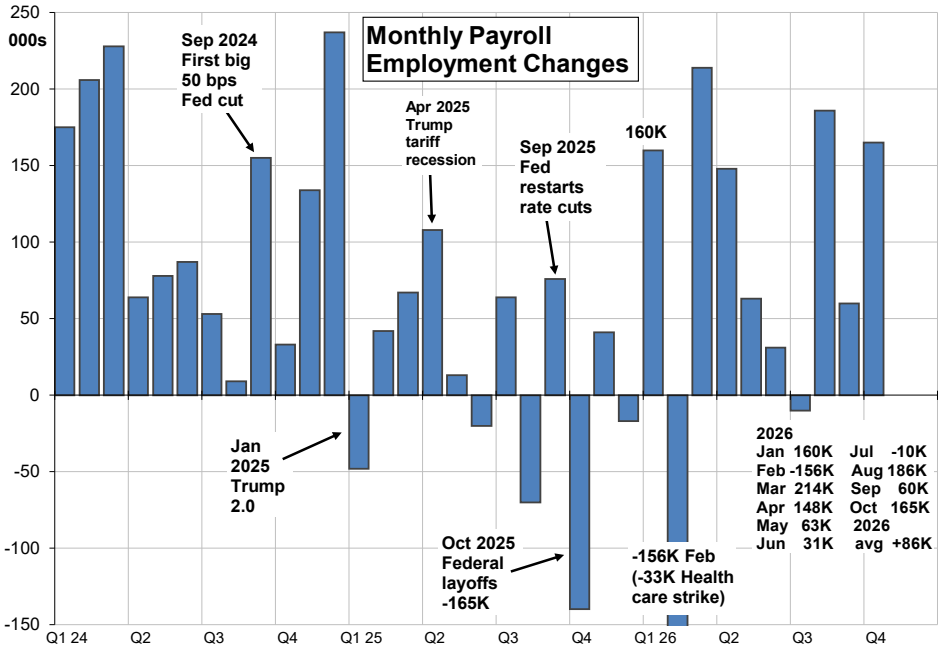
Financial Markets This Week

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6 NOVEMBER 2026

JOBS WHOPPER



We hardly know what to say this month so we will just keep with our initial thoughts written in the minutes after the Friday 830am ET employment report release. GDP growth was strong at 3.4% in Q3 2026, the first 3%-plus growth since Q3 2025, but the jobs report strength was a surprise. Net, net, it's a whopper of a jobs report this month in a week already jammed with too many surprises. The economy is not just heating up, it is red hot, with the creation of 165 thousand new jobs and huge upward revisions of 84 thousand to jobs in August and September. Good thing the midterms were not a week from now as the Trump 2.0 economic policies appear to be helping the economy get back on its feet despite the Mideast war with unaffordable energy prices. There can be no other conclusion but that the labor market is starting to run away on the upside. Not just jobs, but good jobs. Employment in professional business services is no longer depressed with a solid gain of 70 thousand in October. Manufacturing is back with 25 thousand more jobs in computers and electronics, machinery and primary metal factories. Factories are back, the economy is back. Stay tuned. Fed officials are likely wishing they hiked rates last week because the latest red hot labor market data are going to make their job to bring down inflation even harder. The economy is heating up with more jobs than markets could even imagine a month ago. Stocks and bonds are stunned and barely moving as the stellar economic news is leaving traders literally speechless. One thing is certain and that is interest rates are going higher, much higher. Bet on it.

