

## Weekly Bottom Line

October 3, 2025

### Highlights

#### Canada

- Canadian equity markets continued their ascent this week, although bond yields and oil prices sent a somewhat weaker signal about economic growth prospects.
- Canadian job markets have softened, which should downwardly pressure consumption moving forward. The Bank of Canada will be no doubt be closely watching the September Labour Force Survey report out next week.
- Markets are assigning a roughly 60% chance of a BoC cut later this month. Given the weak economic backdrop and diminished inflation risks, we think the chance is much higher.

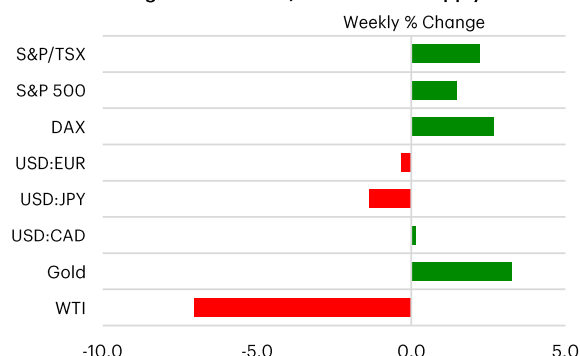
#### U.S.

- The U.S. government has shut down all “non-essential” services this week as Congress failed to pass a bill to fund government spending.
- In the absence of payrolls data, the ADP report took the center stage, and showed that private payrolls declined by 32,000 in September. August’s JOLTS report showed that businesses remained in low hire, low fire mode.
- The ISM manufacturing index rose slightly in September but remained in contractionary territory. Its services counterpart dropped sharply, narrowly avoiding slipping into contractionary territory.

This Week in the Markets				
	Current*	Week Ago	52-Week High	52-Week Low
Stock Market Indexes				
S&P 500	6743	6644	6743	4983
S&P/TSX Comp.	30430	29761	30430	22507
DAX	24367	23739	24550	19003
FTSE 100	9486	9285	9486	7679
Nikkei	45770	45355	45770	31137
Fixed Income Yields				
U.S. 10-yr Treasury	4.10	4.18	4.79	3.85
Canada 10-yr Bond	3.17	3.23	3.60	2.83
Germany 10-yr Bund	2.70	2.75	2.90	2.03
UK 10-yr Gilt	4.69	4.75	4.89	4.02
Japan 10-yr Bond	1.66	1.65	1.66	0.83
Foreign Exchange Cross Rates				
C\$ (USD per CAD)	0.72	0.72	0.74	0.69
Euro (USD per EUR)	1.17	1.17	1.19	1.02
Pound (USD per GBP)	1.35	1.34	1.37	1.22
Yen (JPY per USD)	147.4	149.5	158.4	140.9
Commodity Spot Prices**				
Crude Oil (\$US/bbl)	61.1	65.7	80.0	57.1
Natural Gas (\$US/MMBtu)	3.32	2.89	9.33	1.22
Copper (\$US/met. tonne)	10456.4	10142.6	10456.4	8571.4
Gold (\$US/troy oz.)	3884.1	3760.0	3884.1	2563.3

\*As of 11:22 AM on Friday. \*\*Oil-WTI, Cushing, Nat. Gas-Henry Hub, LA (Thursday close price). Copper-LME Grade A. Gold-London Gold Bullion. Source: Bloomberg.

#### Markets Shrug Off Shutdown; Oil Slides on Supply Concerns



Note: Data as of 11:22 AM ET, Friday, October 3, 2025.  
Source: Bloomberg, TD Economics.

Global Official Policy Rate Targets	
Central Banks	Current Target
Federal Reserve (Fed Funds Rate)	4.00 - 4.25%
Bank of Canada (Overnight Rate)	2.50%
European Central Bank (Refi Rate)	2.15%
Bank of England (Repo Rate)	4.00%
Bank of Japan (Overnight Rate)	0.50%

Source: Bloomberg.

