

Lower Trade Deficit and Improved Labor Outlook Support Fed Pause

The U.S. trade deficit for October unexpectedly plunged from \$48.1b to \$29.4b, *the smallest since 2009*. Analysts were, once again, wildly off on their estimates - the median forecasted trade deficit among the 28 economists polled by Bloomberg was \$58.7b.

There were two primary reasons for the lower deficit. Nonmonetary gold exports rose by \$10.1 billion, accounting for the entirety of the \$7.8b overall rise in exports, while imported pharmaceuticals fell from \$28.2b to \$13.9b, more than accounting for the \$7.8b total drop in imports. The huge month-to-month volatility in pharmaceuticals reflects drugmakers adapting to the September threat of a 100% tariff on imported drugs.

The fact that gold and pharmaceuticals were responsible for the entire decline in the trade deficit suggests a likely bounce in November. The net result of today's October trade news is improved GDP growth for the quarter, although November and December data are still wildcards.

In other news today, outplacement firm Challenger, Gray & Christmas reported U.S. companies reduced planned layoff announcements and increased planned hirings in December. The 35,553 planned layoffs were 50% lower than November's count, and the lowest monthly total since July 2024. It was still a rotten year - for all of 2025, announced job cuts totaled 1.21m, the highest since the 2020 pandemic year and a 58% increase from 2024.

Hiring plans climbed 16% in December to 10,496, marking the best December since 2022. However, for all of 2025, announced hiring plans fell 34% to 507,647. It's premature to assume the upbeat hiring plans of December will carry over into the new year, but like the reduced October trade deficit, *it's moving in the right direction*. Bonds have sold off on economic news that suggests an improving economy, in less need of immediate Fed support.

Market Indications as of 2:19 P.M. Central Time

DOW	Up 275 to 49,271 (HIGH: 49,462)
NASDAQ	Down -141 to 23,443 (HIGH: 23,958)
S&P 500	Down -6 to 6,915 (HIGH: 6,945)
1-Yr T-bill	current yield 3.48%; opening yield 3.46%
2-Yr T-note	current yield 3.49%; opening yield 3.48%
3-Yr T-note	current yield 3.56%; opening yield 3.53%
5-Yr T-note	current yield 3.74%; opening yield 3.71%
10-Yr T-note	current yield 4.18%; opening yield 4.15%
30-Yr T-bond	current yield 4.86%; opening yield 4.83%

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