WEEKLY STRATEGY

# Perspectives

BMO Private Wealth

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# Holiday Shoppers: Hopeful Harbinger or Hopelessly Over Their Skis?

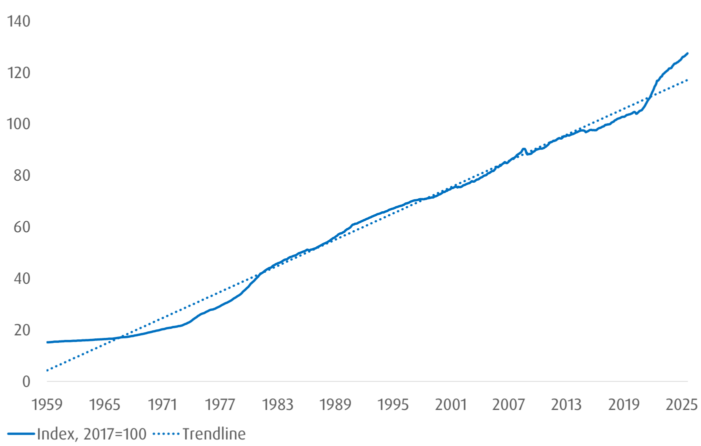
*"Holiday shoppers spent their wallets, not their psyches."*
– Mark Mathews, chief economist, National Retail Federation

**The Through Line:** The critical holiday shopping season is in full swing, with consumers on the hunt for bargains. Investors, on the other hand, are busy tracking down themes that can help them peg the trajectory for 2026, reflecting consumption's predominant role in corporate and economic affairs.

## Christmas *is* coming

As long-time watchers of retail and consumer goods companies, we can confidently say it's the predictable time of year when pundits start rending their clothes and suggesting that the holidays might just as well be cancelled because consumers won't be spending. "Christmas isn't coming because X, Y and/or Z will close wallets," the thinking goes virtually EVERY. SINGLE. YEAR. Yet somehow, magically, the holidays always come and consumers always spend. Sometimes extravagantly. Sometimes super carefully. Sometimes they brawl over THE hot toy (Cabbage Patch, Tickle Me Elmo, Nintendo Switch anyone?). Sometimes services, gift cards and hand-knit sweaters are the ticket. When all is said and done though, consumers in aggregate are durable and reliable; it's really just a question of degree.

**Personal Consumption Expenditures, Chain Type Price Index**




Source: Bloomberg L.P. (2025), as of August 31, 2025

## Black Friday: a five-day affair

It's only natural to presume that pocketbooks will be tightly controlled this year, considering the mounting political polarity, souring consumer confidence, vacillating tariff news, and growing job insecurities all whipped to a frenzy by personalized social media vortexes. Yet the initial read from the Mastercard SpendingPulse survey showed opening weekend (Thanksgiving Eve, Black Friday, Small Business Saturday and Cyber Monday) total sales up over 4% year over year.[I] It's important to note that the 4% aggregate uptick is only moderately above inflation's current run rate of around 3%.The National Retail Federation estimates that over 200 million of us showed up in person over the long weekend and that the tally for the entire season will hit a little over $1 trillion, approximately 4% ahead of last year.[II]

Online sales rose even more robustly (+~9%) over the five day period to slightly more than $44 billion according to Adobe Inc.[III] For context, China's "Singles Day" event in November generated roughly triple the U.S. sales, clocking in at over $150 billion.[IV] (Singles Day, held every year on November 11, was created to celebrate individuals and encourage consumption.)

## Initial observations

Black Friday represents the official start to the holiday selling season. For many retailers, it also marks the date on the calendar when the profit and loss statement shifts from red ink (losses) to black. Because consumer spending makes up 70% of GDP, the relative health of the season's results matters not only to retailers but also for the economy writ large. According to early indications, spending is happening, just more carefully, strategically and methodically than in prior years. We also saw some nuanced differences among age cohorts that are worth teasing out.

**On one hand:**

- More shoppers report having a plan (when and where to shop to maximize discounts and doorbuster deals) and/or budget – and sticking closely to it.
- The initial read is that the size of discounts offered (largely tracking last year's levels averaging around 30%) were uninspiring.[V] Additionally, the steeper discounts that often appear on cyber Monday (particularly on older model electronics and game consoles) were noticeably absent – frustrating many.