## Canada – Tough Times

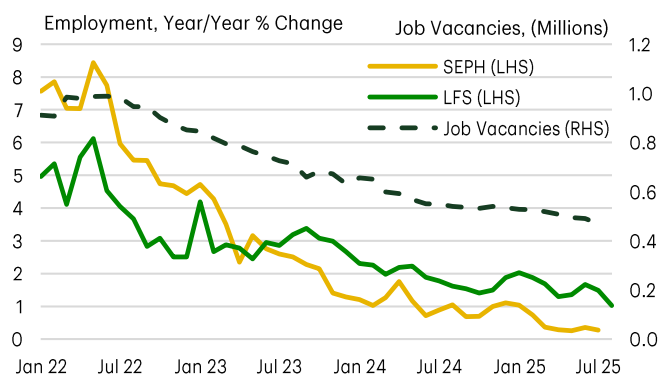
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The mood in Canadian financial markets was somewhat sour this week, except that the unrelenting bull run in equities continued. This is despite the U.S. government shutdown, and a fresh set of U.S. tariffs placed on lumber (10%) and kitchen cabinets, bathroom vanities, and upholstered furniture (25% each). Tariffs on the latter categories are unlikely to massively dent the Canadian economy, although if stacked on to existing duties, the lumber tariffs would yield a 45% import tax on Canadian lumber. President Trump has also pledged tariffs on branded pharmaceuticals and heavy trucks at a later time. Notably, PM Carney will meet with President Trump next week to discuss trade and other important issues.

Developments in other financial markets signaled some more concern about the economic outlook. The Canadian 10-year yield was down a few bps this week (as of writing), following its U.S. counterpart lower amid the government shutdown. Meanwhile, oil prices traded near multi-month lows, weighed down by both demand and supply worries.

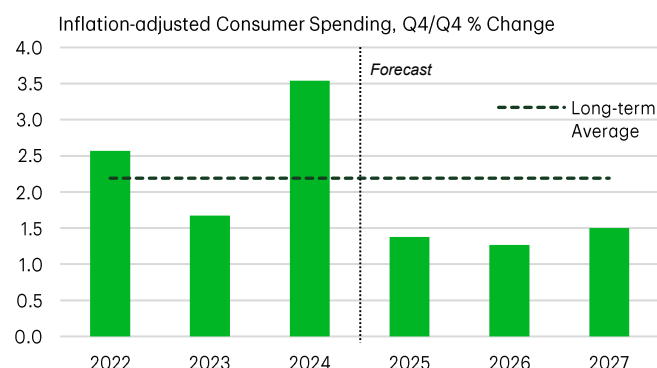
There is reason to be apprehensive about Canada's economic backdrop, with troubling signs aplenty in the jobs market (Chart 1). There were no major data releases this week (although preliminary housing data signalled cooling sales growth in key markets last month). However, September's Labour Force Survey (LFS) data is on tap for next week. So far, the LFS has painted an ugly picture of the current jobs market, with a cumulative 100k jobs lost in July and August. Part of this story

**Chart 1: Canada's Soft Jobs Market Opens Door for Further Rate Relief**



Source: Statistics Canada, TD Economics.

**Chart 2: Canadian Household Spending Growth to Ease Moving Forward**



Source: Statistics Canada, TD Economics.

is tied to demographics and labour supply, with rapidly slowing population growth reducing the labour force so far in the third quarter. And there's a good chance this dynamic shows itself again next week. However, labour demand is also soft - evidenced by falling job vacancies - while wage growth is slowing and the unemployment rate is on the rise.

One way a slowing jobs market will impact the economy is through household spending (Chart 2). Consumer spending was surprisingly resilient in the first half of 2025, which we chalk up to past rate cuts, a rise in housing market activity, and travelers choosing to stay (and spend) in Canada instead of heading south of the border. However, we question the durability of this spending strength, given Canada's slowing population growth and, crucially, it's weakening jobs market. As such, we think Canadian consumption is likely to post sub-trend growth performances moving forward (see [report](#)).

