



November 26, 2025

Morning Briefing

Consumers Still Spending & AI Agents Are Ready To Help

Check out the accompanying [chart collection](#).

Executive Summary: Consumers are well positioned to spend heartily this holiday shopping season even though investors and consumers themselves have their doubts. Inflation and economic qualms have done a number on consumer confidence. But Jackie argues that holiday spending may be stronger than feared. ... Also: A look at what the managements of several diverse retailers have observed about the spending behavior of their customers over the past quarter. ... And more shop talk in our Disruptive Technologies segment: How the newest breed of AI shopping assistants is finding exactly what consumers are looking for—and more.

Consumer Discretionary I: Ringing in the Holidays. In addition to turkey and pumpkin pie, Thanksgiving is associated with the official kickoff of the holiday shopping season. With tariffs and inflation making products more expensive, will consumers be willing and able to buy as much as they'd like this season? Some investors are concerned that they won't. But on the bright side, consumers remain strongly positioned on the whole: They're largely employed, not overleveraged, benefiting from a three-year bull market, and expecting larger tax returns next year thanks to President Trump's One Big Beautiful Bill Act (OBBBA).

You'd never know that consumers are in a relatively strong position by looking at the stock market. The S&P 500 Consumer Discretionary sector has only inched up by 1.2% ytd through Monday's close, making it the third worst performing sector in the broad S&P 500 index ([Fig. 1](#)).

However, the sector's two largest members have been holding back its performance for reasons not reflective of consumer spending: Amazon (up 3.1% ytd) and Tesla (3.5%). Also hurting performance have been the ytd share price declines in home improvement retailers Home Depot (-13.5%) and Lowe's (-7.3%). Their DIY business has suffered as homeowners with low-interest-rate mortgages have been unwilling to move and renters expecting lower mortgage rates to come have been unwilling to buy.

More indicative of consumers' strength are the ytd performances of Walmart stock in the Consumer Staples sector—up 15.2%—and the S&P 500 Apparel Retail industry index, home to Ross Stores and TJX, which has gained 21.0% ([Fig. 2](#)).

Moreover, the National Retail Federation (NRF) forecasts that holiday sales (excluding auto, gas, and restaurant sales) will rise by 3.7%-4.2% y/y in November and December. That estimate is not adjusted for inflation, which was a sizable 3.0% y/y in September, as measured by the Consumer Price Index.

Consumers aren't as optimistic as the NRF, however. They plan to cut their holiday spending to \$890 per person on average, down 1.3% from the record amount they planned to spend last year, according to an NRF [survey](#). That's only around the level of holiday spending they planned back in 2019, \$886. This year's survey was conducted from October 1-7, during the start of the government shutdown.

Consumers remained gloomy in November according to the Consumer Confidence Index, which dropped 6.8 points to 88.7 ([Fig. 3](#)). That said, the index has not been an accurate harbinger of stock market direction in recent years. It's been a watch-what-consumers-do-not-what-they-say kind of market.

Unfortunately, the most recent reading of retail spending dates back to September when purchases at stores, restaurants, and online increased 0.2% m/m, down from the 0.6% m/m increase in August ([Fig. 4](#)). But again in September, the government shutdown was looming and that's bound to weigh on economic data throughout the fall.

Here's a look at why the consumer may be in a stronger position than is feared:

(1) *Unemployment is low.* The most recently released government data available date back to September, when employers added 119,000 individuals to their payrolls. While we wait for updated government data, private-sector data show that companies continue to add jobs. Total private payroll employment increased by 42,000 in October according to ADP, with the most jobs added in the transportation, warehousing, and utilities category ([Fig. 5](#)).

That said, there was a slew of layoff announcements over the past few months. October's 175,700 layoffs represent an unusual spike driven by terminations in the warehouse and technology industries, according to Challenger, Gray & Christmas' data ([Fig. 6](#) and [Fig. 7](#)). ADP confirmed the trend yesterday, reporting that private companies lost an average of 13,500 jobs a week over the past four weeks. Even though that period included the

government shutdown, the numbers suggest that layoffs certainly are an area of the labor market to watch.