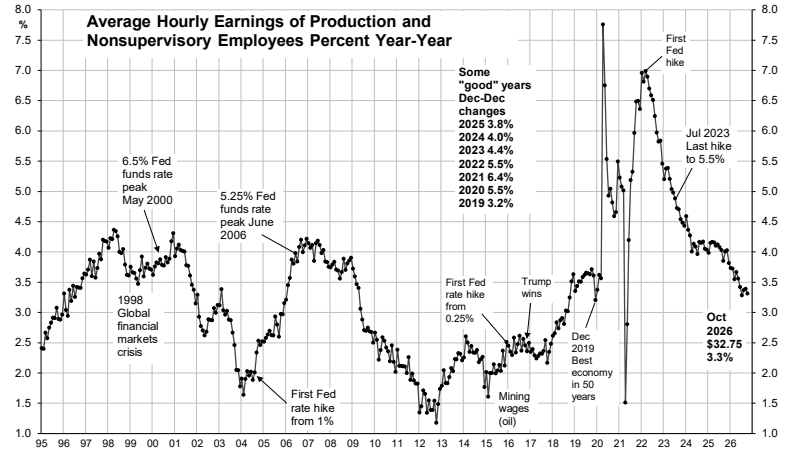
Monthly changes (000s)	Oct	Sep	Aug	Jul	Jun
Payroll employment	165	60	186	-10	31
Private jobs	159	78	142	28	26
Federal govt ex-post office	-5	-1	-3	1	0
Bars/Restaurants	-7	11	32	-30	-7
HH Employment Survey*	463	406	569	-87	-507
Unemployment rate %	4.14	4.18	4.14	4.09	4.19
Participation rate %	61.9	61.8	61.6	61.4	61.5
Not in labor force (mln)	104.999	105.292	105.638	106.189	105.808
... and Want A Job (mln)	6.024	5.790	5.747	5.920	6.045
Average hourly earnings	$38.00	$37.86	$37.76	$37.64	$37.59
MTM % Chg	0.4	0.3	0.3	0.1	0.3
YOY % Chg	3.1	3.2	3.1	3.2	3.4
* Household (telephone) Survey of employment behind unemployment rate					

Private payroll jobs were up 634K this year, but with October plus Aug/Sep revisions it is up 878K or 244K more are now working. Professional and business services are exactly half the story or 122K of the 244K, and temp help jobs were 40K of that. Couriers and messengers were an 18K addition, retail stores were a 22K add. Consumer spending was so over the top the last two quarters the BLS looked around for what must be more employment in retail. Eating/drinking did go the wrong way, last month we thought there were 50K more jobs in 2026, turns out only 40K more at bars and restaurants.

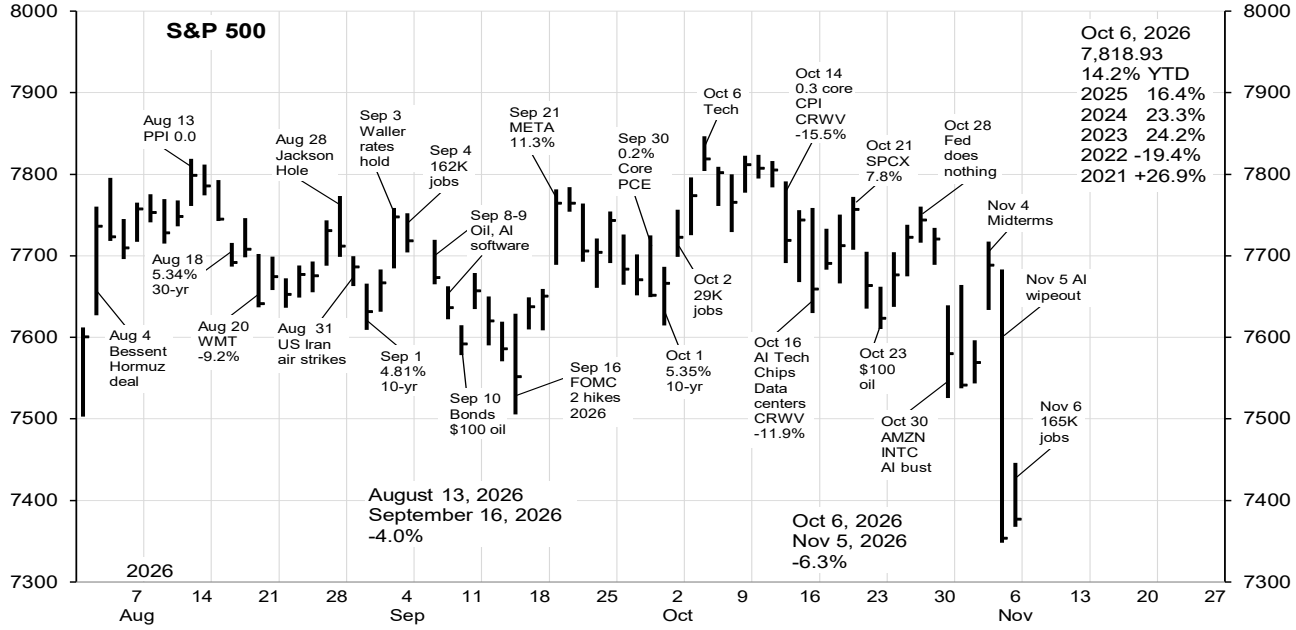
The Household Survey measure shows very strong employment growth, but it remains unreliable until the negative immigration trend effect on the population count ends. We would be surprised if native-born births minus deaths is much greater than 500 thousand this year; most of the population increase has been immigrants. The unemployment rate did fall slightly to 4.1% (4.14) from 4.2% (4.18) in September. Wages of "working" employees are rising 3.3% from a year ago, but it never really adds up, telling a story that workers are not keeping up with inflation. If you must, there are plenty of workers who are beating 3.6% PCE year-year inflation; utilities 6.0%, construction workers 5.2%, manufacturing 3.8%, information 4.6%. Stay tuned. The economy looks strong which means the 4.0% Fed policy rate is not restrictive.