Policymakers are certainly aware of the downside risks to Canada's economic growth. Minutes from the Bank of Canada's deliberations ahead of their September rate cut were released this week. And, they were dotted with dovish statements, including the observation that upward momentum in core inflation had diminished, the labour market had softened, and most counter-tariffs on U.S. products had been removed (reducing Canadian inflation risk). As of now, markets see a 60% chance of a follow-up rate cut by the BoC this month. However, we think the BoC will pull the trigger given the weak economic backdrop.

## U.S. – Shutdown Throws a Curveball at the Fed

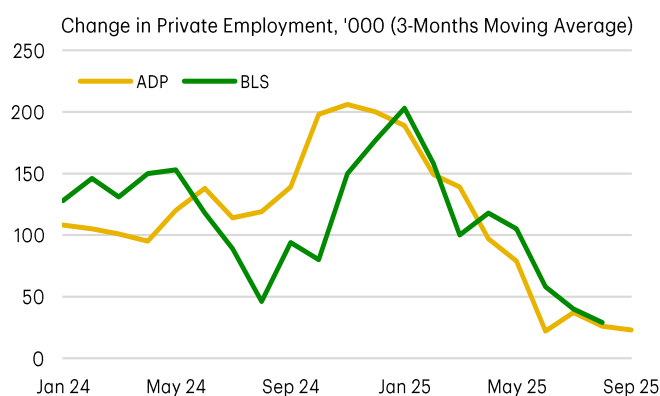
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On October 1st, the U.S. government shut down all “non-essential” services, as Congress failed to pass a bill necessary to fund government in the current fiscal year. Financial markets have shrugged off the shutdown so far, with equities ending the week higher, bond yields declining, and the U.S. dollar weakening only slightly. In past shutdowns in 2013 and 2018, equities and the USD declined modestly and recovered quickly, so the reaction this time is even more muted.

If this shutdown is brief, the markets may be right to discount it. Most lost output in previous shutdowns was eventually recovered. Studies show shutdowns reduce annualized quarterly real GDP growth by up to 0.1 percentage points for each week. However, negative effects increase non-linearly the longer the shutdown lasts as disruptions accumulate ([report](#)).

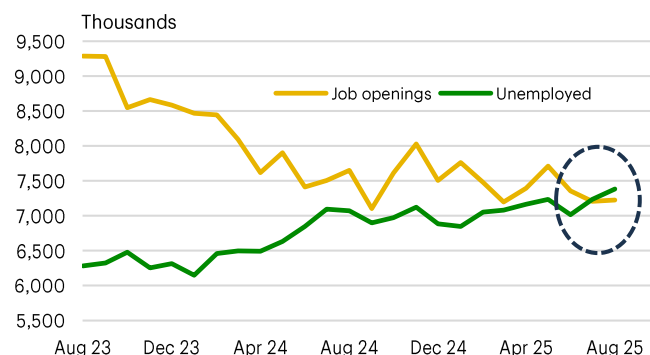
The lack of updated official economic data is another casualty of the shutdown. September’s payrolls release has been postponed. A prolonged shutdown may delay other key indicators like the Consumer Price Index (CPI). A lack of official data complicates decision-making for the Fed. For now, the Fed will have to rely on private and internal data sources. Earlier this week, Chicago Fed President Goolsbee (who is a voting member of the FOMC) echoed that, but also acknowledged that it worries him “that we wouldn’t be getting official statistics at exactly a moment when we’re trying to figure out is the economy in transition.”

**Chart 1: ADP Data Points to Another Month of Weak U.S. Job Growth**



Source: ADP, U.S. Bureau of Labor Statistics, TD Economics.

