Finishing 2025 with Patience, "Range-bound" Until New Signals Arrive

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- The labor market is still bending or softening, not breaking, with October payrolls down 105,000 and November up 64,000, and without clearer macro-weakness the Fed is likely to hold steady and not lower its target rate at its Jan. 27-28, 2026 meeting.
- Last week, the Fed cut its target rate again by 25 basis points to a range of 3.50% to 3.75%. The move was the third straight cut and amounted to 175 basis points of easing over 15 months. The dot plot points to a slower path and a split committee, and the Fed's language signals data dependence and the option to pause.
- Municipal yields did not drop on command because last week's cut was priced in ahead of time. Tax‑exempt yields have been range bound since mid-October, and that range could persist. **In fact, it is now our base case.**
- Fed leadership speculation, including whispers about Kevin Hassett & Kevin Warsh both now at the top of the list, can affect messaging, credibility, and the market's political risk premium.
- **The mindset to finish 2025 and enter 2026 is simple:** stay humble on timing, be rigorous about cause and effect, and in municipals, focus on steady tax‑exempt income while signal hunting.

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