2026 Payroll jobs average 86K monthly

Dec. 2025 Totals millions		Oct 26	Sep 26	Aug 26	10 months Dec 25 to Oct 26	12 months Dec 24 to Dec 25
158.432	Nonfarm Payroll Employment	165	60	186	861	116
135.083	Total Private (ex-Govt)	159	78	142	878	296
21.456	Goods-producing	15	27	40	197	-135
0.566	Mining	-1	-3	3	0	-15
12.580	Manufacturing	19	13	21	101	-113
0.951	Motor Vehicles & parts	4	0	-7	15	-37
0.990	Computer/electronics	7	1	4	19	-22
1.780	Food manufacturing	1	1	0	-9	1
8.272	Construction	-3	16	17	95	-4
5.222	Specialty trade contractors	-7	11	11	59	-17
113.627	Private Service-providing	144	51	102	681	431
28.616	**Trade, transportation, utilities**	22	29	16	202	-195
15.414	Retail stores	6	13	3	88	-47
3.217	General Merchandise	18	0	18	71	-16
3.247	Food & Beverage stores	-3	1	-8	-4	3
6.555	Transportation/warehousing	25	7	6	81	-108
1.467	Truck transport	0	2	3	4	-28
0.571	Air transportation	4	3	0	3	8
1.051	Couriers/messengers	17	0	-5	57	-43
1.836	Warehousing and storage	0	0	1	3	-45
2.842	**Information**	-1	-11	-21	-108	-53
0.473	Computing, data, web hosting	0	-1	-5	-18	-8
9.186	**Financial**	7	-14	-6	-101	7
2.993	Insurance	-6	-9	-5	-75	-23
2.452	Real Estate	6	-1	0	-8	-4
1.371	Commercial Banking	-1	-1	-3	-25	-7
1.158	Securities/investments	3	0	1	19	34
22.372	**Professional/business**	70	8	30	232	-160
2.451	Temp help services	19	-6	16	75	-91
2.622	Management of companies	9	1	1	9	3
1.746	Architectural/engineering	5	8	4	41	33
2.381	Computer systems/services	3	-7	-4	-27	-51
1.231	Legal services	2	1	2	20	24
1.130	Accounting/bookkeeping	2	-1	0	-4	5
27.627	**Education and health**	53	21	37	431	682
4.039	Educational services	-2	1	8	14	-5
18.295	Health care	42	18	20	297	387
9.121	Ambulatory health care	19	10	9	160	167
5.719	Hospitals	16	14	12	97	137
3.456	Nursing/residential care	6	-6	-1	40	83
5.292	Social assistance	14	2	9	120	299
16.961	**Leisure and hospitality**	-13	13	42	3	99
1.939	Hotel/motels	-3	1	9	-18	-6
12.343	Eating & drinking places	-7	11	32	40	78
23.349	Government	6	-18	44	-17	-180
2.128	Federal ex-Post Office	-5	-1	-3	-53	-283
5.476	State government	8	-4	-7	3	-39
2.603	State Govt Education	12	-6	-11	8	-42
15.151	Local government	-1	-11	56	25	146
8.232	Local Govt Education	5	-4	51	-23	58