- Few if any must have items are on consumers' lists, though they are willing to pay up for perceived uniqueness, quality and/or exciting execution. Examples include cashmere, perfume, new jeans styles, luxury watches (e.g., Taylor Swift's engagement photo launched petite Cartier watches into the must have category for some Gen Zs) and $160 LVMH lipstick.
- There is an escalating propensity, particularly among younger consumers, including millennials (born 1981-1996), and Gen Z (1997-2012) to use AI to both generate ideas and coordinate purchases. Social media influencers are also playing a progressively larger role in guiding specific purchase decisions.
- **Interestingly, Gen Z and their younger siblings (Gen Alpha, which roughly starts from 2013) prefer to shop in person,** albeit tech in hand. Thus, rumors of the malls' demise may be premature, particularly when malls or stores have styled themselves to offer plenty of appealing activities and accompanying experiences (restaurants, movie theaters, theme parks, climbing walls, pickleball courts). These younger trendsetters are inclined to seek vintage clothing and other retro items. They are also willing to pay up for select designer handbags that are known to retain resale value, even while they enjoy fast fashion.

**On the other hand**

- The span between U.S. Thanksgiving and Christmas this year is among the fewest possible days (27 versus 33), compressing activity and offering one less weekend to shop. This puts pressure on consumers, who are already worn down from an emotionally exhausting year – and are often stretched for time between work and family demands. Consumers need the promise of a frictionless transaction and a compelling value proposition to initiate purchases.
- **For retailers, attention to inventory management, supply chain logistics and execution is more critical than ever before,** given the ever-shifting boundaries of trade wars and consumer behavior. Many retailers stocked goods early and/or between tariff hikes and reversals. Should consumer taste shift quickly during the season away from or toward a particular product, the seller may be unable to respond nimbly.
- The industry, though, has muscle memory honed to resilience by the challenges of the past five years.

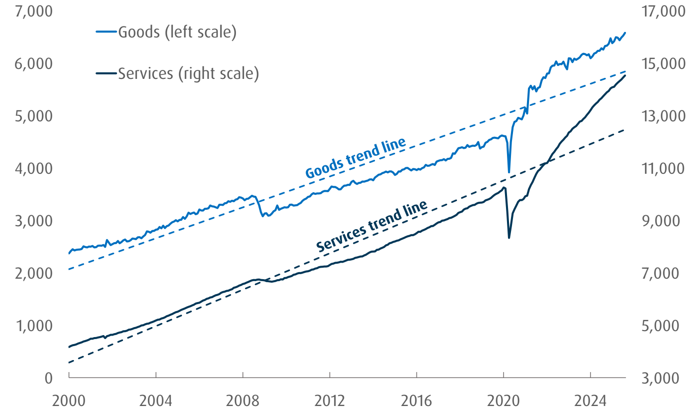
## Consumers' willingness and ability to spend

Consumers' propensity to spend is influenced by their confidence in their employment status. A low unemployment rate is less relevant when examples are mounting of precision headcount cuts – especially across higher-paying white collar jobs. Persistent headlines shouting, "AI is coming for your job!" don't help either. Anxiety is intensifying, evidenced by deteriorating sentiment numbers. Economically, consumers are:

- **weary of price levels** that remain substantially higher than they were before the pandemic. Note: *no number of rate-cuts from the Federal Reserve is going to get those prices back down to pre-pandemic levels*.
- **wary of potential further price hikes** caused by tariffs, industry consolidation or supply chain disruptions
- **anchored to a higher trajectory of spending** on both goods and services than was prevalent before the pandemic (chart). Multiple rounds of COVID-era stimulus checks, reduced work expenses and other programs like student loan forbearance boosted discretionary funds in aggregate. **It is exceedingly hard to dial back levels of spending that have become customary, prompting a sort of cognitive dissonance that shows up in those aforementioned sentiment surveys.** The surging use of buy now, pay later (BNPL) systems and expanding credit card balances may be symptomatic of an attempt to maintain their newly acquired lifestyles.

Tax law changes contained in the OBBB are expected to promote higher tax refunds for many in the new year. A large number will get help from the suspension of tax on tips, overtime and social security, plus relaxation of caps on state and local taxes (SALT deductions). However, it remains to be seen if these benefits will offset cost increases from the resumption of student loan repayments that began this past summer.

