2025 Advent Calendar

Economics and Strategy

NATIONAL BANK OF CANADA
CAPITAL MARKETS

December 8, 2025 (*Door 6*)

(Everybody's waitin' for) the man with the ~~bag~~ Bill

By Ethan Currie

As the holiday season approaches, we carry on (with glee!) through *NBC's 2025 Economic Advent Calendar.* Let's see what's behind Door #6… (*See* ***page 2*** *for full schedule of past and upcoming releases in this series).*

As we explored **previously**, UST term premiums have stayed elevated this year, and investors can debate the primary driver. Increased curve steepness can be attributed to protectionist White House policies, fiscal concerns, rate cuts, inflation risks, or (likely) a combination of those factors. What's clear is that investors have grown more attuned to fiscal risks globally—and we expect that to persist.

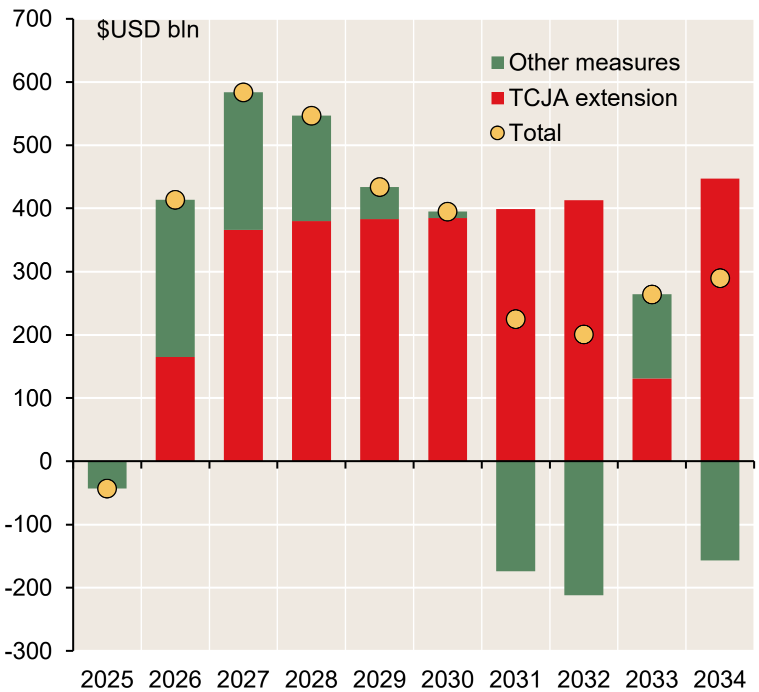
It's no surprise that the U.S. sits at the centre of this narrative—beyond a debt curve already trending higher, the '*One, Big, Beautiful Bill'* promises over $3tln of stimulus over the next decade. That will inevitably impact UST supply, and while current tariff levels suggest the ability to fund such an agenda, that fiscal offset hinges on a scenario of unchanged tariff policy and trade behaviours. That's unlikely in our view, considering the longer time horizon of the Act. A tariff-funded scenario would also suggest that customs revenues would not be distributed as dividends.

Regardless of the source (be it the **CBO**, **CRFB**, **IMF**), the debt burden is projected to hit a record before the turn of the decade, with the *OBBB* only steepening that path. We'd note too that fiscal impacts of the Act are relatively front-loaded, and thus the fiscally consolidating portion of the Bill would fall on the next administration (perhaps decreasing the likelihood of budgetary improvement). While the *OBBB could* be viewed as a simple extension to earlier tax policy, we view it as ~$2tln in net new spending prior to 2030.

What does this mean for interest rates? Ultimately, the Fed has plenty to contend with. While we still expect additional cuts to policy, we're skeptical of a futures-implied 3% terminal rate, considering both fiscal stimulus and tariff-related costs that could keep inflation sticky. It may take time for stimulus and other White House policies to filter through the economy, but one thing's clear: everybody's waitin' for the man with the (*Big, Beautiful*) Bill!

OBBB: The gift that keeps on adding to the deficit…

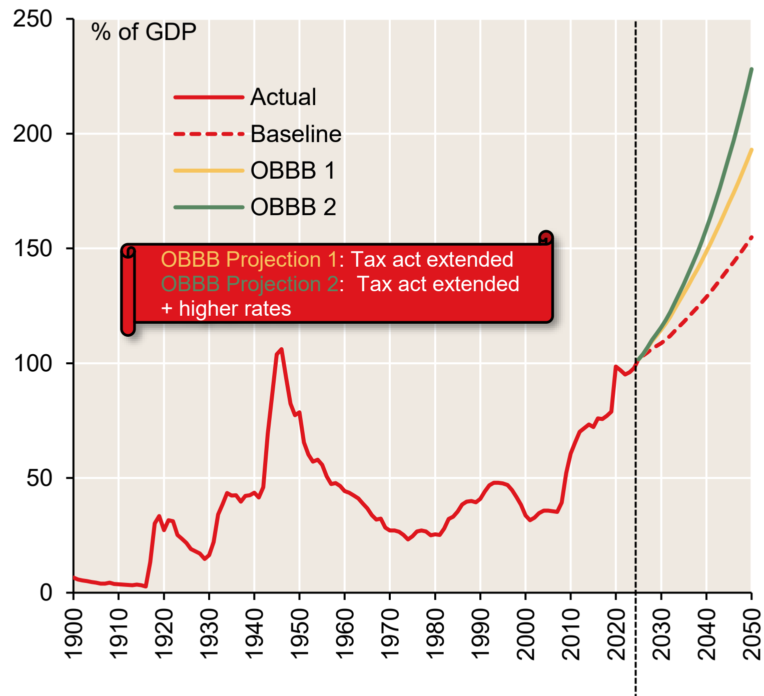
Estimated deficit impacts of the 'OBBB' Act, by year



Source: NBC, Penn Wharton Budget Model

… & the debt burden (which was steeper already)

Federal debt held by the public (% of GDP) and CBO projections



Source: NBC, CBO | Note: Extended baseline March 2024 projection used, as this series was used as benchmark for OBBB estimates

NBC's 2025 Economic Advent Calendar

Door 1: Let it ~~snow~~ cash flow (**link** - *released December 1st*)

Door 2: Last ~~Christmas~~ Trump Term (**link** - *released December 2nd*)

Door 3: The anatomy of a ho-ho-hold (**link** - *released December 3rd*)

Door 4: The (Productivity) Nightmare Before Revisions (**link** - *released December 4th*)

Door 5: All I want for Christmas is… consistent jobs data (**link** - *released December 5th*)

Door 6: (Everybody's waitin' for) the man with the ~~bag~~ Bill (*released December 8th*)

Door 7: ??? (*coming December 9th*)

Door 8: ??? (*coming December 10th*)

Door 9: ??? (*coming December 11th*)

Door 10: ??? (*coming December 12th*)

Door 11: ??? (*coming December 15th*)

Door 12: ??? (*coming December 16th*)

Door 13: ??? (*coming December 17th*)

Door 14: ??? (*coming December 18th*)

Door 15: ??? (*coming December 19th*)

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