INTEREST RATES

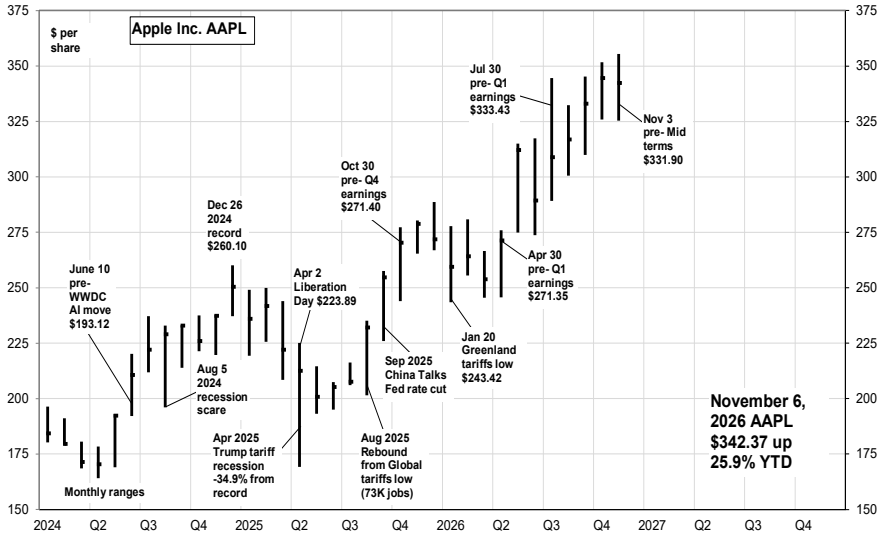


Traders processed what the Democrats sweep of both the Senate and the House meant for stocks and bonds, like are some of the Washington policies like import tariffs, immigration, and the Iran war with its higher energy prices going away. Stock futures fell as much as 1.4% on the news, but recovered by 3am ET Wednesday, with the S&P 500 closing 1.6% higher in regular Wednesday trading. Crude oil closed $104.99 on Friday but settled at $88.12 on Wednesday. By Thursday stocks collapsed, the AI wipeout was orderly, or at least lasted mostly an hour and a half; orderly but hard down starting at the 930am cash market opening. On Friday, markets did not seem to know what to make of the 165K jobs report. After the AI cash burn fear drop of 4.4% Thursday, stocks eventually recovered 1.2% before fading. Treasuries saw mostly yield curve flatteners waiting on Fed rate hike.

Apple, Inc. (AAPL) 25.9% YTD

Apple stock is volatile with a 7.5% drop on Tuesday from the October 23 record high, following the earnings released on Monday after the close. The Midterms results rescued it and sent it on to a new record high, but unable to close above $350. Sales were up 11.7% from a year ago to $114.5 billion, recorded before iPhone Duo was in stores. Calendar Q4 sales expected to be up 7 to 10 percent. Operating income has been $35 billion for three straight quarters now.