(2) *Debt service remains reasonable.* Total consumer credit outstanding was at a record high in September at \$5.1 trillion ([Fig. 8](#)). Outstanding mortgage debt has been climbing rapidly for much of the past five years; auto, credit card, and student loan balances outstanding are at or near record highs as well ([Fig. 9](#) and [Fig. 10](#)).

Two charts make consumers' debt positions look almost conservative. When adjusted for inflation, as measured by the PCED, the amount of consumer debt outstanding has remained essentially flat over the past five years ([Fig. 11](#)). Likewise, households' debt service ratio—the ratio of debt service payments to disposable personal income—remains near 20-year lows ([Fig. 12](#)).

On the other side of the balance sheet, consumers have never looked wealthier. Stocks are at record highs, as are home prices ([Fig. 13](#)). According to the Gallup Poll, 62% of Americans own stock, and that has been beneficial in the current bull market ([Fig. 14](#)).

(3) *Refunds on the way.* Many consumers will benefit from President Trump's OBBBA next year. For example, the limit on state and local tax deductions is set to rise to \$40,000, up from \$10,000 currently, benefiting consumers living in areas with high state and local taxes. There are also tax breaks coming for those who received tip income and overtime pay in 2025, those who paid interest on auto loans, and for seniors: A new tax deduction, starting at \$6,000, allows qualified seniors to reduce their taxable income.

President Trump has also promised to pay out \$2,000 “dividend” checks to low- and middle-income Americans by the 2026 midterm elections. These payments are to be funded by tariff payments.

Consumer Discretionary II: Retailers' Mixed Bag. For the most part, the retailers that reported quarterly results on Tuesday beat diminished expectations, and their shares bounced in appreciation. Here's a look at what three very different retailers—Best Buy, Abercrombie & Fitch, and Kohl's—had to share about the spending behavior they've been seeing among their customers:

(1) Best Buy management [said](#) customers are “deal focused” but will make purchases, even at high price points, when they need to or in response to a technology innovation. The company beat Wall Street expectations for the quarter ended November 1 on the top and

the bottom lines, and US same-store sales increased by 2.4% y/y.

Shoppers bought computer gaming systems and mobile phones, but home-related sales declined in areas like appliances and home theaters. Facing tough y/y comparisons in the current quarter, Best Buy forecasted a slowdown in same-store sales anywhere from a 1.0% decline to a 1.0% increase. Best Buy shares rose almost 6% on Tuesday but are still down 7.7% ytd.

(2) Teenagers are spending; they're just picky, as always. Abercrombie & Fitch's Abercrombie brand reported a 2% sales decline last quarter, while its Hollister brand grew 16%. The company beat Wall Street's expectations for its fiscal Q3 (ended November 1) and increased the low end of its forecasts for revenue and earnings growth for the full year. It now forecasts 6.0%-7.0% revenue growth and earnings of \$10.20-\$10.50 a share for fiscal 2026. Abercrombie shares jumped by more than a third on Tuesday but are down 40.6% ytd nonetheless.

(3) Kohl's shares also surged by more than a third on Tuesday on better-than-expected results for the quarter ended November 1. Sales fell 2.9% to \$3.41 billion but came in ahead of the \$3.32 billion that analysts expected. While management still expects sales to decline this fiscal year (ending February), by 3.5%-4.0%, that's better than the 5.0%-6.0% drop previously expected.

Disruptive Technologies: Will This Be AI's Breakout Shopping Holiday? Retailers are deploying artificial intelligence throughout their operations to become more efficient. AI is [helping retailers](#) to manage inventories, build customer profiles, improve demand forecasting, optimize pricing, and increase loss prevention. But consumers will interact the most with AI shopping agents, which will help them pick out gifts for themselves and others.

We've discussed AI agents in the past (see our [September 25](#) and [July 24 Morning Briefings](#)), but it's such a rapidly evolving area that we decided to revisit the subject. Here's some data on which agents are popular, a look at ChatGPT's new shopping research offering, and Amazon's latest pet project, Rufus:

(1) *AI makes shopping inroads.* Consumers are quickly adopting AI as a tool to research and comparison shop. Generative AI was used for search and product comparison by 30%-40% of US consumers [surveyed](#) in October by Bain & Company.

