



Black Friday Shifts As Rates And Tech Reprice

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Thanksgiving week was a good snapshot of how much the economy and markets have changed in a short span of time. On one side we have a holiday shopping season that no longer resembles the Black Fridays I remember, and on the other a bond market that has quietly taken the 10-year Treasury back below 4%, telling us far more about the next phase of Fed policy than most of the stale backward-looking data the government is releasing. Layer on top of that an AI race that is intensifying by the week and the growing likelihood that Kevin Hassett is the next Fed chair, and you had an unusually consequential “quiet” holiday week for investors.

Let’s start with the consumer with the kickoff to the holiday season. If you look at the coverage of mall and store traffic, it is nothing like the old scenes of people lined up a hundred deep in the middle of the night, waiting to rush into a store. Instead, the real shopping season began weeks ago online. Amazon and major retailers effectively pulled demand forward with early “Black Friday” promotions well ahead of the post Turkey-day rush. The right question is not “Are the lines long?” but “Does the total spending over the next week and month hold up despite all the pessimism in the surveys?” We know sentiment has fallen back to levels last seen during the tariff scare a few years ago, yet spending then stayed firm. That same pattern may repeat: gloomy consumers on the surveys, reasonably strong behavior at the register. But that is not guaranteed.

The weekly jobless claims data, which I consider one of the best real-time indicators we have, continue to sit in that 220,000 “sweet spot” range that signals a labor market that is neither overheating nor cracking. We do not see mass layoffs, nor do we see a hiring boom—this is the “no-fire, no-hire” pattern I have discussed for months. Combined with a third-quarter GDP number zeroing in around 4%, that is a picture of an economy that is growing at a healthy clip even as a lot of people feel much worse than the data suggests. I put far more weight on this high-frequency information than I do on revisions to a quarter that is already history while we are now into the last month of the year.

What matters more for markets right now is that the 10-year Treasury yield has slipped to just under 4%. That is a big shift from the panic we saw when the 10-year was threatening to break out well above that level and commentators were rushing to declare that the “old normal” of 2–3% yields was dead. A sub-4% 10-year tells me investors are becoming more confident that inflation is contained and that the Fed is not going to keep policy locked at restrictive levels for years. It also gives the Fed room to move.

We go into the next Fed meeting with a “live” debate on the table, and I think a 25-basis-point cut is very much in play. I would not be surprised by what I’d call a hawkish cut: lowering rates while making it clear the FOMC is prepared to pause at the following meeting to assess the effect on inflation. That is exactly how a cautious committee behaves when the data are moving in the right direction, but they do not want to declare victory.

The dot plots will attract the usual attention, but I would caution against resting too much on them, particularly when they now extend out to December 2026. When I think of their usefulness, it is much higher in September, when the question is essentially how they see the next three months. As you push out years into the future, you are really just looking at a snapshot of their current bias. My own read is that the path of least resistance is still toward easing, not tightening, and that the term premium will remain modest with the 10-year capped near 4%–4.25% in the absence of a major surprise.

The more intriguing development for the medium term is the growing probability that Kevin Hassett will become the next Fed chair. The prediction markets now have him as the frontrunner, and that did not start only after the recent leak—he was already at the top of the lists. I know Kevin very well; during John McCain’s presidential run, he was the lead economist, and I was the second economist on the campaign’s economic team, so I saw his thinking up close. He is a very good economist, with a genuinely sunny disposition, and he has been a close adviser to the president across both terms, including as head of the Council of Economic Advisers and in the National Economic Council. But I believe his greatest strength is not in monetary theory and the technical side of central banking. If I were choosing purely on that dimension, my top picks would be Chris Waller or Kevin Warsh. But I would place Hassett as a strong third—serious, experienced, pragmatic, and someone markets can work with.

One political wrinkle that investors should not ignore is what happens if the Fed fails to cut when the markets and the data suggest they should. The heat on Chair Powell will rise sharply. That could even accelerate the timing of an announcement on the next chair, effectively making Powell more of a lame duck in the last four or five months of his term. Markets do not like uncertainty around Fed leadership, and you could see a period where the path of policy is debated as much in the political arena as in the FOMC statement. My base case, though, remains that the data will give the Fed enough cover to start cutting and avoid that confrontation.

Meanwhile, the tech and AI landscape is evolving so quickly that yesterday's perceived winners are almost immediately questioned. We have seen the AI race intensify with questions swirling around OpenAI's valuation given the rapid rise of Gemini, which has shot to the top of the charts and impressed early users. On top of that, Google is talking aggressively about making its own chips. This is no longer a story of one or two dominant platforms with unassailable moats. Competition in both the large language models and the underlying chips is fierce, and that raises real questions about long-run margins.

The AI buildout involves massive capital expenditures with depreciation schedules that are coming into question. If those assets need to be replaced every two or three years versus the five to six years commonly assumed, the true economic cost of this boom is higher than many assume. Despite all of this, the leading AI-related tech stocks remain only a few percent off their all-time highs, with Google even surging to new highs on the back of Gemini. I continue to believe that, over the long run, AI will significantly boost productivity and earnings, and that supports equities. Investors should be realistic: the current phase is less about whether AI is real—it is—and more about how profits from that productivity are divided among chipmakers, cloud platforms, and software providers, and what depreciation and competition do to the returns on capital.

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