

Hawkish Or Less Dovish? QE Or Not QE?

There is a growing divergence of views among FOMC members. Some remain dovish, favoring more rate cuts. Their argument is based on a belief that inflation will continue to move toward the 2% target and that the weakening labor market benefits from lower interest rates. On the other side of the aisle are hawkish views. Unlike the doves, they are concerned that inflation could become entrenched at 3% or higher. They do not view the recent weakness in the labor market as overly concerning. The divergent opinions can result in mixed messages from the Fed. As a result, the market was expecting a ?hawkish easing.? Was the tone of yesterday?s meeting hawkish, less dovish, or even more dovish?

As we share below, the Fed made very few edits to the prior statement. Given so little has changed, it?s hard to say the Fed has become hawkish. Moreover, as we circle below on the left side, the Fed will begin purchasing Treasury Bills to expand its balance sheet by \$40 billion a month and provide the markets with liquidity. **Despite what they may or may not call it, it?s QE.** QE is dovish. Given that they stopped QT on December 1 and restarted QE, we would have to characterize the statement as more dovish. Yesterday?s policy change was undoubtedly not a hawkish cut as many expected.

During the press conference, Chairman Powell alluded to the labor market continuing to weaken and his belief that excess inflation is mainly due to tariffs. In fact, he claims inflation would be near 2% if not for the temporary impact of tariffs. His message appears slightly more dovish than at the previous meeting. Based on the statement, QE, the press conference, and the Summary of Economic Projections (SEP) discussed below, we characterize the Fed?s policy stance as more dovish. It?s worth noting that there were three dissenting votes: one in favor of cutting by 50 bps and two hawkish votes in favor of keeping rates unchanged.

December 10, 2025	October 29, 2025
<p>Available indicators suggest that economic activity has been expanding at a moderate pace. Job gains have slowed this year, and the unemployment rate has edged up through September. More recent indicators are consistent with these developments. Inflation has moved up since earlier in the year and remains somewhat elevated.</p>	<p>Available indicators suggest that economic activity has been expanding at a moderate pace. Job gains have slowed this year, and the unemployment rate has edged up but remained low through August; more recent indicators are consistent with these developments. Inflation has moved up since earlier in the year and remains somewhat elevated.</p>
<p>The Committee seeks to achieve maximum employment and inflation at the rate of 2 percent over the longer run. Uncertainty about the economic outlook remains elevated. The Committee is attentive to the risks to both sides of its dual mandate and judges that downside risks to employment rose in recent months.</p>	<p>The Committee seeks to achieve maximum employment and inflation at the rate of 2 percent over the longer run. Uncertainty about the economic outlook remains elevated. The Committee is attentive to the risks to both sides of its dual mandate and judges that downside risks to employment rose in recent months.</p>
<p>In support of its goals and in light of the shift in the balance of risks, the Committee decided to lower the target range for the federal funds rate by 1/4 percentage point to 3-1/2 to 3-3/4 percent. In considering the extent and timing of additional adjustments to the target range for the federal funds rate, the Committee will carefully assess incoming data, the evolving outlook, and the balance of risks. The Committee is strongly committed to supporting maximum employment and returning inflation to its 2 percent objective.</p>	<p>In support of its goals and in light of the shift in the balance of risks, the Committee decided to lower the target range for the federal funds rate by 1/4 percentage point to 3-3/4 to 4 percent. In considering additional adjustments to the target range for the federal funds rate, the Committee will carefully assess incoming data, the evolving outlook, and the balance of risks. The Committee decided to conclude the reduction of its aggregate securities holdings on December 1. The Committee is strongly committed to supporting maximum employment and returning inflation to its 2 percent objective.</p>
<p>In assessing the appropriate stance of monetary policy, the Committee will continue to monitor the implications of incoming information for the economic outlook. The Committee would be prepared to adjust the stance of monetary policy as appropriate if risks emerge that could impede the attainment of the Committee's goals. The Committee's assessments will take into account a wide range of information, including readings on</p>	<p>In assessing the appropriate stance of monetary policy, the Committee will continue to monitor the implications of incoming information for the economic outlook. The Committee would be prepared to adjust the stance of monetary policy as appropriate if risks emerge that could impede the attainment of the Committee's goals. The Committee's</p>

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The Committee judges that reserve balances have declined to ample levels and will initiate purchases of shorter-term Treasury securities as needed to maintain an ample supply of reserves on an ongoing basis.