Calendar Year Mln $	Operating Income	Net Sales	iPhone	Greater China
Q3 2026	35,631	114,477	57,583	17,539
Q2 2026	35,695	109,417	54,252	18,816
Q1 2026	35,885	111,184	56,994	20,497
Q4 2025	50,852	143,756	85,269	25,526
Q3 2025	32,427	102,466	49,025	14,493
Q2 2025	28,202	94,036	44,582	15,369
Q1 2025	29,589	95,359	46,841	16,002
Q4 2024	42,832	124,300	69,138	18,513
Q3 2024	29,591	94,930	46,222	15,033



FEDERAL RESERVE POLICY

The Fed meets December 8-9, 2026 to consider its monetary policy. Fed Chair Warsh has held the view for many years that Fed officials talk too much, but Fed officials since the September rate hike seem to be talking more than ever. On Thursday, the S&P 500 collapsed 4.4%, but Richmond Fed President Barkin and Cleveland Fed President Hammack both seem to have looked out the window and see the need for more than just the one-more rate hike at the end of the year to 4.25% (from the September meeting rate forecasts) to bring inflation back down to the 2.0% target. After the strong jobs report we will see if Warsh still believes strong growth doesn't mean a rate hike and does not make the Fed's job of bringing inflation down to 2% any harder. San Francisco Fed President Daly said the jobs market remains stable and solid although it is not booming. She then lamented wages were not keeping up with inflation. Inflation high for too long "almost six years." Okay.

