

Preview of the Week Ahead

Payroll Processing company ADP is likely to report private employment rebounded modestly in October after a decline in the prior month. The government's jobs report would probably have shown a decline due to lower federal government employment, but is delayed by the shutdown. The ISM Manufacturing and Services PMIs probably fell in October amid headwinds from ongoing trade disputes and the government shutdown. Vehicle sales likely fell, too, after EV tax credits expired on Sep 30th. Consumer credit is expected to have risen in September after holding steady in the prior month. Consumer sentiment and households' year-ahead and long-term inflation expectations are forecast to hold steady in their early November releases.

The Week in Review

As expected, the Federal Open Market Committee (FOMC) reduced the federal funds target rate a quarter of a percent to a range of 3.75% to 4.00% at its October 29 interest decision. Unusually, two members dissented: Recent Trump appointee Governor Miran preferred a larger, half-percent cut, while Kansas City Fed President Jeffrey Schmid favored holding the policy rate unchanged. Chair Powell, in prepared remarks, attempted to cast doubts on financial markets' confidence that the Fed would cut again in December, remarking, "A further reduction in the policy rate at the December meeting is not a foregone conclusion—far from it. Policy is not on a preset course." He also observed that policymakers had "strongly differing views on how to proceed in December." Following declines in bank reserves and signs of reduced liquidity in short-term funding markets, the FOMC also decided to end its balance sheet reduction program (AKA "Quantitative Tightening" or QT) on December 1st, and will hold the size of their balance sheet steady thereafter by reinvesting maturing bonds into Treasuries.

In their policy statement, monetary policymakers saw the job market as "less dynamic" and "somewhat softer" due to issues affecting both labor supply (lower immigration and reduced labor force participation) and labor demand (slow hiring). They see downside risks to employment ahead. On inflation, the FOMC sees crosscurrents. While tariffs are driving goods inflation higher, they see services prices rising at a slower pace due to cool increases of house prices and rents. Overall, policymakers see risks to inflation tilted to the upside. In balancing the conflict between their employment and price stability goals, policymakers opted for the former, since the job market concerns them more than inflation.

The Pending Home Sales Index, derived from signed contracts to purchase homes and so a solid leading indicator of future existing home sales, was flat on the month in September on a seasonally adjusted basis. On an unadjusted basis, it rose 1.5% from a year earlier, although it has made its usual seasonal decline from the summer peak. Mortgage rates are down about half a percent from their recent peak in May and June, but this is providing limited support for home sales. Other factors, such as buyers' skittishness over job security, appear to be keeping homebuyers on the sidelines.

Consumer confidence was essentially unchanged in October. Consumers' assessments of current and future conditions were also little changed. Worries about job availability persisted, while inflation remains the foremost issue affecting households' views of the economy.

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	Economic Indicator	Prior Release	Consensus Forecast	Comerica Forecast
Mon 3-Nov	ISM Manufacturing Index (Oct)	49.1	49.4	48.7
	Wards Total Vehicle Sales (Oct)	16.4 million	15.5 million	15.0 million
	Construction Spending (Sep)*	-	-	-0.1% M/M
Tue 4-Nov	International Trade in Goods & Services (Sep)*		-	-\$56.0 billion
	Job Openings, Total Nonfarm (Sep)*	7.227 million	7.18 million	6.9 million
Wed 5-Nov	ADP Private Payrolls, Net Monthly Change (Oct)	-32,000	27,000	65,000
	ISM Services Index (Oct)	50.0	50.7	48.5
Thu 6-Nov	Initial Jobless Claims (Week of 11/1)*	-	225,000	245,000
	Continued Jobless Claims (Week of 10/25)*	-	-	1,960,000
	Nonfarm Productivity (QoQ SAAR 2025Q3 Prelim.)*	3.3%	4.0%	2.8%
	Unit Labor Costs (QoQ SAAR, 2025 Q3 Prelim.)*	1.0%	0.8%	0.5%

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	Economic Indicator	Prior Release	Consensus Forecast	Comerica Forecast
Fri 7-Nov	Change in Nonfarm Payrolls (Oct)*	-	-	-40,000
	Unemployment Rate (Oct)*	-	-	4.4%
	Labor Force Participation Rate (Oct)*	-	-	62.1%
	Average Weekly Hours (Oct)*	-	-	34.2
	Average Hourly Earnings (Oct)*	-	-	0.2% M/M 3.5% Y/Y
	Michigan Consumer Sentiment (Nov - Preliminary)	53.6	53.0	53.2
	Michigan 1-Yr Inflation Expectations (Nov - Prelim.)	4.6%	-	4.6%
	Michigan 5-10-Yr Inflation Expctns. (Nov - Prelim.)	3.9%	-	3.9%
	Consumer Credit (Sep)	\$0.4 billion	\$11.0 billion	\$12.5 billion

Note: Releases marked * may be delayed by the federal government shutdown.

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