Voting for the monetary policy action were Jerome H. Powell, Chair; John C. Williams, Vice Chair; Michael S. Barr; Michelle W. Bowman; Susan M. Collins; Lisa D. Cook; Austan D. Goolsbee; Philip N. Jefferson; Alberto G. Musalem; and Christopher J. Waller. Voting against this action were Stephen I. Miran, who preferred to lower the target range for the federal funds rate by 1/2 percentage point at this meeting, and Jeffrey R. Schmid, who preferred no change to the target range for the federal funds rate at this meeting.

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SOURCE: Federal Reserve Board

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What To Watch Today

Earnings

Thursday Dec 11	EPS	Consensus	Previous	Revenue	Consensus	Previous	MarketCap	Fiscal	Time
Broadcom AVGO.US		1.86	1.42		17.42B	14.05B	\$1.66T	Q4	PM
Costco Wholesale COST.US		4.27	4.04		66.57B	62.15B	\$410.66B	Q1	PM
Jabil Circuit JBL.US		2.63	2.00		7.91B	7B	\$26.57B	Q1	AM
Ciena CIEN.US		0.77	0.54		1.29B	1.12B	\$24.91B	Q4	AM

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Economy

Thursday December 11 2025			Actual	Previous	Consensus	Forecast		
08:30 AM		Balance of Trade SEP		\$-59.6B	\$-65.5B	\$-57B		
08:30 AM		Exports SEP		\$280.8B		\$281.0B		
08:30 AM		Imports SEP		\$340.4B		\$ 338B		
08:30 AM		Initial Jobless Claims DEC/06		191K		205.0K		
08:30 AM		Continuing Jobless Claims NOV/29		1939K		1943.0K		
08:30 AM		Jobless Claims 4-week Average DEC/06		214.75K		218.0K		
10:00 AM		Wholesale Inventories MoM SEP		0%		-0.3%		
10:30 AM		EIA Natural Gas Stocks Change DEC/05						
11:30 AM		4-Week Bill Auction						
11:30 AM		8-Week Bill Auction						
12:00 PM		15-Year Mortgage Rate DEC/11						
12:00 PM		30-Year Mortgage Rate DEC/11						
01:00 PM		30-Year Bond Auction		4.694%				
04:30 PM		Fed Balance Sheet DEC/10						
		PPI MoM OCT		0.3%		0.4%		
		PPI MoM NOV				0.3%		
		Core PPI MoM NOV				0.3%		
		Core PPI MoM OCT		0.1%		0.3%		
		Core PPI YoY OCT		2.6%		2.7%		
		Core PPI YoY NOV				2.7%		
		PPI NOV				150.3		
		PPI OCT		149.779		149.9		
		PPI Ex Food, Energy and Trade MoM OCT		0.1%		0.2%		
		PPI Ex Food, Energy and Trade MoM NOV				0.2%		
		PPI Ex Food, Energy and Trade YoY NOV				2.8%		
		PPI Ex Food, Energy and Trade YoY OCT		2.9%		2.9%		
		PPI YoY NOV				2.8%		
		PPI YoY OCT		2.7%		2.7%		

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	US	PPI MoM NOV				0.3%	
	US	Core PPI MoM NOV				0.3%	
	US	Core PPI MoM OCT		0.1%		0.3%	 
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Market Trading Update

In [yesterday's commentary](#), we discussed the bullish aspect of very negative consumer sentiment. One thing we are increasingly considering is what may surprise investors next year. That surprise may come from a rotation toward value stocks, which appears increasingly likely based on historical trends, market dynamics, and macroeconomic shifts. Value investing has a long track record of outperforming growth over [full market cycles](#). Over the past century, value has consistently delivered more substantial risk-adjusted returns, especially after periods of extended growth outperformance. Today, many value stocks trade at wide discounts relative to growth peers, creating a potential margin of safety that appeals to investors seeking more stable earnings and lower valuation risk.