**U.S. Consumption: Goods vs. Services**
**(Billions of Dollars)**




Source: Federal Reserve Bank of St. Louis (2025), as of August 2025

## Sellers' need to execute

Consumers do their research before they walk through the mall door or toss an item into an electronic shopping cart. They demand high quality and value – attributes that are admittedly in the eye of each (heavily influenced) beholder. Retailing has always been a tough, capital-intensive business. It is now a progressively challenging proposition, given unpredictable trade, policy, regulatory and immigration issues. Margins are under assault from burgeoning costs and constrained ability to pass these costs along. Merchandisers must stay on top of broad and narrow influencer-led trends. They must keep one eye on sales/costs and the other on social media flow (ask Disney, Target or Anheuser-Busch). Nonetheless, **businesses that can adapt and pivot quickly are thriving. Wall Street investors are showing a keen ability to discern and reward businesses that are able to consistently surprise and delight customers.**

## Implications for investors

When capital markets wobble, some investors tend to seek refuge in consumer names – especially staples – based on a belief that these companies can perform almost regardless of the economic backdrop. Valuations are high, however, and fortunes are as bifurcated as the economy itself. Nimble execution is a more challenging endeavor in today's environment. These businesses demand human, physical and financial capital to stay on the cutting edge. We believe consumers will continue to spend – much as they have for decades through thick and thin. But serving a well-informed, time crunched and demanding segment takes astute execution and moxy.

# In focus in North America

*Jon Borchardt, Sr. Analyst*
*George Trapkov, CFA, VP and Portfolio Manager*

## This week

**U.S. consumers feelin' some merry vibes –** Holiday season sales are off to a "great start" according to National Retail Federation CEO Matthew Shay. Cyber Week saw a record 202.9 million shoppers visit e-retail sites and traditional brick-and-mortar stores, a result well ahead of the NRF forecast of 186.9 million and above the 197 million reported a year earlier. Online spend rose 9% year over year while physical retailers saw a 3% rise from 2024 levels. Salesforce reported average online selling prices rose 7% from Black Friday 2024 levels. While the headline Cyber Week sales figures were strong, it is worth noting a significant part of the overall increase may be attributable to a combination of more shoppers and higher average selling prices during Cyber Week.

**Canada's GDP shows unexpected strength –** GDP in Q3 was much stronger than anyone expected for Canada, snapping back at a 2.6% annual rate, or two full points above the initial estimate from StatCan and the consensus. That was partly countered by an even deeper drop in Q2 to -1.8% (from -1.6%) and a downbeat first pass at October's estimate -0.3% (not annualized). Finally, even the flashy headline growth in Q3 comes with a caveat because it largely reflected strength in net exports (mostly weak imports) and not underlying strength in spending. Amid the many moving parts in this report, the big bounce in headline Q3 growth is probably the most important and should quash recession chatter for now. BMO Economics expects a real GDP growth rate of 1.4% for 2026 (the federal budget assumed 1.2%). For the Bank of Canada, there are many mixed messages here, but the overall read is better than expected, thus more firmly moving the central bank to the sidelines for next month's meeting.

**Canadian deficit shows improvement –** Canada's current account deficit improved to C$9.7 billion in Q3, following the record shortfall of C$21.6 billion in Q2. The improvement came from a narrower deficit for goods trade after tariff uncertainty dissipated from its peak in the second quarter. That nudged exports higher, driven by energy and consumer goods. The services trade account improved to a C$0.5 billion surplus from a C$0.7 billion deficit in Q2, largely on a bigger surplus in commercial services. The travel services surplus was little changed as Canadians spent less money abroad (in both U.S. and non-U.S. destinations) but international travellers (including students) spent less money in Canada. The current account improved from a tough second quarter, but the broadest measure of trade will remain under pressure while trade uncertainty stays elevated – especially since Canada-U.S. negotiations remain on hold.

**Signs of softness in U.S. labor market continue –** November's employment report from payroll processor ADP showed that the private sector cut 31,700 jobs in November. That follows an upwardly revised gain of 47,000 jobs in October and an expected gain of about 10,000 for November. From a sector perspective, job losses were broad based. Manufacturing, professional and business services, and information were the three hardest-hit sectors, losing a combined approximate 64,000 jobs. That outcome plays into concerns over the potential impact of tariffs and artificial intelligence on the labor market. Job cuts were disproportionately concentrated within the small business segment: 118,600 employees were dropped from the payrolls of companies employing fewer than 50 people. In contrast, mid- to large-sized companies added a net 86,900 new hires. ADP Chief Economist Dr. Nela Richardson noted that "hiring has been choppy of late as employers weather cautious consumers and an uncertain macroeconomic environment." The positive news for those still on payrolls is that average wage growth outpaced the rate of inflation, up 4.4%, while job-changers saw average pay hikes of 6.3%. The odds of a policy rate cut at the Federal Reserve's December meeting rose after the ADP report tipped the scales of the labor-market-versus-inflation dual mandate debate.

