TD Economics

Weekly Bottom Line

April 25, 2025

Highlights

Canada

- Next Monday's federal election will be the show stealer. The Liberals are ahead in the polls, and if they do indeed prevail, we could see more government spending than what we baked into our forecast.
- Even with a potential government stimulus boost, the economy is still likely poised to sour in the coming months. We expect that will lead the Bank of Canada to trim its policy rate.
- February was a soft month for consumer retail spending. March looks to have been a firmer month, but we're retaining our view that consumption is headed for a slowdown.

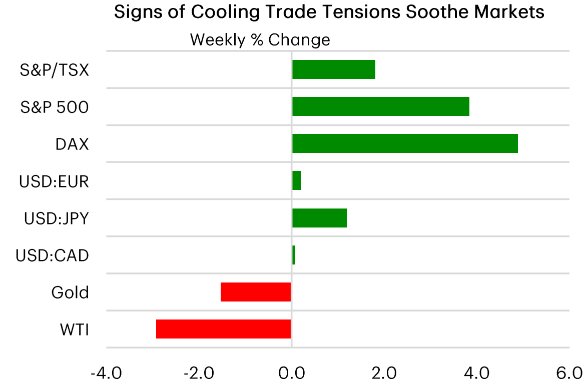
U.S.

- Trade tensions between the world's two largest economies simmered this week, with the U.S. administration hinting that the tariffs on China would likely be lowered in the very near future.
- But President Trump appeared frustrated with the lack of progress among other countries, and threatened to reimpose the reciprocal tariffs in the coming weeks if trade deals weren't signed.
- Amidst all the uncertainty, the housing recovery appears to be on hold. Existing home sales declined to a six-month low in March.

This Week in the Markets	Current*	Week Ago	52-Week High	52-Week Low
Stock Market Indexes				
S&P 500	5489	5283	6144	4983
S&P/TSX Comp.	24649	24193	25808	21517
DAX	22243	21206	23419	17339
FTSE 100	8407	8276	8871	7679
Nikkei	35706	34730	42224	31137
Fixed Income Yields				
U.S. 10-yr Treasury	4.28	4.32	4.79	3.62
Canada 10-yr Bond	3.18	3.14	3.87	2.83
Germany 10-yr Bund	2.47	2.47	2.90	2.03
UK 10-yr Gilt	4.50	4.57	4.89	3.76
Japan 10-yr Bond	1.34	1.29	1.59	0.79
Foreign Exchange Cross Rates				
C$ (USD per CAD)	0.72	0.72	0.74	0.69
Euro (USD per EUR)	1.14	1.14	1.15	1.02
Pound (USD per GBP)	1.33	1.33	1.34	1.22
Yen (JPY per USD)	144.0	142.2	161.7	140.6
Commodity Spot Prices**				
Crude Oil ($US/bbl)	62.4	64.7	83.9	59.6
Natural Gas ($US/MMBtu)	2.87	2.93	9.33	1.22
Copper ($US/met. tonne)	9398.9	9161.0	10800.8	8571.4
Gold ($US/troy oz.)	3273.8	3326.9	3424.0	2286.3

*As of 11:10 AM on Friday. **Oil-WTI, Cushing, Nat. Gas-Henry Hub, LA (Thursday close price). Copper-LME Grade A. Gold-London Gold Bullion. Source: Bloomberg.

Signs of Cooling Trade Tensions Soothe Markets



Note: Data as of 11:42 AM ET, Friday, April 25, 2025.
Source: Bloomberg, TD Economics.

Global Official Policy Rate Targets	
Central Banks	**Current Target**
Federal Reserve (Fed Funds Rate)	4.25 - 4.50%
Bank of Canada (Overnight Rate)	2.75%
European Central Bank (Refi Rate)	2.40%
Bank of England (Repo Rate)	4.50%
Bank of Japan (Overnight Rate)	0.50%

Source: Bloomberg.