That analysis is supported by examining the relative performance of growth versus value over the last several years.

IVW:VTV iShares S&P 500 Growth ETF/Vanguard Value ETF NYSE + BATS

10-Dec-2025 11:50am

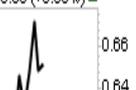
IVW:VTV (Monthly) 0.65

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Open 0.64 High 0.66 Low 0.64 Last 0.65 Chg +0.00 (+0.38%)

0.66

0.64



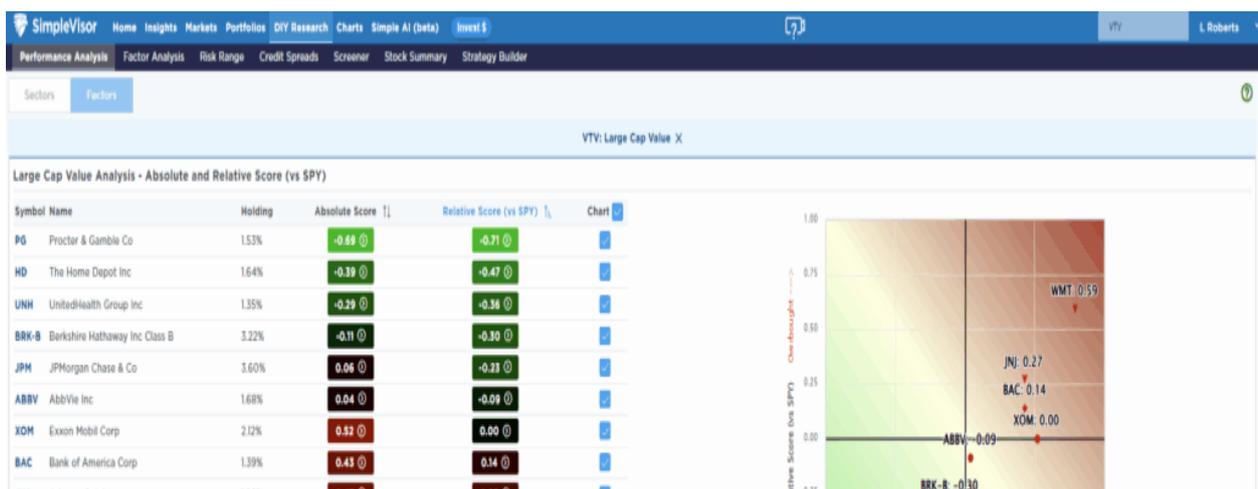


Market conditions also support this shift. Value stocks tend to outperform in environments marked by higher or volatile inflation and more normalized interest rates. After the rate hikes from 2022 to 2024, the economy may be entering a phase of moderate inflation and stable rates. That backdrop typically benefits sectors like industrials, financials, and energy ? all staples of value investing. These sectors have lagged behind tech over the last decade, but stronger earnings and lower valuations could set the stage for a comeback.

Furthermore, investor sentiment adds weight to the argument. Growth's rally has been concentrated in a handful of mega-cap tech names, raising concerns about valuation bubbles and concentration risk. If sentiment shifts away from these over-owned names, capital could rotate into undervalued segments of the market, leading to broader participation that would support a more balanced and sustainable bull market.

