SOLUTIONS
Economic & Market Watch
December 8, 2025

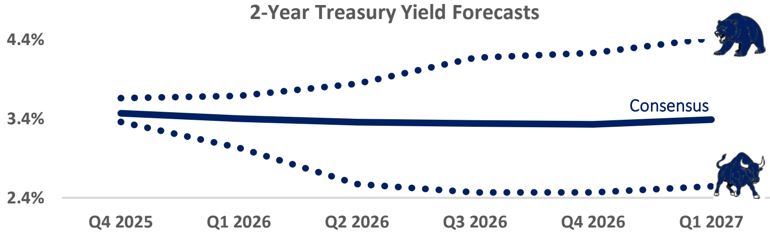
Economic & Market Watch Intelligence Brief

Briefing

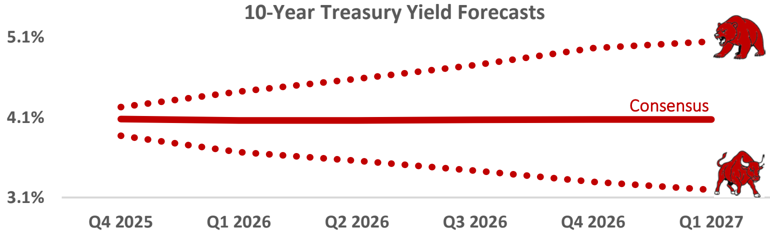
- When the Federal Reserve purchases Treasurys, it removes them from circulation and injects dollars into circulation. This puts downward pressure on interest rates but upward pressure on inflation. When the Fed sells Treasurys, it puts downward pressure on inflation but upward pressure on interest rates. In October, the Fed said that it would stop allowing Treasurys to roll off its balance sheet (i.e., it would commence purchasing Treasurys to replace those that expired off its balance sheet). This policy change will cause the Fed's balance sheet to stabilize (**Figure 1**).
- The Fed's balance sheet can remain steady and yet components may change. From September through November, the government issued enough 1-year and shorter Treasurys (Treasury bills) to increase those in circulation by 2.1%. It issued enough 1- to 5-year Treasurys to increase those in circulation by 4.6%. The Fed responded by purchasing enough Treasury bills to soften the overall increase to 1.9%, allowing enough 1- to 5-year Treasurys to run off to boost the increase to 5.3% (**Figure 2**). The Fed's balance sheet was left unchanged, but the shift in components helped to revert the short end of the yield curve by putting downward pressure on Treasury bill yields and upward pressure on 1- to 5-year yields (**Figure 3**).

Chart of the Week

2-Year Treasury Yield Forecasts



10-Year Treasury Yield Forecasts



Commentary

Each month, the Blue Chip panel of forecasters provides 40 to 50 independent forecasts of Treasury yields for the current and the next five quarters.

Taking the average of these forecasts balances the optimists with the pessimists, producing a consensus forecast. The consensus is the best guess as to future interest rates. Separately, the disagreement among the individual forecasts produces a range over which one can expect to find 95% of all professional forecasters. This is called the agreement range. For interest rates, the top end of the agreement range represents the most pessimistic forecasters, while the bottom end represents the most optimistic.

As of December 1, the consensus is that 2-year Treasury yields will end the year at just under 3.5%, then drop slightly to 3.3% by the end of 2026 before rising to 3.4% in Q1 2027. Bullish forecasters have it dropping to as low as 2.5%. Bearish forecasters have it rising to 4.4% (**Chart of the Week**).

The consensus is that 10-year yields will hold steady at around 4.1% for the foreseeable future. Optimists have it falling to 3.2% and pessimists see 10-year yields rising to as high as 5.0%.