Canada – Election Anticipation

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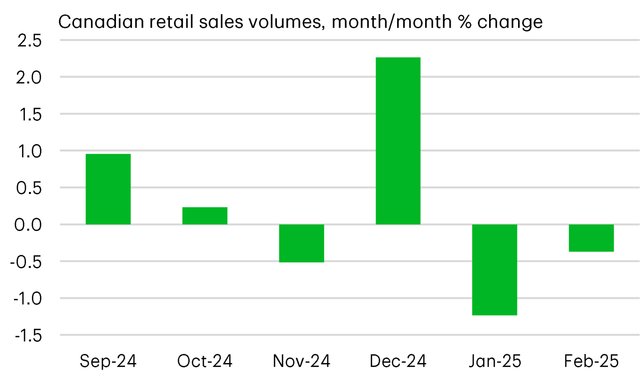
Some optimism returned to Canadian financial markets this week. Equities breathed a sigh of relief, with the TSX on track to rise about 2.5% on the week. President Trump signaled a de-escalation of the U.S. trade war with China and assured that he would retain Federal Reserve chief Powell, despite disagreeing with his stance on monetary policy (to put it lightly). Bond yields were also slightly higher at time of writing, although the Canadian dollar dipped a touch on the back of some upward movement in the USD. It wasn't completely smooth sailing, however, with the U.S. President warning that the 25% tariff in place on cars imported from Canada could go up. He also re-iterated some of his grievances with his northern neighbour when questioned about the upcoming Canadian election.

This week also offered a pulse-check on the state of the Canadian consumer via the February retail spending report, and the results were less than encouraging. Retail sales volumes declined 0.4% month-on-month, pulled down by weakness in new vehicle purchases (which continued to pullback after surging in the back half of last year) and housing-related sales (mirroring the weakness in the housing market). Some of the drop in overall sales volumes may have been weather-related given major winter storms that took place that month. Still, it marked the second straight monthly decline (Chart 1). Statcan's flash estimate showed a 0.7% m/m rebound in March, but given all of the headwinds facing the consumer, we still expect spending growth to cool moving forward.

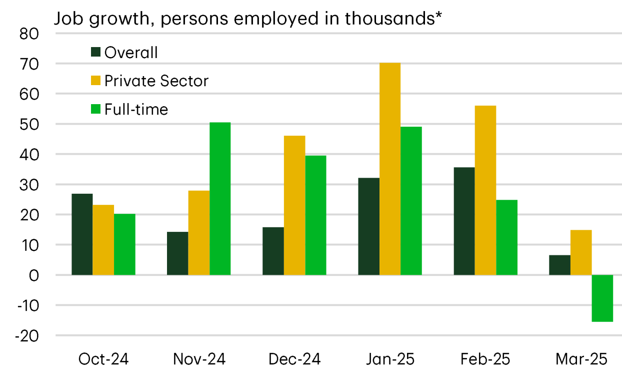
All eyes are on next Monday's federal election. It's a two-horse race between the Liberals and Conservatives, with both parties releasing their costed platforms this week. Net new stimulus measures in the Liberal plans amount to an average of about 1% of GDP over the forecast horizon, driven by spending and abetted by tax cuts. In contrast, tax reductions are the name of the game for the Conservatives, with relief pledged for household incomes, housing, and seniors to name a few. On the opposite side of the ledger, the Conservatives are pledging to scale back spending slightly, instead leaning on a bevy of tax cuts to support the economy and, ultimately, grow revenues. The Liberal plan sees the deficit averaging about 1.7% of GDP over the next several years. It's lower under the Conservative plan, but the party included a projected boost to revenues from the anticipated lift to economic growth from their new measures, which is something the Liberals largely didn't do.

Chart 1: Canadian Consumers Took Another Breather in February



Source: Statistics Canada, TD Economics.

Chart 2: Signs of Strain in Canada's Jobs Market



*3 month moving average
Source: Statistics Canada, TD Economics

As of now, polling and betting markets are leaning towards a Liberal victory. If that occurs, there is some upside risk to our assumption that fiscal stimulus across all levels of government would amount to 1% of GDP. All else equal, a larger-than-expected dose of government stimulus could offer a boost to the economy. However, a large chunk of new spending in the Liberal plan is capital investment, and so could take longer to have an impact on the economy as projects take time to get up and running. More importantly, the economy is likely to sour in short order, with next week's GDP report set to show that growth softened in February and Canada's labour market already displaying signs of cooling (Chart 2). As such, the Bank of Canada remains on course to trim their policy rate in the coming months.

U.S. – Searching for the Signal Amidst A Lot Of Noise

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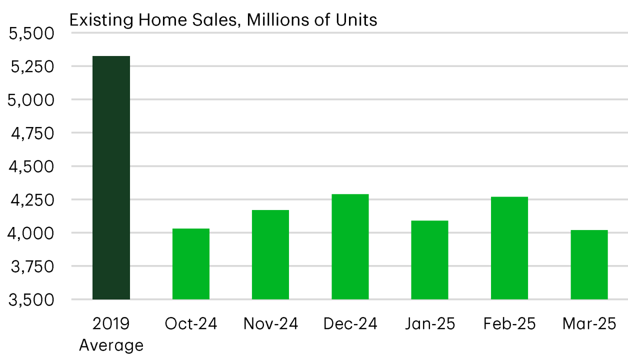
Disentangling the signal from the noise on U.S. trade matters is becoming an increasingly difficult task. This week, President Trump and U.S. Treasury Secretary Scott Bessent both called out the tariffs on China as being "too high". At 145%, Bessent said trade with China becomes "unsustainable" and that he expects the current situation to de-escalate in the "very near future". China appears open to negotiations and even went as far as exempting some U.S. goods from its retaliatory tariffs. The abrupt U-turn in the administration's tone alongside President Trump's assurance that he will not remove Fed Chair Powell, helped to fuel a mid-week rally in U.S. equities, with the S&P 500 ending the week up 3.5%. But investors remained skeptical of whether the move to de-escalate was the beginning of a broader pivot or simply backpedaling on the overly punitive levies imposed on China given the significant economic repercussions.

