Unemployment rises in the United States

The number of job creations remains positive.

Data that will complicate the Fed's decision

- ▶ Employment The U.S. added 119,000 jobs in September, well above the 50,000 expected, but the unemployment rate rose from 4.3% to 4.4%, its highest level since 2021.
- ▶ Fed The mixed data, the first to be released after the administrative shutdown, complicates the Fed's decision on a rate cut in December and fuels the division between hawks and doves.
- ▶ Minutes During the latest FOMC meeting, several Fed officials said it was likely to keep rates unchanged for 2025, although some did not rule out a December cut if the economy warrants it.
- ▶ Waller Governor C. Waller supports a rate cut in December, arguing that the labor market is weakening and inflation risks are low, which would avoid weighing down low-income households.
- ▶ Japan A slight majority of economists (53%) expect the Bank of Japan to raise rates in December, continuing the normalisation that began after the 25 bps hike in January

Evolution of the inflation rate in the Euro area



Source: EUROSTAT 30/10/25

The euro area annual inflation rate remained at 2.1% in October 2025, down slightly from 2.2% in September, remaining close to the ECB's 2% target. By contrast, services inflation accelerated for the second month in a row, reaching 3.4%, its highest level since April, while core inflation, excluding energy, food, alcohol and tobacco, remained stable at 2.4%. Among the largest economies in the euro area, inflation slowed in Germany (2.3% vs. 2.4%), Italy (1.3% vs. 1.8%) and France (0.8% vs. 1.1%).

Figure of the week

2,1%

This is the inflation rate in the Eurozone at the end of October



Minutes of the Fed

Several Fed officials felt it would likely be appropriate to keep interest rates unchanged for the rest of 2025, according to the minutes of the October 28-29 FOMC meeting.

Some were against a further cut in December, while "several" also indicated that a cut might be appropriate in December if the economy developed as expected — but the word "many" shows that they were still in the minority.

The committee remains divided between those who are mainly concerned about inflation and those who are worried about unemployment, which makes a cut in December uncertain.

At the meeting, the majority of voters agreed to a 25bp rate cut (2 members voted against) and Chair Powell warned that a further cut in December was not a given. Finally, "almost all" participants supported the end of the Fed's balance sheet run-off on December 1, ending the reduction in assets that began in mid-2022, despite market concerns about possible liquidity tensions if the stop came too late.



Waller (FED): Labour market justifies rate cut in December

Fed Governor Christopher Waller, speaking about the future of monetary policy in the United States, said he was in favor of a further rate cut in December.

Waller justified his position by citing a weakening labour market and slowing hiring, while saying he saw the risks of higher inflation as low.

I am concerned that a restrictive monetary policy will weigh on the economy, especially on low- and middle-income consumers.

A December cut would provide additional insurance against a

acceleration of the labour market slowdown and steer policy towards a more neutral approach".

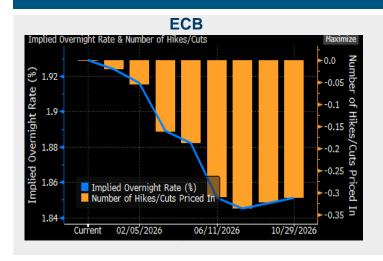
Against this backdrop, markets remain divided on the possible outcome of the December meeting, while other Fed members have made conflicting statements.

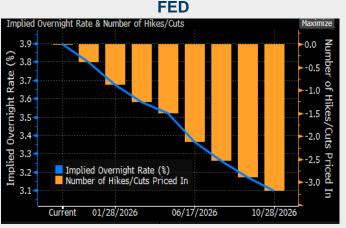
Vice President Philip Jefferson took a cautious approach, saying he did not rule out further rate cuts or keeping them stable.

Boston Fed President Susan Collins described the level of difficulty as "high" to justify further easing.

I am focused on the job market

Christopher Waller, November 17, 2025





Source: Bloomberg 20/11/25

The ECB will meet again before the end of the year to discuss monetary policy. The next meeting is scheduled for December 18.

According to market expectations, it is unlikely that the central bank will decide to cut rates on this occasion.

Moreover, even if we look at the forecasts for next year, it would seem to date that, according to the markets, the ECB has completed its cycle of rate cuts that has reduced the deposit facility rate from 4% to 2%.

On the Fed's side, the situation remains different.

We are still in the midst of a monetary policy easing cycle.

The next meeting is scheduled for December 10, but according to the markets, there is little chance of a further rate cut before the end of the year.

However, for 2026, at least three cuts are expected before the end of October.

Under this scenario, the Fed's terminal rate could be around 3.1%.



JAPAN'S CENTRAL BANK COULD RAISE RATES IN DECEMBER

According to a Reuters poll, a slim majority of economists believe the Bank of Japan will raise interest rates at its next meeting in December, further its goal of normalizing monetary policy, supported by the recent decline in the yen.

Prime Minister **Sanae Takaichi**, a proponent of expansionary fiscal and monetary policy who took office a month ago, urged the BoJ to cooperate with the government's efforts to revive the economy and to be cautious in raising rates.

However, economists believe that the conditions for a rate hike are in place, with the depreciation of the yen reinforcing this argument.

The Bank of Japan raised rates by 25bp in January. In a Nov. 18 poll, 53% of economists expected Japan's central bank to raise short-term interest rates from 0.50% to 0.75% at its Dec. 18-19 monetary policy meeting.



UK: inflation falls before the adoption of the budget

UK inflation fell to 3.6% in October, making it easier for the Bank of England to cut interest rates after Chancellor Rachel Reeves' decisive budget next week.

The ONS said annual inflation slowed for the first time in five months, after peaking at 3.8% in July, August and September.

The latest figures show that the rise in gas and electricity prices, which was slower than a year ago, has largely contributed to this decline, as has the decrease in hotel prices.

However, this decline was partially offset by an acceleration in food inflation to 4.9%. This was lower than the Bank's forecast of 3.7 %, but still well above the government's target of 2 %.

Reeves pledged to reduce the cost of living in her muchanticipated tax and spending statement on Nov. 26, including through measures to bring down the inflation rate to make it easier for the Bank to cut rates.



Source: ONS, 19/11/2025

"This drop in inflation is good news for households and businesses across the country, but I am determined to do more to bring prices down"

Rachel Reeves, Chancellor of the Exchequer

News



Canada | The core inflation rate is in slight increase at the end of October (2.9% vs. 2.8% on months before)

Japan | Industrial production at the end of September is on the rise again (+2.6% vs. – 1.5% at the end of August)

Agenda



26 November I Decision on rates of interest to the Royal Bank of New York Zeland

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26 November I Publication of the rate inflation in the United States

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