

WEEKLY ECONOMIC UPDATE NOV. 3, 2025

Stocks rose last week as trade developments, positive Q3 corporate results, and momentum in megacap tech drove another rally, despite some cautious comments from the Fed.

The Standard & Poor's 500 Index gained 0.71 percent, while the tech-heavy Nasdaq Composite Index picked up 2.24 percent. The Dow Jones Industrial Average rose 0.75 percent. By contrast, the MSCI EAFE Index, which tracks developed overseas stock markets, fell 0.55 percent.^{1,2}

Stocks Up for Third Straight Week

Stocks rose over the first half of the week on news that Chinese and U.S. officials were working on a trade deal. Meanwhile, a rise in AI-related tech names lifted the broader market ahead of the Federal Open Market Committee (FOMC) meeting. All three major averages notched record closing highs for the first two days of the week, including the S&P 500 closing above 6800 for the first time.^{3,4}

Stocks continued their rise Wednesday morning as the AI trade continued to fuel momentum. But markets wobbled following the FOMC's decision to cut interest rates by a quarter percentage point. Chair Powell's comments that the Fed may not adjust rates in December cut short the market's rally.^{5,6}

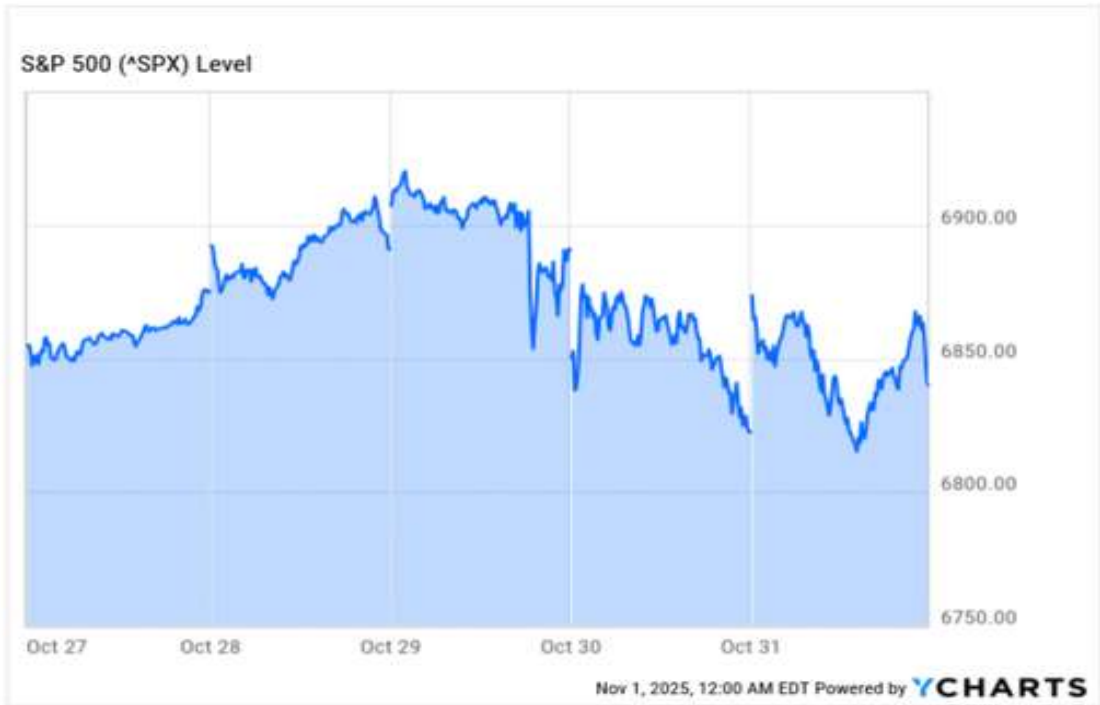
Stocks bounced out of the gate on Friday, with the Nasdaq leading gains for all three major averages as several megacap tech companies rallied on upbeat Q3 results and other corporate news.⁷

Weekly Market Insights (WMI)

Major Index Return Summary

Name	1M TR	YTD TR	1Y TR	5Yr TR
Nasdaq Composite	4.08%	22.74%	27.58%	124.3%
Dow Jones Industrial Average	2.50%	13.24%	14.70%	97.62%
S&P 500	2.07%	17.20%	18.88%	124.7%
MSCI EAFE	1.40%	27.47%	22.83%	83.71%

S&P 500 Daily Close



10-Year Note Review

Indicator Name Date	Latest Value	1M Ago	1M Change
		3M Ago	3M Change
10 Year Treasury Rate 10/31/25	4.11%	4.16%	-1.20% ▼
		4.37%	-5.95% ▼
		4.28%	-3.97% ▼

‘Not a Foregone Conclusion’

As widely expected, the Federal Reserve cut short-term interest rates by 0.25 percent. But as often happens for those trying to read the Fed tea leaves, it was the finer messaging points that moved the markets.