Despite claims of over 90 countries having offered to negotiate trade terms, President Trump appears to be growing frustrated with the lack of progress made on reaching deals. He even went as far threatening to re-impose the "reciprocal" tariffs on some countries over the coming weeks if trade deals weren't signed.

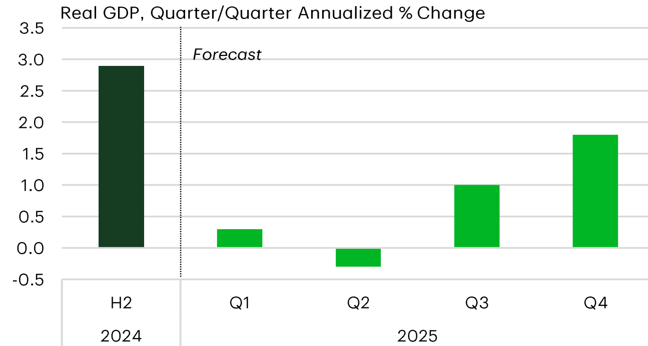
But even if there's a big push on trade negotiations over the coming weeks, at least some economic damage has already been done. In the April release of the Federal Reserve's Beige Book, several districts noted a considerable worsening in the economic outlook amid heightened uncertainty stemming from tariffs. Spending on both business and leisure travel were down, with some districts seeing an outright decline in international visitors. On inflation, many businesses noted that they're already seeing input costs rise and that they expect to pass-on at least some of the additional costs to consumers. But this may not be possible for some consumer-facing sectors, who are already reporting more tepid demand.

Chart 1: U.S. Home Sales Remain Well Below 2019 Levels



Source: National Association of Realtors, TD Economics.

Chart 2: U.S. Economy Expected to Stall in H1-2025



Source: Bureau of Economic Analysis, TD Economics.

Estimates done by Reuters suggest that of the S&P 500 companies who have already reported quarterly earnings, over 90% have mentioned tariff risks in their earnings transcripts. This is more than double what was mentioned the prior quarter and underscores how today's uncertainty is touching nearly all industries. This does not bode well for capital spending.

The housing recovery is also looking to be on hold. Existing home sales declined 5.9% m/m in March, falling to a six-month low of 4.0 million units (Chart 1). With mortgage rates again within spitting distance of 7%, and households increasingly worried about employment prospects, we're likely to see a further pullback in sales activity over the coming months. Construction activity was also sharply lower in March, amid elevated trade uncertainty and higher input costs. Home-builder confidence for April remained soft, suggesting little rebound in near future.

Our current tracking for first quarter real GDP (released April 30th) suggests economic growth grew by just 0.3% annualized after expanding by an above trend pace of 2.9% through the second half of 2024 (Chart 2). But the GDP release will play second fiddle to next week's more timely April jobs report. Expectations are that the economy added 130k jobs in April, a meaningful stepdown from March's 228k pace.

Exhibits

Release Date		Economic Indicator/Event	Data for Period	Units	Current	Prior
Recent Key Economic Indicators: Apr 21 - 25, 2025						
United States						
Apr 23		S&P Global US Composite PMI	Apr	Index	51.2	53.5
Apr 23		S&P Global US Manufacturing PMI	Apr	Index	50.7	50.2
Apr 23		S&P Global US Services PMI	Apr	Index	51.4	54.4
Apr 23		Building Permits	Mar	Thsd	1467.0	1482.0
Apr 24		Cap Goods Orders Nondef Ex Air	Mar	M/M % Chg.	0.1	-0.3
Apr 24		Durable Goods Orders	Mar	M/M % Chg.	9.2	0.9
Apr 24		Initial Jobless Claims	Apr-25	Thsd	222.0	216.0
Apr 24		Existing Home Sales	Mar	Mlns	4.02	4.27
Canada						
Apr 22		Industrial Product Price	Mar	M/M % Chg.	0.5	0.6
Apr 24		Payroll Employment Change (SEPH)	Feb	Thsd	-49.0	14.4
Apr 25		Retail Sales	Feb	M/M % Chg.	-0.4	-0.6
Apr 25		Retail Sales Ex Auto	Feb	M/M % Chg.	0.5	0.1
International						
Apr 22	JN	Jibun Bank Japan PMI Mfg	Apr	Index	48.5	48.4
Apr 22	JN	Jibun Bank Japan PMI Services	Apr	Index	52.2	50.0
Apr 24	JN	Tokyo Consumer Price Index	Apr	Y/Y % Chg.	3.5	2.9
Apr 25	UK	Retail Sales Ex Auto Fuel	Mar	Y/Y % Chg.	3.3	1.8