In just the 12 months from October 2024 to October 2025, ChatGPT's referrals to retail

websites surged from 1.7 million to 14.4 million and OpenAI's percentage of total referrals made to retailers' sites nearly doubled from 7% to 16%. In fact, for some retailers, like Home Depot and Etsy, ChatGPT referrals account for 25% of all referral traffic but still less than 1% of total traffic. That said, just over half of consumers surveyed (51%) claim to distrust AI agents.

Looking forward to this holiday season, online shoppers said they'd start shopping primarily at traditional online retailers, but 17% cited an AI agent—be it Chat GPT, Perplexity, or another—as a planned resource as well. Here's the mix of shopping resources that respondents said they'd tap (choosing all that apply): Amazon (73% of respondents), other retail websites (37), Google (30), website of a specific brand or product (24), social media platform (20), ChatGPT (13), blog or review site (7), other search engine (6), other AI chat bot or assistant (4), and Perplexity (4).

As third-party AI agents become more popular, retailers will have to ensure that their sites and offerings can be searched by AI agents, if they haven't already. They will also need to decide who executes the final transaction—the retailer or the AI agent? The answer may determine who “owns” the consumer in the future.

(2) *OpenAI introduces a personal shopper.* In time for the holidays, ChatGPT introduced a personal shopper that helps consumers find and research products before making purchases, according to the company's [blog post](#). Users can describe what they're looking for, the AI can ask additional questions to narrow the search, and the search can be refined along the way. The new service works best with products that have a lot of descriptive detail. Eventually, buyers will be able to make purchases directly through ChatGPT from merchants in its Instant Checkout program.

(3) *Amazon's Rufus learns new tricks.* Rufus, Amazon's AI shopping agent, has recently been upgraded to teach this not-so-old-dog new [tricks](#). The agent uses large language models—including Anthropic's Claude, Sonnet, Amazon Nova—and a custom-built model that draws from Amazon's product catalog, reviews, and Q&As as well as information from across the web. It uses RAG, or retrieval-augmented generation, to tap popular publications (e.g., *The New York Times*, *USA Today*, *Good Housekeeping*, *Vogue*) for answers about products and trends.

More than 250 million customers have used Rufus this year, and those who have are 60% more likely to make a purchase during their shopping trip. No wonder: Rufus can compare similar items and highlight the differences between them. It can “remember” the shopper's

Amazon history to offer recommendations—such as suggesting appropriately cushioned running shoes for a shopper who plays tennis. It shows consumers items available on both Amazon and other online retailers' sites.

For those of us who are old school, Rufus will take uploaded photos of handwritten shopping lists and deposit the items in one's Amazon shopping cart. Rufus can also solve problems. Show it a carpet stain, and Rufus will display the most relevant cleaning supplies.

Rufus may give real dogs real competition for the title of “man's best friend.”

Calendars

US: Wed: Initial Claims 225,000; Durable Goods Orders 0.3%; MBA Mortgage Applications. **Thurs:** Thanksgiving Holiday. **Fri:** Chicago PMI 45.5; Fed's Balance Sheet. (Source: FX Street)

Global: Wed: ECB Financial Stability Report; Japan Leading Index 1.0%; Lagarde; Mauderer. **Thurs:** Eurozone Economic Sentiment Indicator 97; Germany GDP 0.0%q/q, 0.3%y/y; Germany Gfk Consumer Confidence -23; France Consumer Confidence; Cipollone. **Fri:** Germany Retail Sales 0.3%; Germany Import Prices 0.3%; Germany CPI -0.2%; France CPI 0.0%; Italy GDP 0.0%q/q, 0.4%y/y; Italy CPI -0.1%; Nagel. (Source: FX Street)

