov-19	Nov-20	Nov-21
NY Fed Empire State Survey 8:30AM Sep: -8.7 Oct: +10.7 *Nov:*	**Industrial Production** Cap. Util 9:15AM Aug: +0.1% 77.4% Sep: *+0.1* *77.5* *Oct:* **NAHB Housing Market Index** 10:00 AM Sep: 32 Oct: 37 *Nov:*	**Housing** Starts Permits 8:30AM Aug: 1.307M 1.330M Sep: *1.350* *1.360* *Oct:* **FOMC Minutes** **20 Yr Bond Auction** *$16bn*	**Philadelphia Fed** 08:30AM Sep: +23.2 Oct: -12.8 *Nov:* **Leading Economic Indicators** 10:00AM Aug: -0.5% Sep: NA *Oct:* **Existing Home Sales** 10:00 AM Aug: 4.00M Sep: 4.06 *Oct:* **2 Yr Note Announcement** *$69bn* **5 Yr Note Announcement** *$70bn* **7 Yr Note Announcement** *$44bn* **2 Yr FRN Announcement** *$28bn* **10 Yr TIPS Auction** *$19bn*	**Consumer Sentiment** 10:00 AM Sep: 55.1 Oct: 53.6 *Final: Nov: 51.0*

Source: Deutsche Bank Research

Appendix 1

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David Folkerts-Landau
Group Chief Economist and Global Head of Research

Pam Finelli
Global Chief Operating Officer Research

Steve Pollard
Global Head of Company Research and Sales

Jim Reid
Global Head of Macro and Thematic Research

Tim Rokossa
Head of Germany Research

Gerry Gallagher
Head of European Company Research

Matthew Barnard
Head of Americas Company Research

Peter Milliken
Head of APAC Company Research

Debbie Jones
Global Head of Sustainability and Data Innovation, Research

Sameer Goel
Global Head of EM & APAC Research

Francis Yared
Global Head of Rates Research

George Saravelos
Global Head of FX Research

Peter Hooper
Vice-Chair of Research

International Production Locations

Deutsche Bank AG
Deutsche Bank Place
Level 16
Corner of Hunter & Phillip Streets
Sydney, NSW 2000
Australia
Tel: (61) 2 8258 1234

Deutsche Bank AG
Equity Research
Mainzer Landstrasse 11-17
60329 Frankfurt am Main
Germany
Tel: (49) 69 910 00

Deutsche Bank AG
Filiale Hongkong
International Commerce Centre
1 Austin Road West,
Kowloon,
Hong Kong
Tel: (852) 2203 8888

Deutsche Securities Inc.
1-3-1 Azabudai
Azabudai Hills Mori JP Tower
Minato-ku, Tokyo 106-0041
Japan
Tel: (81) 3 6730 1000

Deutsche Bank AG
21 Moorfields
London EC2Y 9DB
United Kingdom
Tel: (44) 20 7545 8000

Deutsche Bank Securities Inc.
The Deutsche Bank Center
1 Columbus Circle
New York, NY 10019
Tel: (1) 212 250 2500

Deutsche Bank AG
Filiale Singapur
One Raffles Quay, South Tower
Singapore 048583
Tel: (65) 6423 8001