Source: Bloomberg, TD Economics.

Upcoming Economic Releases and Events: Apr 28 - May 2, 2025							
Release Date	Time*		Economic Indicator/Event	Data for Period	Units	Consensus Forecast	Last Period
United States							
Apr 29	8:30		Advance Goods Trade Balance	Mar	Blns	-146.0	-147.8
Apr 29	9:00		S&P CoreLogic CS 20-City NSA	Feb	Y/Y % Chg.	-	4.7
Apr 29	9:00		S&P CoreLogic CS US HPI NSA	Feb	Y/Y % Chg.	-	4.1
Apr 29	10:00		Job Openings	Mar	Thsd	-	7568.0
Apr 29	10:00		Conf. Board Consumer Confidence	Apr	Index	87.0	92.9
Apr 30	8:15		ADP Employment Change	Apr	Thsd	128.0	155.0
Apr 30	8:30		Gross Domestic Product (Annualized)	1Q	Q/Q % Chg.	0.2	2.4
Apr 30	8:30		Personal Consumption	1Q	Q/Q % Chg.	-	4.0
Apr 30	10:00		Personal Income	Mar	M/M % Chg.	0.4	0.8
Apr 30	10:00		Real Personal Spending	Mar	M/M % Chg.	-	0.1
Apr 30	10:00		Pending Home Sales	Mar	M/M % Chg.	-	2.0
May 1	8:30		Initial Jobless Claims	Apr-25	Thsd	-	222.0
May 1	9:45		S&P Global US Manufacturing PMI	Apr	Index	-	50.7
May 1	10:00		ISM Manufacturing	Apr	Index	48.1	49.0
May 1	0:00		Wards Total Vehicle Sales	Apr	Mlns	16.8	17.8
May 2	8:30		Change in Nonfarm Payrolls	Apr	Thsd	130.0	228.0
May 2	8:30		Unemployment Rate	Apr	%	4.2	4.2
May 2	8:30		Average Hourly Earnings	Apr	M/M % Chg.	0.3	0.3
May 2	10:00		Factory Orders	Mar	M/M % Chg.	4.5	0.6
May 2	10:00		Factory Orders Ex Trans	Mar	M/M % Chg.	-	0.4
May 2	10:00		Durable Goods Orders	Mar	M/M % Chg.	-	9.2
May 2	10:00		Cap Goods Orders Nondef Ex Air	Mar	M/M % Chg.	-	0.1
Apr 26 - May 5			*Fed's External Communications Blackout*				
Canada							
Apr 30	8:30		Gross Domestic Product	Feb	M/M % Chg.	-	0.4
Apr 28	10:30		*Release: Market Participants Survey*				
Apr 30	13:30		*Publication: Summary of Deliberations*				
International							
Apr 29	19:50	JN	Retail Sales	Mar	Y/Y % Chg.	3.6	1.3
Apr 29	21:30	CH	Manufacturing PMI	Apr	Index	-	50.5
Apr 29	21:45	CH	Caixin China PMI Mfg	Apr	Index	-	51.2
Apr 30	8:00	MX	Gross Domestic Product NSA	1Q	Y/Y % Chg.	-	0.5
Apr 30	5:00	EZ	Gross Domestic Product SA	1Q	Q/Q % Chg.	0.2	0.2
Apr 30	5:00	EZ	Gross Domestic Product SA	1Q	Y/Y % Chg.	1.1	1.2
Apr 30	20:30	JN	Jibun Bank Japan PMI Mfg	Apr	Index	-	48.5
May 1	19:30	JN	Jobless Rate	Mar	%	2.4	2.4
May 2	5:00	EZ	Consumer Price Index Estimate	Apr	Y/Y % Chg.	2.1	2.2
May 2	5:00	EZ	Unemployment Rate	Mar	%	6.1	6.1

*Eastern Standard Time. Source: Bloomberg, TD Economics.

Disclaimer