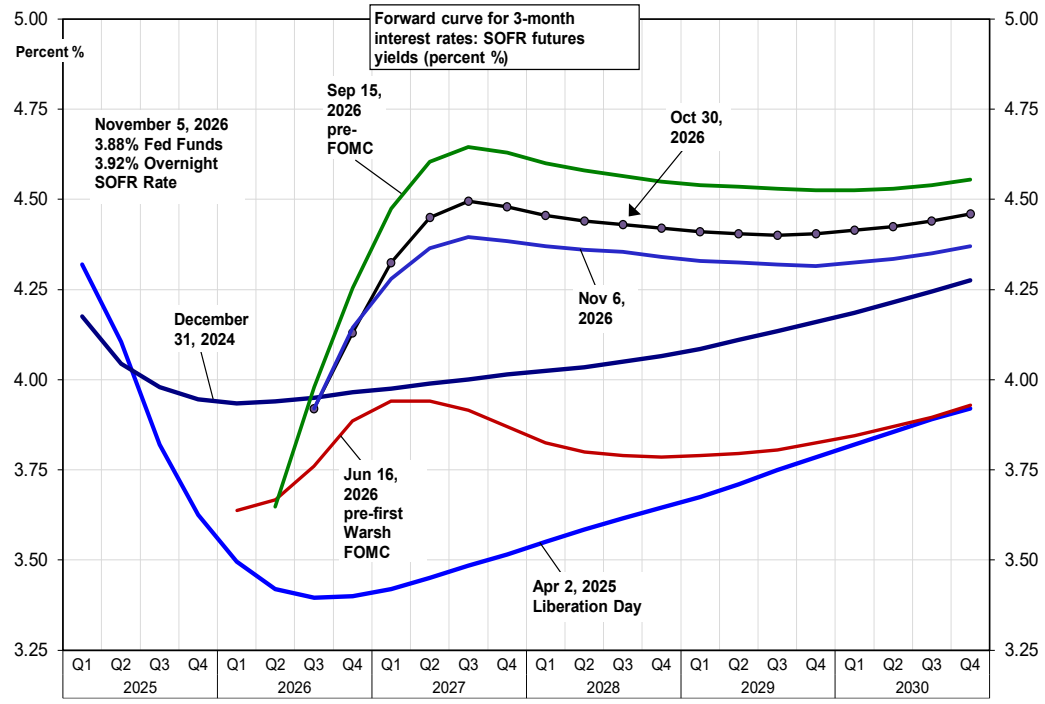
Selected Fed assets and liabilities

Fed H.4.1 statistical release billions, Wednesday data	4-Nov	28-Oct	21-Oct	14-Oct	3/11/20*	Change from 3/11/20 to Nov 4
Factors adding reserves						
U.S. Treasury securities	4578.777	4576.582	4572.654	4570.552	2523.031	2055.746
Federal agency debt securities	2.347	2.347	2.347	2.347	2.347	0.000
Mortgage-backed securities (MBS)	1883.522	1883.522	1895.177	1898.160	1371.846	511.676
Repurchase agreements	0.000	0.000	0.067	0.001	242.375	-242.375
Primary credit (Discount Window)	9.219	9.538	9.169	11.044	0.011	9.208
Bank Term Funding Program	0.000	0.000	0.000	0.000		
FDIC Loans to banks via Fed	0.000	0.000	0.000	0.000		
Paycheck Protection Facility	0.007	0.007	0.007	0.007		
Main Street Lending Program	0.872	0.871	0.871	0.873		
Term Asset-Backed Facility (TALF II)	0.000	0.000	0.000	0.000		
Gold stock	11.041	11.041	11.041	11.041	11.041	0.000
Central bank liquidity swaps	0.169	0.156	0.170	0.205	0.058	0.111
Federal Reserve Total Assets	6800.1	6797.5	6805.5	6807.5	4360.0	2440.045
~~3-month Libor %~~ SOFR %	3.94	3.94	3.88	3.88	1.15	2.790
Factors draining reserves						
Currency in circulation	2490.536	2485.878	2485.182	2488.818	1818.957	671.579
Term Deposit Facility	0.000	0.000	0.000	0.000	0.000	0.000
U.S. Treasury Account at Fed	936.248	1015.632	945.153	885.823	372.337	563.911
Treasury credit facilities contribution	0.000	0.000	0.000	0.000		
Reverse repurchases w/others	0.225	0.176	0.237	0.201	1.325	-1.100
Federal Reserve Liabilities	3837.267	3902.259	3835.994	3776.599	2580.036	1257.231
Reserve Balances (Net Liquidity)	2962.804	2895.236	2969.522	3030.854	1779.990	1182.814
Treasuries within 15 days	122.548	125.377	125.279	106.926	21.427	101.121
Treasuries 16 to 90 days	411.404	404.742	398.579	390.845	221.961	189.443
Treasuries 91 days to 1 year	491.911	500.228	502.809	529.071	378.403	113.508
Treasuries over 1-yr to 5 years	1439.406	1437.066	1436.944	1436.242	915.101	524.305
Treasuries over 5-yrs to 10 years	487.303	483.123	483.100	482.152	327.906	159.397
Treasuries over 10-years	1626.205	1626.047	1625.942	1625.316	658.232	967.973

Note: QT starts June 1, 2022	Change	11/4/2026	6/1/2022
U.S. Treasury securities	-1192.002	4578.777	5770.779
Mortgage-backed securities (MBS)	-823.924	1883.522	2707.446

**March 11, 2020 start of coronavirus lockdown of country

Warsh October 28, 2026
At each policy meeting, my colleagues and I assess the economy by looking out the window—it's what we call "interrogating reality"—to gauge what's really going on.



20 bps of a 25 bps rate hike is discounted at the December meeting.

Fed funds futures call Fed policy

Current target: Nov 6 -- 4.00%

Rate+0.12	Contract	Fed decision dates
4.200	Jan 2027	Dec 9*
4.240	Feb 2027	Adds Jan 27
4.345	Apr 2027	Adds Mar 17*