Strategy Indicators

S&P 500 Earnings, Revenues, Valuation & Margins ([link](#)): During the November 20 week, the S&P 500's forward revenues rose 0.1% w/w and forward earnings jumped 0.5% higher, to new record highs, as the forward profit margin remained steady at a record high of 14.2%. The forward profit margin is now 3.9ppts above its seven-year low of 10.3% during April 2020. The consensus expectations for forward revenues growth rose 0.1ppt w/w to a 40-month high of 6.8%. From a longer-term perspective, that's well above its 20-year average of 5.2%. It has risen 450ppts from its 33-month low of 2.3% during the February 23, 2023 week. That compares to a pandemic-recovery boosted record-high 9.6% forward revenues growth at the end of May 2021 and 0.2% during April 2020, which was the lowest reading since June 2009. The forward earnings growth forecast soared 0.5ppt w/w to

a nine-month high of 14.0%, up 3.1ppts from its 15-month low of 10.9% during the May 29 week. That's a bit stronger than its 20-year average of 11.4%, and is just 0.3 ppts below its 38-month high of 14.3% during the December 12 week. That's also down from its 23.9% reading at the end of April 2021, which was boosted by the recovery from the pandemic to its highest reading since June 2010 and up substantially from its record low of -5.6% at the end of April 2020. Analysts expect revenues to rise 6.3% in 2025 (unchanged w/w at a new high) and 6.9% in 2026 (up 0.2ppt w/w to a new high), compared to a 5.0% rise in 2024. They expect an earnings gain of 12.8% in 2025 (up 0.1ppt w/w to a nine-month high) and a 14.4% rise in 2026 (up 0.6ppt w/w to a new high) compared to 2024's earnings gain of 11.6%. Analysts expect the profit margin to rise 0.8ppt y/y to 13.3% in 2025 (unchanged w/w at an eight-month high) and 1.0ppt y/y in 2026 to 14.3% (up 0.1ppt w/w to an eight-month high), compared to 2024's 12.5%. Looking at valuation data as of November 20, the S&P 500's weekly forward P/E fell 0.8pt w/w to a 21-week low of 22.0, and is down 1.3pts from a 25-year high of 23.3 during the October 30 week. That's now up 2.8pts from its 16-month low of 19.2 during the April 17 week. It also compares to 23.1 in early September 2020, which was then its highest level since July 2000, and to a 77-month low of 14.0 in March 2020. The S&P 500 weekly price-to-sales ratio fell 0.10pt w/w to a 10-week low of 3.13, and is down 0.15pt from its record high of 3.28, also during the October 30 week. That's up from a six-month low of 2.22 during the October 26, 2023 week and compares to a 49-month low of 1.65 in March 2020.

S&P 500 Sectors Revenues, Earnings, & Margins ([link](#)): During the November 20 week, eight of the 11 S&P 500 sectors posted gains in their forward revenues; five posted gains in their forward earnings; and the forward profit margin rose and fell for one sector apiece. These seven sectors had post pandemic- or record-high forward revenues this week: Communication Services, Consumer Discretionary, Health Care, Industrials, Information Technology, Real Estate, and Utilities. Financials' forward revenues is just 0.1% below its record a week earlier, and Consumer Staples' would be near a record high too were it not for the Drug Retail industry's late August exit from the sector putting it 4.9% below its record high instead. Energy's forward revenues is improving now from its three-year low in May but remains depressed at 28.7% below its September 2008 record and 16.0% below its cyclical high in October 2022. Materials' is stalling around at two-year high at 4.2% below its June 2022 record high. These three sectors had record-high forward earnings this week: Financials, Information Technology, and Utilities. These six are less than 0.3% from their record highs: Communication Services, Consumer Discretionary, Consumer Staples, Health Care, Industrials, and Real Estate. Forward earnings remains depressed for the last two sectors, Energy and Materials, but have improved in recent months to 39.1% and 21.4% below their respective highs during 2022. Looking at the forward profit margin, one sector's