**U.S. manufacturing remains in a funk –** The Institute for Supply Management's (ISM) November Manufacturing PMI Index reading came in at 48.2. This marks the ninth consecutive month the index has been below 50, signaling a contraction in overall sector fundamentals. New orders and backlogs fell at an accelerated pace; prices paid rose more quickly. Higher production rates contributed to an unintended build in inventories, indicating that demand is failing to keep pace with output. These negative fundamentals led to a 10th consecutive month of reduced employment in the sector. Tariffs and economic uncertainty were headwinds highlighted by ISM survey respondents.

On the flip side, S&P Global's U.S. Manufacturing PMI Index reading for November came in at 52.2, which was ahead of the median Bloomberg consensus forecast at 51.9. Business confidence improved, leading to increased hiring, output and plans for future investment. Despite the positive headline, S&P Global Market Intelligence Chief Business Economist Chris Williamson said, "the health of the U.S. manufacturing sector gets more worrying the more you scratch the surface." Inventories of finished goods are rising, tariffs continue to be a headwind because prices are unable to offset cost pressure, and export orders continue to contract.

## Next week

Primary events of the week are rate decisions from central banks in both countries, accompanied by a side dish of previously sidelined U.S. jobs data layered in.

**Monday 12/8 –** Nothing Scheduled

**Tuesday 12/9 –** U.S. NFIB optimism index, October Job openings

**Wednesday 12/10 –** U.S. FOMC Rate decision and presser, Employment cost index, U.S. Federal Budget | Canada BoC rate decision and press conference

**Thursday 12/11 –** U.S. Initial jobless claims | Canada Balance of trade

**Friday 12/12 –** Canada Building permits, Capacity utilization, Manufacturing sales

# Data scorecard as of December 3, 2025

| Equity Market Total Returns | | | | | | |
|---|---|---|---|---|---|---|
| | 12/3/2025 Level | WTD | YTD | 2024 | 2023 | 2022 |
| S&P 500 | 6,850 | 0.0% | 17.8% | 25.0% | 26.3% | -18.1% |
| NASDAQ | 23,454 | 0.4% | 22.2% | 29.6% | 44.7% | -32.5% |
| DOW | 47,883 | 0.4% | 14.4% | 15.0% | 16.2% | -6.9% |
| Russell 2000 | 2,512 | 0.5% | 14.0% | 11.5% | 16.9% | -20.5% |
| S&P/TSX | 31,161 | -0.7% | 29.1% | 21.7% | 11.8% | -5.8% |
| MSCI EAFE | 10,323 | 0.3% | 27.7% | 3.8% | 18.2% | -14.5% |
| MSCI EM | 748 | 0.5% | 30.3% | 7.5% | 9.8% | -20.1% |
| **Bond Market Total Returns** | | | | | | |
| | | WTD | YTD | 2024 | 2023 | 2022 |
| Bloomberg U.S. Aggregate | | -0.1% | 7.3% | 1.3% | 5.5% | -13.0% |
| Bloomberg U.S. Treasury | | -0.2% | 6.4% | 0.6% | 4.1% | -12.5% |
| Bloomberg U.S. Corporate | | -0.2% | 7.8% | 2.1% | 8.5% | -15.8% |
| Bloomberg U.S. High Yield | | 0.1% | 8.1% | 8.2% | 13.4% | -11.2% |
| Bloomberg 1-10 Year Munis | | 0.0% | 4.8% | 0.9% | 4.5% | -4.7% |
| Bloomberg Canada Aggregate | | -0.6% | 3.1% | 4.0% | 6.5% | -11.3% |
| Bloomberg Canada Treasury | | -0.6% | 2.2% | 2.9% | 5.0% | -9.9% |
| Bloomberg Canada Corporate | | -0.4% | 4.6% | 6.9% | 8.2% | -9.5% |
| **Government Bond Yields** | | | | | | |
| | 12/3/2025 | Last Month End | Last Quarter End | 2024 | 2023 | 2022 |
| U.S. 10-Year Treasury | 4.06% | 4.02% | 4.15% | 4.57% | 3.88% | 3.88% |
| Canada 10-Year Government | 3.22% | 3.15% | 3.18% | 3.23% | 3.11% | 3.30% |
| U.K. 10-Year Gilt | 4.45% | 4.44% | 4.70% | 4.56% | 3.53% | 3.66% |
| German 10-Year Bund | 2.75% | 2.69% | 2.71% | 2.36% | 2.02% | 2.57% |
| Japan 10-Year Government | 1.89% | 1.81% | 1.64% | 1.09% | 0.61% | 0.41% |
| **Currencies & Real Assets** | | | | | | |
| | 12/3/2025 Level | WTD | YTD | 2024 | 2023 | 2022 |
| USD Index | 98.85 | -0.6% | -8.9% | 7.1% | -2.1% | 8.2% |
| CAD:USD | $0.72 | 0.2% | 3.1% | -7.9% | 2.3% | -6.7% |
| Bitcoin | $93,722.09 | 3.1% | 0.0% | 120.5% | 157.0% | -64.3% |
| Gold | $4,203.08 | -0.9% | 60.1% | 27.2% | 13.1% | -0.3% |
| Oil (WTI) | $58.95 | 0.7% | -17.8% | 0.1% | -10.7% | 6.7% |