Snapshots

Figure 1. Fed Treasury Holdings by Tenor (Billions)

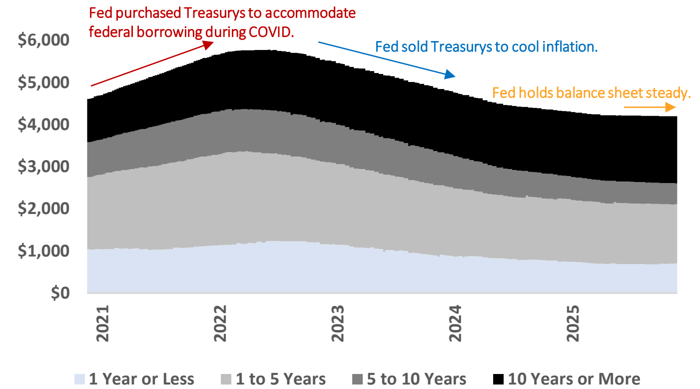


Figure 2. Change in Treasurys Held by the Public
(9-1-2025 to 11-30-2025)

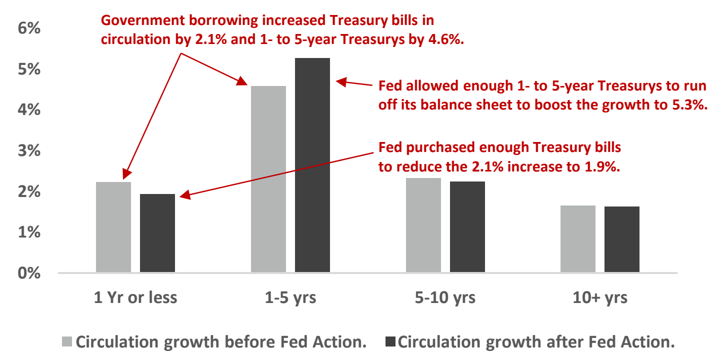
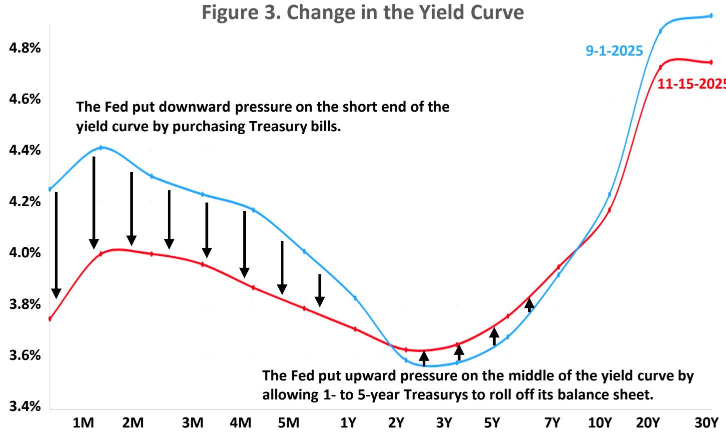


Figure 3. Change in the Yield Curve



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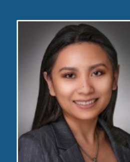

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Economic & Market Watch Dashboard

Key Indicators

INTEREST RATES[1]

	Current	2026 Q1	2026 Q2	2026 Q3	2026 Q4	2027 Q1
Fed Funds Target[2] (%)	4.00	3.75	3.75	3.25	3.25	3.25
SOFR (%)	3.93	3.37	3.22	3.14	3.11	3.11
2Y UST (%)	3.60	3.38	3.35	3.34	3.32	3.31
5Y UST (%)	3.77	3.60	3.60	3.60	3.60	3.59
10Y UST (%)	4.18	4.06	4.07	4.07	4.07	4.07
30Y UST (%)	4.82	4.63	4.63	4.63	4.61	4.60

ECONOMY

	Current	2026 Q1	2026 Q2	2026 Q3	2026 Q4	2027 Q1
PCE Inflation (YoY %)	2.8	2.7	2.4	2.3	2.3	2.3
CPI Inflation (YoY %)	3.0	2.9	3.1	2.9	2.6	2.6
Real GDP (QoQ %)	3.8	1.7	1.9	2.0	2.0	2.0
Unemployment (%)	4.3	4.6	4.6	4.5	4.5	4.5
Consumer Spending (QoQ %)	2.5	1.3	1.5	1.7	1.8	2.0
Industrial Production (YoY %)	1.6	0.9	1.0	1.2	1.5	1.5

Equities & Currency

	Current	Year ago
DJIA	47,830	44,402
Nasdaq	23,597	19,737
S&P 500	6,861	6,053
US Dollar Index	$1,212.33	$1,280.69