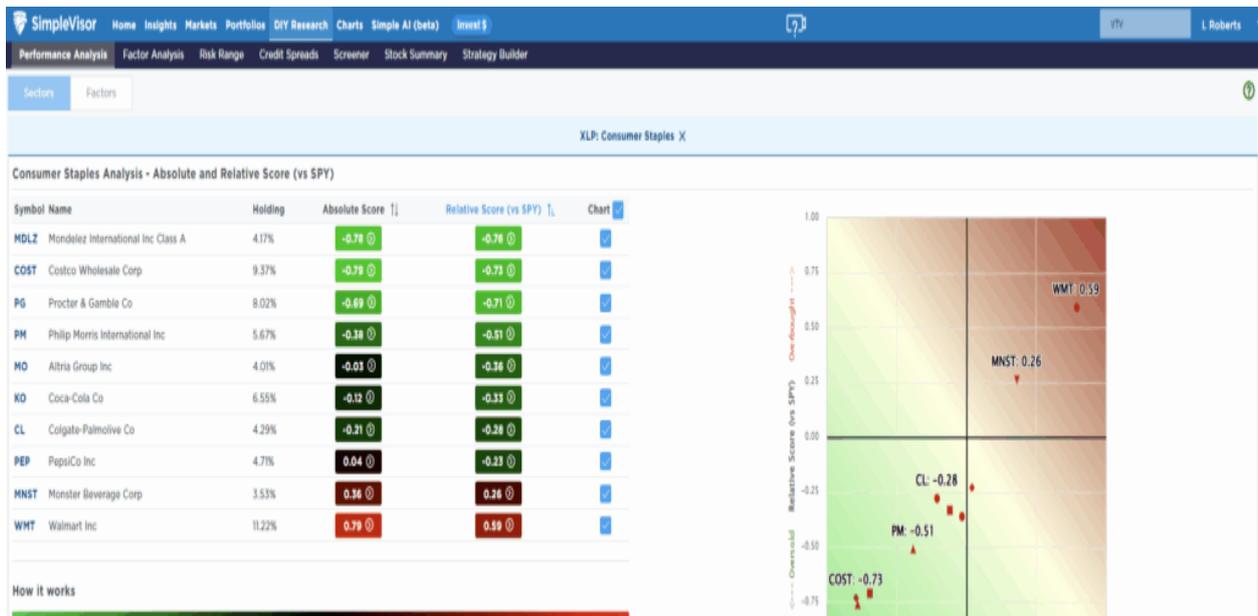
Lastly, valuation spreads between growth and value are wide. As of early 2025, the forward P/E ratio for growth stocks hovered around 28, while value stocks traded closer to 17. Historically, such spreads have preceded periods of mean reversion, favoring value. If historical patterns repeat and the macro backdrop remains steady, value may outperform growth over the next 12 to 24 months.

Digging down into the Large Cap Value ETF, we see a notable divergence in performance among holdings, with consumer staple stocks being the most oversold in the index.





With Staples showing some of the most significant lag relative to growth, an examination of the Staples ETF top holdings provides some interesting ideas to explore further heading into next year.





What causes the rotation in value is always uncertain, but the backdrop of the market, as noted above, is more conducive to such a rotation. Given that Staples, Utilities, and Real Estate have solid earnings growth, substantial dividends, and lower volatility, adding some exposure to your portfolio now could protect you against a more volatile market next year.

Just something to consider.

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Fed's Summary Of Economic Projections (SEP)

On a quarterly basis, the FOMC polls its members for forecasts on where GDP, unemployment, inflation, and the Fed Funds rate will be at the end of the current year, as well as the following three years and the "longer run." The SEP is also referred to as the Fed dot plots, as each member's projection is plotted on a scatter plot, as we share in the second graphic.

Of note:

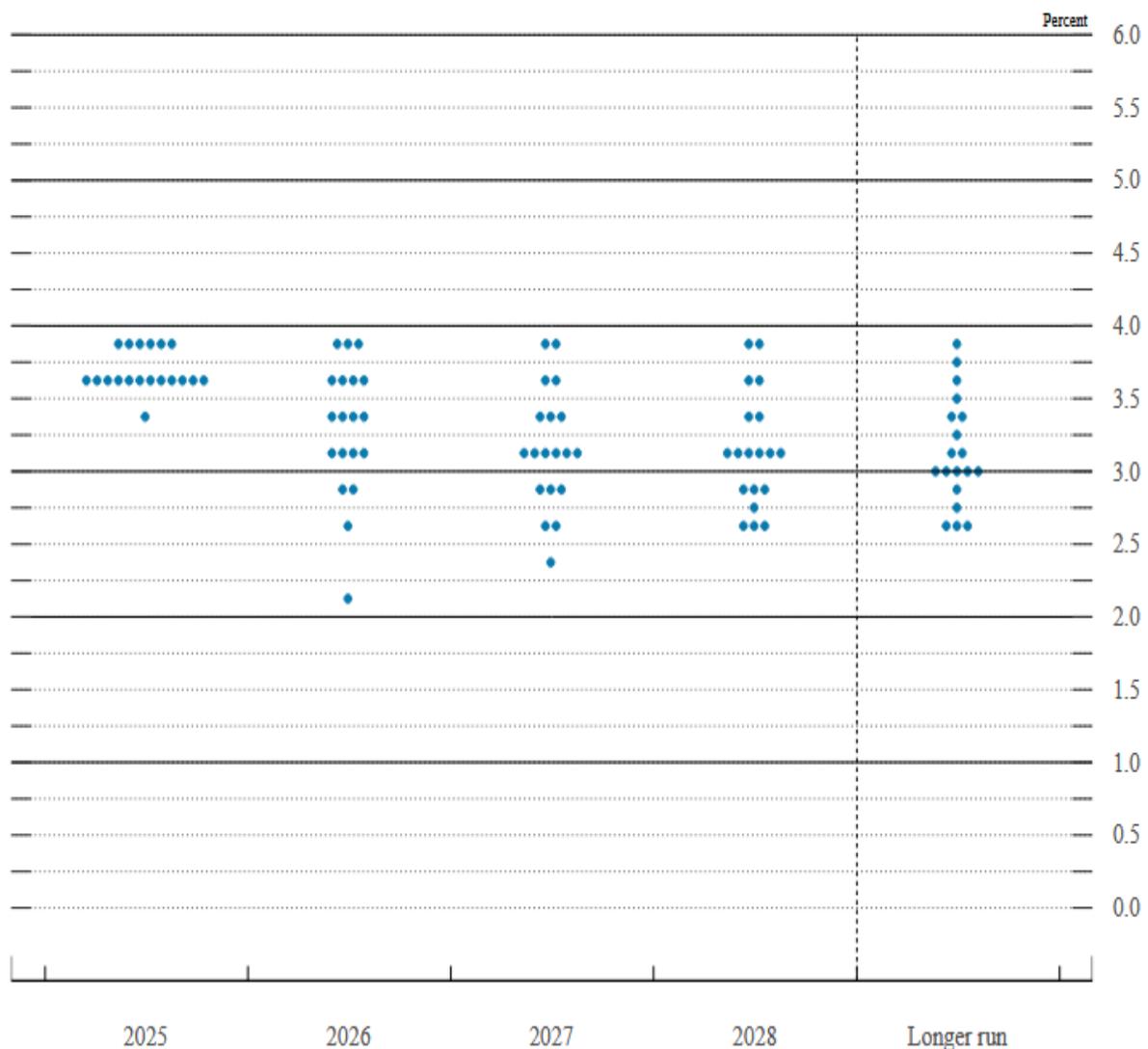
- The forecast for GDP growth next year rose sharply from 1.8% to 2.3%
- PCE and Core PCE inflation were lowered by one and two-tenths, respectively, for 2026.
- The Fed thinks inflation will fall back to its 2% target by 2027.
- They forecast that unemployment has potentially peaked at 4.5% and will inch down over the next year.
- Fed members are only expecting to cut rates once next year on average. However, the range of expectations is extensive, ranging from 2.1% to 3.9%.
- Longer-run GDP forecasts have remained at 1.8% for quite a while despite AI and the massive data center expansion. The Fed must not think that AI and productivity gains will benefit the economy.