*Jan 2027 could be 4 days at a new rate
*Apr 2027 could be 2 days at a new rate

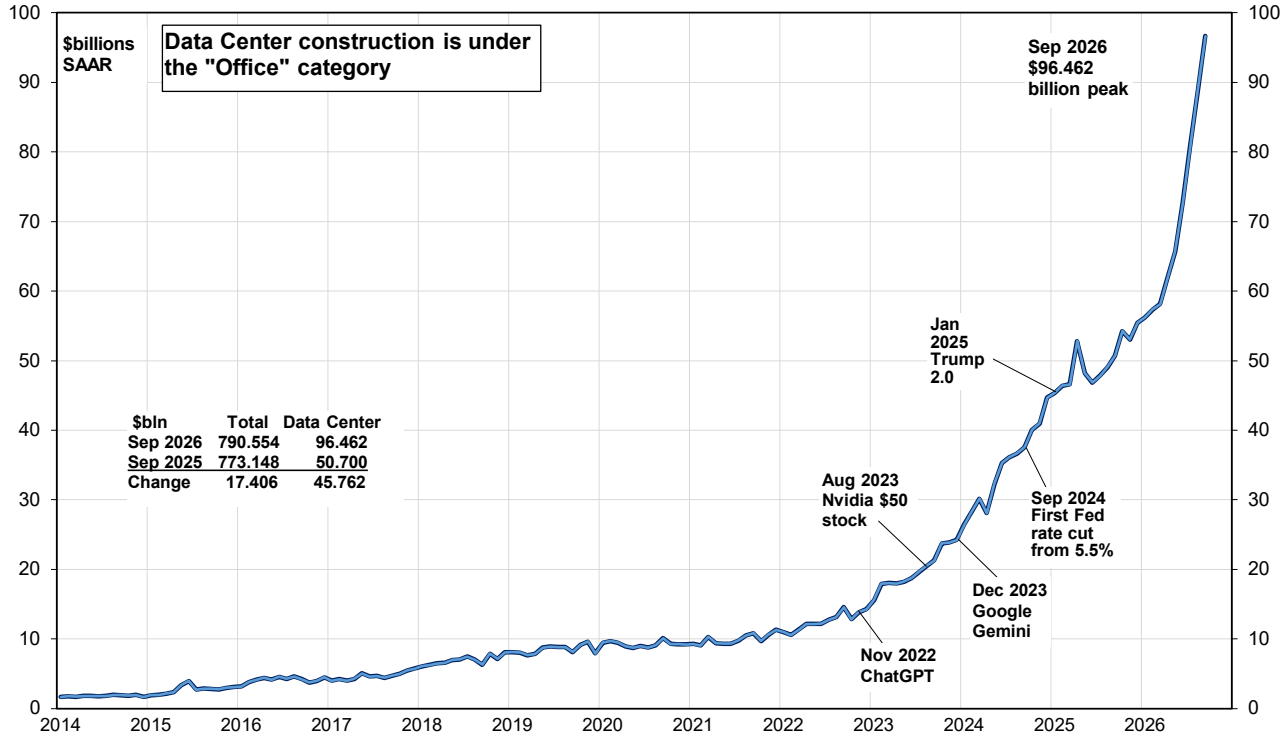
Next up: October CPI inflation Tuesday, November 10 830am ET

Monthly % Changes	2026 Sep	Aug	Jul	Jun	May	Apr	Mar	Feb	2026 Jan	2025 Dec	Nov	Oct	Sep	Aug	2025 Jul
Core CPI inflation	0.3	0.3	0.2	0.0	0.2	0.4	0.2	0.2	0.3	0.2	na	na	0.2	0.3	0.3
Core PCE inflation	0.3	0.3	0.1	0.1	0.3	0.3	0.3	0.3	0.4	0.3	0.2	0.2	0.2	0.2	0.2
Core PCE YOY	3.1	3.0	3.0	3.0	3.2	3.1	3.1	3.0	2.9	2.9	2.7	2.7	2.8	2.9	2.8
Core CPI YOY	2.6	2.4	2.5	2.6	2.9	2.8	2.6	2.5	2.5	2.6	2.6	na	3.0	3.1	3.1

OTHER ECONOMIC NEWS

Construction gets an AI boost for now (Monday)