rose w/w and one sector's fell. The forward margins of Consumer Discretionary, Financials, and Information Technology were at record highs. These three sectors' margins remain close: Communication Services, Industrials, and Utilities. The margins of Consumer Staples, Energy, Materials, and Real Estate are improving somewhat from their recent multi-year lows, but Health Care's is still at a record low. Here's how the S&P 500 and its 11 sectors rank based on their current forward profit margin forecasts along with their record highs: Information Technology (29.0%, up 0.3ppt w/w to a record high, its first since September 2024 when low-margin Dell's addition to the index lowered the margin 1.3ppts then to 26.3%), Financials (21.2, steady w/w at a record high), Communication Services (19.6, down from its 19.8 record high during the August 7 week), Real Estate (16.6, down 0.2ppt from its 16.8 eight-month high in early October and down from its 19.2 record high in 2016), Utilities (14.8, down 0.1ppt w/w from a 45-month high 14.9 and 0.3ppt below its 15.1 record high in April 2021), S&P 500 (14.2, steady w/w at a record high), Materials (11.1, steady at a 10-month high and up 0.6ppt from 51-month low 10.5 in late February and down from a 20-month high of 11.6 in July 2023 and a 13.6 record high in June 2022), Consumer Discretionary (9.6, steady w/w at a record high), Energy (8.7, steady w/w and up from a 55-month low of 8.5 during the May 15 week and down from its 12.8 record high in November 2022), Industrials (11.2, steady at 0.1ppt below its 11.3 record high in early January), Health Care (8.1, steady at a record low and down from its 11.5 record high in February 2022), and Consumer Staples (7.1, steady w/w and up 0.4ppt from a 21-month low of 6.7 during the 9/4 week, just before Drug Retail's exit from the sector, and down from its 7.7 record high in June 2020).

US Economic Indicators

Consumer Confidence ([link](#)): "Consumers revealed reduced confidence across jobs, incomes, and financial situations, both now and in the future, potentially due to the government shutdown," according to the Conference Board's latest report. Consumer confidence moved lower for the fourth straight month. Headline consumer confidence fell from 98.7 in July to a seven-month low of 88.7 this month; it was at 112.8 last November. The present situation component sank to 126.9 this month, the weakest since September 2024; it was at a recent high of 144.0 at the end of last year. Expectations also slipped for the fourth month to 63.2 this month, after climbing from 55.4 in April to 76.0 in July. Expectations have been below the threshold of 80 that typically signals a recession ahead since February of this year. Consumers' assessments of current business conditions deteriorated in November, with 20.1% of consumers saying business conditions were good, down from 20.7% in October, while 16.9% said they were bad, up from 14.5% in October.

Consumers' views of the labor market was slightly weaker this month, 27.6% of consumers saying jobs were "plentiful," down from 28.6% in October, though 17.9% of consumers said jobs were hard to get, slightly below October's 18.3%. Consumers were once again a bit more pessimistic about future business conditions this month, with 15.9% expecting conditions to improve, down from 18.9% in October, while 27.7% expected business conditions to deteriorate, up from 22.2% last month. Consumers were more concerned about the labor market in six months, with 14.6% of consumers expecting more jobs to be available, down from 15.8% in October, while 27.5% anticipated fewer jobs, down from 28.8% last month. Consumers' outlook for their income prospects was less positive again in November, with 15.3% expecting their incomes to increase, down from 18.2% last month, and 13.8% expecting their incomes to decrease, up from 11.8% in October.

Retail Sales ([link](#)): Headline retail sales increased 0.2% in September (the report was delayed more than a month due to the government shutdown), one-third August's 0.6% gain and below consensus estimates of a 0.4% increase. Excluding autos, sales were up 0.3%. Retail sales for the control group—which excludes autos, gasoline, building materials, and food services, used in calculating GDP—fell 0.1%, following a downwardly revised 0.6% gain in August, previously reported to have increased 0.7%. Of the 13 nominal retail sales categories, eight increased in September, while five declined. September sales performance versus that of a year ago: miscellaneous store retailer (2.9% m/m & 8.2% y/y), gasoline stations (2.0 & 3.1), health & personal care stores (1.1 & 5.6), food services & drinking places (0.7 & 6.7), furniture & home furnishing stores (0.6 & 1.2), food & beverage stores (0.2 & 2.7), building materials & garden equipment & supplies dealers (0.2 & -2.4), general merchandise stores (0.1 & 1.6), motor vehicles & parts (-0.3 & 5.1), electronics & appliance stores (-0.5 & 6.3), clothing & clothing accessories (-0.7 & 6.7), nonstore retailers (-0.7 & 6.0), and sporting goods, hobby, musical instrument & book stores (-2.5 & -0.2).

