CIO Office Morning Notes

21 November 2025

The risk-off sentiment intensified following the release of the September NFP data. Although US job growth in September exceeded expectations, with nonfarm payrolls increasing by 119,000, the unemployment rate rose to 4.44%—the highest level in four years. Additionally, continuing claims reached 1.92 million, marking the highest figure since 2021, which suggests that October's payroll data may show further weakness.

Treasuries advanced early in the US session as traders factored some Fed rate cut expectations back into December. Gains persisted throughout the session while stocks and oil declined. Yields fell by roughly 3.5 basis points across the front and middle of the curve, steepening the 5s30s spread by 1.2 basis points. The initial relief from Nvidia quickly faded; the S&P 500 opened Up by 1% but reversed to close 1.6% lower, the Nasdaq dropped 2.1%, and Nvidia shares fell over 3%.

Fedspeak remained hawkish. As many as three Fed speakers warned against inflation risks and perils of front-loading rate cuts. Austan Goolsbee (Chicago Fed President) remained cautious about supporting another rate cut at the Fed's December meeting. Michael Barr (Fed Governor) stressed concern over inflation persisting near 3% versus the 2% target, urging a careful approach to monetary policy. Beth Hammack (Cleveland Fed President) warned that cutting rates to aid the labour market could prolong high inflation and increase financial market risk-taking.

Volodymyr Zelenskiy said he agreed to work on a peace plan drafted by the US and Russia and expects to talk with Trump soon. According to Bloomberg, this plan points to lifting Russian sanctions over time and possibilities of US-Russia economic partnership once the sanctions are lifted. The US would get 50% of profits to rebuild and invest in Ukraine. However, the final version of the peace plan may change post negotiation between several stake holders.

Markets this morning:

Asian markets are sharply lower this morning, with the Nikkei down 2.1%. Japanese core and headline inflation rose to 3.0% year-on-year in September, in line with expectations, potentially reinforcing the Bank of Japan's case for a 25 basis point rate hike in December, subject to political considerations. The yen experienced volatility after the finance minister signalled possible FX intervention. Sanae Takaichi is set to announce a ¥17.7 trillion ($112 billion) stimulus package. The Hang Seng is down 2.1% and mainland Chinese equities have fallen 1.9%. Bitcoin has slipped below $86,000, marking its lowest point since April. The US 10-year Treasury yield has edged up to 4.09%, gold is trading at $4,055, and Brent crude has dropped to $62.6. US sanctions on Lukoil take effect today, while US equity futures are up 0.4%.

Upcoming key events/data:

We see a host of PMIs from the US, Europe and UK today. There are several Fed speakers including, Miran, Barr and Logan set to speak this evening. Ali Baba releases its earnings next Tuesday. On Wednesday, UK Chancellor Rachel Reeves delivers the autumn budget, with higher levies on expensive homes among possible tax increases being considered.

Have a good weekend!

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