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Markets Reprice on Dovish Policy Shift

Delayed data and dovish Fed signals drive repricing across the curve

- **Dovish repricing accelerates after delayed payrolls data show mixed labor signals and Fed speakers hint at “room for further adjustment.”**
- **Treasury yields fall across maturities as traders lift December rate-cut odds from ~40% to above 70% in a single session.**
- **Dollar firms and yen weakens while Fed minutes show broad support for ending QT early and stabilizing liquidity.**

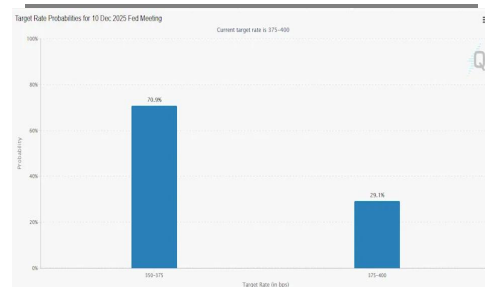
The U.S. rates market saw one of its sharpest dovish repricing in recent months as investors responded to a rare mix of delayed macro data, softening labour signals, and unexpectedly accommodative communication from Federal Reserve officials. The September payrolls release published nearly two months late due to the shutdown showed jobs growth between 51k and 119k while the unemployment rate rose to 4.4%, its highest since 2021. With the October CPI report cancelled, policymakers and markets are heading into the December 9–10 FOMC meeting with less visibility. As a result, Fed communication took on outsized importance. The inflection point came when NY Fed President John Williams said there was “room for further adjustment,” pushing December cut odds from 40% to above 70% in a single session.

This shift produced an immediate reaction across the curve. Traders moved aggressively into duration, interpreting the softer labour backdrop and the Fed’s tonal pivot as signals that easing could arrive sooner. The 2-year yield fell 5 bps to 3.50%, the 10-year dropped 4 bps to 4.06%, and the 30-year eased 1 bp to 4.72%, according to CNBC. FactSet commentary reflected growing concern among moderate FOMC members about labour-market softening, contrasted with more hawkish voices highlighting a clearly divided committee. Treasury ETFs reflected the same dynamic, with **UTWO (2Y) +0.22% WTD**, **UTEN (10Y) +0.76%**, and **UTHY (30Y) +0.45%**, led by the 10-year as investors sought convexity and intermediate-duration stability. Together, the moves show a market increasingly driven by policy interpretation, not data, simply because the data is not arriving.

Balance-sheet policy added a second dovish channel. Reuters reported broad support within the FOMC for ending quantitative tightening on December 1 and reweighting reinvestments toward Treasury bills, intended to stabilize liquidity after the 43-day shutdown. This supported the dovish repricing by reducing expected long-end supply. Globally, shifting U.S. rate expectations fed directly into FX where the dollar strengthened and the yen weakened, consistent with widening interest-rate differentials. On the real-economy side, the average 30-year mortgage rate ticked up to 6.22%, broadly mirroring small fluctuations in the 10-year Treasury yield and reinforcing the continued rate-sensitivity of the housing market.

As December approaches, the rates complex now sits at the intersection of lower yields, higher volatility, and a term structure driven more by Fed communication and liquidity signals than by the usual cadence of employment and inflation releases.

Nvidia vs. Nasdaq and S&P 500 (Nov 10–14, 2025)



Source: CME FedWatch

Market-Implied Fed Cuts Priced for December FOMC



Source: Bloomberg

US 10-Year Treasury Yield Through the Shutdown Period



Source: Bloomberg

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