Fed Chair Jerome Powell said in his post-meeting press conference that another rate adjustment in December was “not a foregone conclusion.” He added that Fed policy is “not on a pre-set course.” Part of that, he said, was due to the ongoing government shutdown and the resulting dearth of economic data—and the challenge in setting monetary policy without ongoing reports.⁸

This Week: Key Economic Data

Monday: PMI Composite—Manufacturing. ISM Manufacturing. Construction Spending.* Auto Sales. Fed governor Lisa Cook speaks.

Tuesday: Trade Deficit.* Factory Orders. Job Openings.

Wednesday: ADP Employment Report. PMI Composite—Services. ISM Services.

Thursday: Weekly Jobless Claims.* Productivity.* Wholesale Inventories.* Federal Reserve Officials speak: New York Fed President Williams, Philadelphia Fed President Paulson, St. Louis Fed President Musalem.

Friday: Jobs Report.* Consumer Sentiment. Consumer Credit. Dallas Fed President Logan speaks.

Quote of the Week



“Someone should invent a rumor about a lack of common sense, so everyone will panic to run out and get some.”

– **An online meme**

Of Note



Jerome Powell, the Fed’s chairman, recently gave the clearest signal yet that the Federal Reserve’s so-called “quantitative tightening” is about to end.

Speaking at the National Association for Business Economics conference in Philadelphia recently, Powell said: “Our long-stated plan is to stop balance sheet runoff when reserves are somewhat above the level we judge consistent with ample reserves conditions. We may approach that point in coming months.” Translation: the money printer is warming back up.

Now, if you’ve been paying attention, this shouldn’t come as a surprise. The playbook has been obvious for a while—first come the rate cuts (happening now), then they stop quantitative tightening (Powell just confirmed this), and then comes quantitative easing, or good old-fashioned money printing, probably sometime in early 2026.

What's forcing their hand? Even without President Trump's constant pressure, the Fed doesn't have a choice. The job market is collapsing—companies have announced 946,426 job cuts so far this year. That's a 55% jump from 2024 and the highest since 2020. Meanwhile, Americans are searching “help with mortgage” on Google at levels not seen since the 2008 financial crisis. With mortgage rates around 6.3% (double the 3% rates most locked in during 2020-2021) and inflation compounding 10-15% over four years, homeowners are tapped out.

The Fed can't fix these problems with rate cuts alone. So, they're moving to the next phase: ending QT now, and firing up QE soon after. But here's the irony: the Fed is ending QT before they've made any significant dent in the mountain of cash they created last time around. Since June 2022, the Fed has reduced its balance sheet by \$2.2 trillion. That sounds impressive until you realize they're still sitting on \$6.6 trillion. In other words, the Fed is nowhere close to the pre-pandemic levels of roughly \$4 trillion. After more than three years of “tightening,” they've only managed to shrink the balance sheet by about 27%.

To say that's unimpressive would be a gross understatement. But it's by design.

The simplest way to reverse QE would have been for banks to return the money to the Fed in exchange for their bonds. But that was never going to happen. The Fed and the big banks seem quite content letting all that cash slosh around Wall Street—pushing markets to record highs while the rest of us deal with the inflation.

Another option was for the Fed to sell bonds directly into the market. But they know that dumping a significant portion of their \$6.6 trillion bond portfolio could crash the bond market.

So instead, they opted for the slowest, most painless approach—letting bonds “roll off” as they mature. In other words, they

don't print new money to replace maturing bonds. But even that glacial pace proved too much. And Powell's already moving the goalposts. At the same conference, he also said this:

“Normalizing the size of our balance sheet does not mean going back to the balance sheet we had before the pandemic.”

Translation: We're done pretending. The new “normal” is \$6.6 trillion—60% higher than before we destroyed your purchasing power. Deal with it.

The problem, of course, is that when the Fed inevitably restarts QE to push long-term rates down, it'll be starting from an already bloated balance sheet. Kicking off the next money-printing cycle from \$6.6 trillion instead of \$4 trillion—with so much pandemic-era cash still sloshing around the system—all but guarantees double-digit inflation. We're talking about potential currency destruction on a scale and at a speed America has never seen. Position accordingly.⁹

Footnotes and Sources

1. WSJ.com, October 31, 2025
2. Investing.com, October 31, 2025
3. CNBC.com, October 27, 2025
4. CNBC.com, October 28, 2025
5. WSJ.com, October 29, 2025
6. CNBC.com, October 30, 2025
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9. [zerohedge.com/markets/feds-pivot-return-easy-money-inflation-storm-ahead](https://www.zerohedge.com/markets/feds-pivot-return-easy-money-inflation-storm-ahead)

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