**Benchmark data does not reflect actual investment performance but reflects benchmark results of the underlying indices referenced. You cannot invest directly in an index. Index definitions can be found at the end of this publication.*

## Index Definitions

**Equity indices**

**S&P 500® Index** is an index of large-cap U.S. equities. The index includes 500 leading companies and covers approximately 80% of available market capitalization.

**NASDAQ Composite Index** is a market-cap weighted index of the more than 3,000 common equities listed on the Nasdaq stock exchange.

**Dow Jones Industrial Average ("DOW")** is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the Nasdaq.

**Russell 2000® Index** (Russell 2000®) is an unmanaged index that measures the performance of the smallest 2000 U.S. companies in the Russell 3000® Index.

**S&P/TSX Index** is a capitalization-weighted equity index that tracks the performance of the largest companies listed on Canada's primary stock exchange, the Toronto Stock Exchange (TSX).

**MSCI EAFE Index (Developed Markets —Europe, Australasia, and Far East Index)** is a standard unmanaged foreign securities index representing major non-U.S. stock markets, as monitored by Morgan Stanley Capital International. The index captures large and mid-cap representation across 21 developed markets countries around the world, excluding the U.S. and Canada.

**MSCI Emerging Markets Index** is a market capitalization weighted index representative of the market structure of the emerging markets countries in Europe, Latin America, Africa, Middle East and Asia. Prior to January 1, 2002, the returns of the MSCI Emerging Markets Index were presented before application of withholding taxes.

**Fixed income indices**

**Bloomberg U.S. Aggregate Bond Index** is an unmanaged index that covers the U.S. investment-grade fixed-rate bond market, including government and credit securities, agency mortgage pass-through securities, asset-backed securities and commercial mortgage-based securities.

**Bloomberg U.S. Treasury Index** is an unmanaged index that includes a broad range of U.S. Treasury obligations and is considered representative of U.S. Treasury bond performance overall.

**Bloomberg U.S. Corporate Bond Index** measures the investment grade, fixed-rate, taxable corporate bond market. It includes USD denominated securities publicly issued by U.S. and non-U.S. industrial, utility and financial issuers.

**Bloomberg U.S. Corporate High Yield Index** is an unmanaged index that covers the USD-denominated, non-investment-grade, fixed-rate, taxable corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+ or below.

**Bloomberg 1-10 Year Blend Municipal Bond Index** is a market value-weighted index which covers the short and intermediate components of the Bloomberg Capital Municipal Bond Index — an unmanaged, market value-weighted index which covers the U.S. investment-grade tax-exempt bond market.

**Bloomberg Canada Aggregate Bond Index** measures the investment grade, Canadian dollar-denominated, fixed-rate, taxable bond market. It includes treasuries, government-related, and corporate issuers.

**Bloomberg Canada Aggregate Bond Index - Treasury** is the treasury sub-component of the Bloomberg Canada Aggregate Bond Index, which measures the investment grade, Canadian dollar-denominated, fixed-rate, taxable bond market.

**Bloomberg Canada Aggregate Bond Index - Corporate** is the Corporate sub-component of the Bloomberg Canada Aggregate Bond Index, which measures the investment grade, Canadian dollar-denominated, fixed-rate, taxable bond market.

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[i] K-shaped economy and inflation boost Black Friday sales by 4.1% from last year, online spending jumps 9.1% | CNN Business, Mastercard SpendingPulse: US Black Friday retail sales up +4.1% YOY as holiday momentum builds

[ii] Black Friday Cyber Monday shopping turnout NRF

[iii] Adobe: Cyber Monday Hits Record $14.25 Billion in Online Spending with Over $1 Billion Driven by Buy Now Pay Later

[iv] China's 'Singles' Day' shopping festival a gauge of Beijing's effort to get consumers to spend more

[v] Black Friday Cyber Monday shopping turnout NRF