Commodities

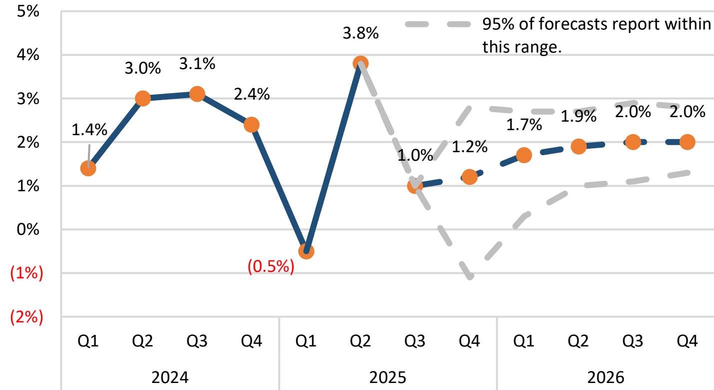
	Current	Year ago
Crude Oil (Per Barrel)	$59.39	$68.37
Natural Gas (Per MMBtu)	$4.96	$3.18
Coal (Per Short Ton)	$11.03	$13.33
Gold (Per Ounce)	$4,186.50	$2,660.50
Corn (Per Bushel)	$4.38	$4.34
Soybean (Per Bushel)	$10.94	$9.90

Industry

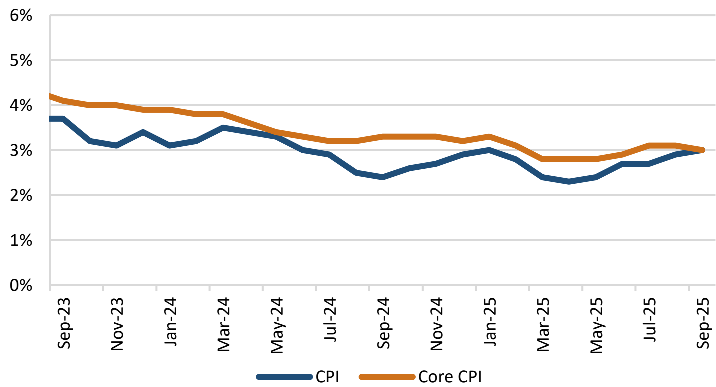
	Current	Year ago
Natural Gas Storage (Billion Cubic Feet)	3,923	3,941
U.S. Daily Power Consumption (MWh)	11,541,408	11,014,891
World Container Index (Per 40ft)	$1,927	$3,331

Forecasts

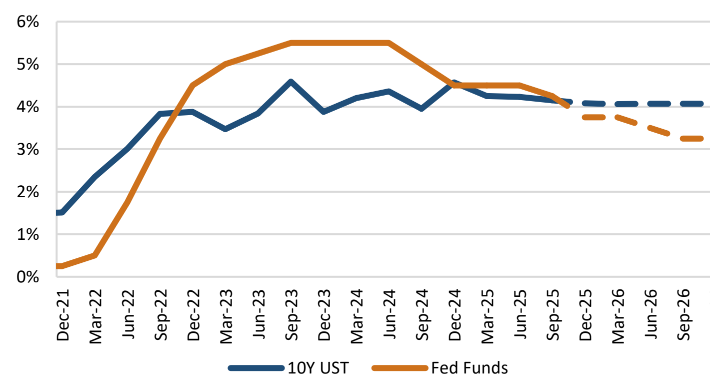
Real GDP Growth Trend



Headline vs. Core Inflation



10-Year US Treasury vs. Fed Funds Trend



[1] Unless otherwise indicated, forecasts are from the Blue Chip Professional Forecasters.
[2] Target rate forecast is based on futures market contracts.

Source: Blue Chip Financial Forecasts, Trading Economics, Moody's Analytics, Statista, Trading Economics, U.S. Bureau of Economic Analysis, U.S. Bureau of Labor Statistics, U.S. Energy Information Administration, U.S. Treasury Department, Federal Reserve Bank of Atlanta, Federal Reserve Bank of New York, Federal Reserve Bank of St. Louis, International Monetary Fund, World Bank, University of Michigan, The Conference Board.