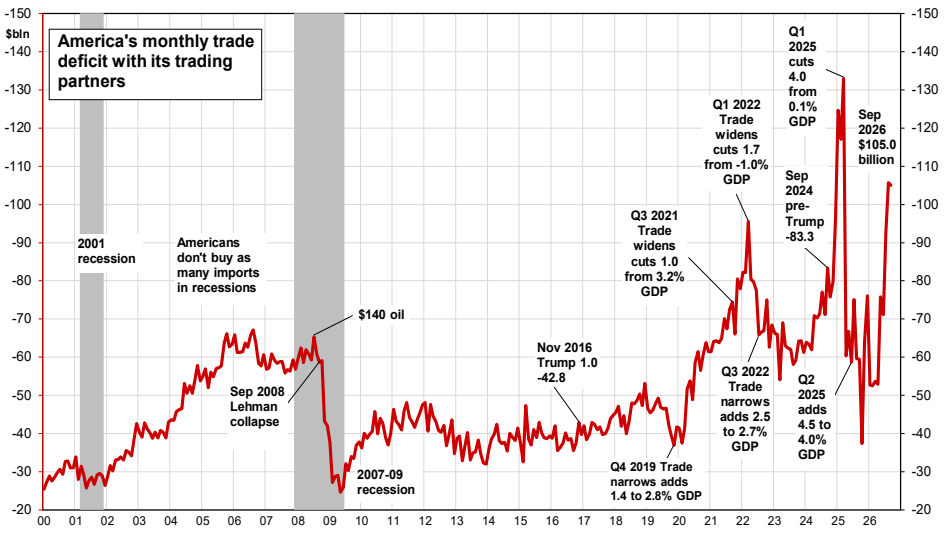
Breaking economy news. Construction spending in September rose 1.1% to $790.6 billion at an annual rate. This total value of nonresidential private construction put in place is 2.3% or $17.4 billion higher than a year ago, but would obviously be negative without soaring data centers that increased $45.8 billion to $96.462 billion in September from a year ago. You might wonder for how long with



many politicians running on a platform that was against data centers. This construction spending sector of the economy tends to get lost in the mix when it comes to economic growth, at least it is hard to see it. Business plant investment did finally add to real GDP last quarter for the first time in a while; this investment added 0.2 percentage points to 3.4% Q3 2026 real GDP.

Trade deficit red ink steady this month (Wednesday)

Breaking economy news. The trade deficit was $105.0 billion in September versus $105.7 billion in August. For Q3 2026 the deficit widened to an average of $101.2 billion up from $66.6 billion in Q2 2026 which was a huge 3.3 percentage point drag on 3.4% real GDP. In September 2026, exports of goods jumped 2.5% or $5.1 billion. Soybeans increased $1.2 billion. Capital goods exports were $3.8 billion, but computers were just $1.3 billion within the category. On the other hand, capital goods imports were $11.6 billion with $7.6 billion computers and $5.7 billion computer accessories.



GDP effect	$mln	Trade balance			Exports			Imports		
		Total	Goods	Services	Total	Goods	Services	Total	Goods	Services
	Q1 2026	-52,942	-83,643	30,701	312,021	204,420	107,600	364,963	288,063	76,899
-1.1	Q2 2026	-66,606	-97,101	30,495	322,402	213,438	108,964	389,008	310,538	78,469
-3.3	Q3 2026	-101,203	-132,116	30,913	315,967	206,021	109,946	417,170	338,136	79,034
	Aug 2026	-105,737	-136,627	30,891	315,666	205,850	109,816	421,403	342,477	78,926
	Sep 2026	-105,047	-135,911	30,865	321,511	210,968	110,543	426,558	346,879	79,678
	Sep/Aug	690	716	-26	5,845	5,118	727	5,155	4,402	752

Most of the US imports are from Mexico. The import imbalance is largest for Vietnam and China's trade imbalance has fallen back over the first nine months of 2026.

Top US Trade Partners for Goods 2026 September YTD			
$ billions	Exports	Imports	X-M
Mexico	297.6	481.6	-184.0
Canada	265.9	304.6	-38.7
China	83.5	215.0	-131.5
Taiwan	44.2	215.3	-171.1
Vietnam	13.9	204.8	-190.9
S. Korea	62.0	129.2	-67.2
Japan	74.9	108.7	-33.8
Germany	65.2	115.2	-50.0
Total	1,849.5	2,769.2	-919.7

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