Table 1. Economic projections of Federal Reserve Board members and Federal Reserve Bank presidents, under their individual assumptions of projected appropriate monetary policy, December 2025

Percent

Variable	Median ¹					Central Tendency ²					Range ³				
	2025	2026	2027	2028	Longer run	2025	2026	2027	2028	Longer run	2025	2026	2027	2028	Longer run
Change in real GDP	1.7	2.3	2.0	1.9	1.8	1.6-1.8	2.1-2.5	1.9-2.3	1.8-2.1	1.8-2.0	1.5-2.0	2.0-2.6	1.8-2.6	1.7-2.6	1.7-2.5
September projection	1.6	1.8	1.9	1.8	1.8	1.4-1.7	1.7-2.1	1.8-2.0	1.7-2.0	1.7-2.0	1.3-2.0	1.5-2.6	1.7-2.7	1.6-2.6	1.7-2.5
Unemployment rate	4.5	4.4	4.2	4.2	4.2	4.5-4.6	4.3-4.4	4.2-4.3	4.0-4.3	4.0-4.3	4.4-4.6	4.2-4.6	4.0-4.5	4.0-4.5	3.8-4.5
September projection	4.5	4.4	4.3	4.2	4.2	4.4-4.5	4.4-4.5	4.2-4.4	4.0-4.3	4.0-4.3	4.2-4.6	4.0-4.6	4.0-4.5	4.0-4.5	3.8-4.5
PCE inflation	2.9	2.4	2.1	2.0	2.0	2.8-2.9	2.3-2.5	2.0-2.2	2.0	2.0	2.7-2.9	2.2-2.7	2.0-2.3	2.0	2.0
September projection	3.0	2.6	2.1	2.0	2.0	2.9-3.0	2.4-2.7	2.0-2.2	2.0	2.0	2.5-3.2	2.2-2.8	2.0-2.4	2.0	2.0
Core PCE inflation ⁴	3.0	2.5	2.1	2.0		2.9-3.0	2.4-2.6	2.0-2.2	2.0		2.7-3.1	2.2-2.7	2.0-2.5	2.0	
September projection	3.1	2.6	2.1	2.0		3.0-3.2	2.5-2.7	2.0-2.2	2.0		2.7-3.4	2.2-2.9	2.0-2.4	2.0-2.2	
Memo: Projected appropriate policy path															
Federal funds rate	3.6	3.4	3.1	3.1	3.0	3.6-3.9	2.9-3.6	2.9-3.6	2.8-3.6	2.8-3.5	3.4-3.9	2.1-3.9	2.4-3.9	2.6-3.9	2.6-3.9
September projection	3.6	3.4	3.1	3.1	3.0	3.6-4.1	2.9-3.6	2.9-3.6	2.8-3.6	2.8-3.5	2.9-4.4	2.6-3.9	2.4-3.9	2.6-3.9	2.6-3.9

Figure 2. FOMC participants' assessments of appropriate monetary policy: Midpoint of target range or target level for the federal funds rate



Affordability Crisis

Michael Green, Chief Strategist and Portfolio Manager at Simplify Asset Management, wrote a provocative Substack essay, [Part 1: My Life Is A Lie](#), that is sparking a debate among economists and raising awareness of the affordability crisis. It's not just the wonky economists debating the merits of his article; The [Washington Post](#), CNN (News Central), FOX Business (Charles Payne), and social media are also critiquing it.

Michael uses the official poverty line calculation and what he deems the "Mathematical Valley" to help his readers better appreciate why affordability is becoming a hot topic.

Per Michael Green:

But there was one number I had somehow never interrogated. One number that I simply accepted, the way a child accepts gravity.

The poverty line.

I don't know why. It seemed apolitical, an actuarial fact calculated by serious people in government offices. A line someone else drew decades ago that we use to define who is 'poor,' who is 'middle class,' and who deserves help. It was infrastructure?invisible, unquestioned, foundational.

This week, while trying to understand why the American middle class feels poorer each year despite healthy GDP growth and low unemployment, I came across a sentence buried in a research paper:

'The U.S. poverty line is calculated as three times the cost of a minimum food diet in 1963, adjusted for inflation.'

I read it again. Three times the minimum food budget.

I felt sick.

This article summarizes Michael Green's perspective and opposing arguments regarding the poverty line.

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Jack Farley ✓
@JackFarley96



Powell on labor market: payrolls averaging +40,000 since April, we think overstatement of 60,000, so that would be -20,000 per month

"Labor market is continuing to cool gradually, mayyyyyybe just a touch more gradually than we thought."





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