Regional M-PMIs ([link](#)): Four regional Fed banks have now reported on manufacturing activity for November—New York, Kansas City, Dallas, and Philadelphia. Business activity in the New York region expanded at its highest level since last November, while the Dallas Fed's production index—a key measure of the state's manufacturing conditions—posted a sizeable gain. Meanwhile, growth in the Kansas City region was modest. The Philadelphia region's general activity index, however, remained in contraction territory. Here's a detailed look at each of the districts. New York's headline general business conditions index climbed 8.0 points (to 18.7 from 10.7), its fourth positive reading in the last five months. The new orders (15.9 from 3.7) measure climbed 12.2 points in November, after slumping to -19.6 in September. The shipments (16.8 from 14.4) gauge showed a slight increase this month, but recovered dramatically from September's -19.7. Turning to the labor market, the

employment (6.6 from 6.2) held relatively steady in November, while the average workweek (7.7 from -4.1) moved from contraction to expansion. As for pricing, both the prices-paid (49.0 from 52.4) and prices-received (24.0 from 27.2) measures eased slightly. The Dallas region's production index jumped 15.3 points (to 20.5 from 5.2), with both the shipments (15.1 from 5.8) and new orders (4.8 from -1.7) measures improving. Meanwhile, employment (1.2 from 2.0) showed growth at a near standstill, while hours worked (9.9 from -5.5) rebounded back into positive territory. As for pricing, both the prices-paid (35.3 from 33.4) and prices-received (10.8 from 7.7) measures for raw materials showed an uptick. Kansas City's composite index rose from 6 to 8 in November. Both the production (to 18 from 15) and shipments (22 from 15) measures showed solid gains, while new orders (-2 from 1) were weak. Employment (11 from 1) in the region picked up, while the average workweek (1 from -3) was relatively flat. As for pricing, both prices received for finished products (13 from 19) and prices paid for raw materials (36 from 41) eased during the month, though the latter remained relatively high. Philadelphia's headline general business activity index (to -1.7 from -12.8) improved, though remained negative. Both the new orders (to -8.6 from 18.2) and shipments (-8.7 from 6.0) gauges moved from expansion to contraction, with orders posing its lowest reading since April and the latter posting its first negative reading since May. Meanwhile, employment (6.0 from 4.6) increased at a slightly faster pace, while the average workweek fell from 12.8 to 3.7. Turning to pricing, the prices-paid measure (56.1 from 49.2) accelerated, while prices-received (17.7 from 26.8) slowed.

Producer Price Index ([link](#)): The PPI climbed 0.3% in September, following a 0.1% downtick in August and a 0.8% increase in July. September's increase reflects a 0.9% gain in final demand goods; final demand services was flat during the month. The yearly percent change for the headline rate was 2.7% in September, matching August's rate. It was at 3.8% at the start of this year. Prices for final demand less food, energy, and trade services rose 0.1% in September, slowing from 0.3% in August and 0.7% in July. The yearly rate remained below 3.0% for the sixth month, recording a 2.9% increase from July through September. It was at 3.6% in February. The PPIs for personal consumption and personal consumption ex food and energy were at 2.6% and 2.9%, respectively, in August, with both easing from 3.9% at the start of this year. The PPIs for personal consumption and personal consumption ex food and energy were at 2.9% and 2.8%, respectively, in September, with both easing from 3.9% at the start of this year.

Contact us by [email](#) or call 480-664-1333.

Ed Yardeni, President & Chief Investment Strategist, 516-972-7683
Eric Wallerstein, Chief Markets Strategist, 201-661-3575

Debbie Johnson, Chief Economist, 480-664-1333
Joe Abbott, Chief Quantitative Strategist, 732-241-6502
Melissa Tagg, Director of Research Projects & Operations, 516-782-9967
Mali Quintana, Senior Economist, 480-664-1333
Jackie Doherty, Contributing Editor, 917-328-6848
Valerie de la Rue, Director of Institutional Sales, 516-277-2432
Mary Fanslau, Manager of Client Services, 480-664-1333
Sandy Cohan, Senior Editor, 570-228-9102