**Chart 2: Number of U.S. Job Openings Remains Below the Number of Unemployed Workers in August**



Source: U.S. Bureau of Labor Statistics, TD Economics.

Without official payrolls data, employment surveys—such as ADP and JOLTS—filled the gap. The ADP report showed continued weakness in job growth in September, with private payrolls declining by 32,000. Though ADP data can be volatile, recent trends show greater alignment with payroll figures through 2025, especially on a three-month moving average (Chart 1). The August JOLTS report, released before the shutdown, also showed a hiring drought, with job openings below the number of unemployed for a second consecutive month (Chart 2). Although job opportunities were scarce, layoffs have remained subdued. Employers seem to be in “low hire, low fire” mode, supporting stability in the unemployment rate and helping to cushion consumer spending for now.

In terms of economic growth, ISM indexes pointed to slowing momentum in September, with businesses increasingly citing the growing impact of tariffs on their bottom lines. The [ISM manufacturing index](#) edged higher, but remained in contractionary territory, with only 5 out of 18 industries reporting growth. Activity moderated in the services sector, with the [ISM non-manufacturing index](#) declining to 50.0 from 52.0, narrowly avoiding slipping into contraction. Details were disappointing: new orders and business activity moderated, prices rose and the employment subcomponent remained in contractionary territory. While limited, this week’s data continues to support the case for additional monetary stimulus from the Fed, with another rate cut in October being nearly priced in by markets.

## Exhibits

Recent Key Economic Indicators: Sep 29 - Oct 03, 2025						
Release Date	Economic Indicator/Event		Data for Period	Units	Current	Prior
United States						
Sep 30	Conf. Board Consumer Confidence		Sep	Index	96.0	97.8
Oct 01	ADP Employment Change		Sep	Thsd	-32.0	-3.0
Oct 01	S&P Global US Manufacturing PMI		Sep	Index	52.0	52.0
Oct 01	ISM Manufacturing		Sep	Index	49.1	48.7
Oct 01	Wards Total Vehicle Sales		Sep	MIns	16.4	16.1
Oct 03	S&P Global US Services PMI		Sep	Index	54.2	53.9
Oct 03	S&P Global US Composite PMI		Sep	Index	53.9	53.6
Oct 03	ISM Services Index		Sep	Index	50.0	52.0
Canada						
Oct 01	S&P Global Canada Manufacturing PMI		Sep	Index	47.7	48.3
International						
Sep 29	JN	Retail Sales	Aug	Y/Y % Chg.	-1.1	0.4
Sep 29	CH	Manufacturing PMI	Sep	Index	49.8	49.4
Sep 30	UK	Gross Domestic Product	2Q	Y/Y % Chg.	1.4	1.2
Oct 01	EZ	Consumer Price Index Estimate	Sep	Y/Y % Chg.	2.2	2.0
Oct 02	EZ	Unemployment Rate	Aug	%	6.3	6.2
Oct 02	JN	Jobless Rate	Aug	%	2.6	2.3
Source: Bloomberg, TD Economics.						

Upcoming Economic Releases and Events: Oct 6 - 10, 2025						
Release Date	Time*	Economic Indicator/Event	Data for Period	Units	Consensus Forecast	Last Period
United States						
Oct 07	8:30	Trade Balance	Aug	Blns	-61.0	-78.3
Oct 07	10:00	<i>Fed's Bostic Speaks at Fisk University in Nashville</i>				
Oct 07	10:30	<i>Fed's Miran in Fireside Chat</i>				
Oct 07	11:30	<i>Fed's Kashkari Speaks at Star Tribune Summit</i>				
Oct 08	9:20	<i>Fed's Musalem Gives Welcoming Remarks</i>				
Oct 08	9:30	<i>Fed's Barr Keynote at Community Banking Research Conference</i>				
Oct 08	14:00	FOMC Meeting Minutes	Sep 17			
Oct 08	15:15	<i>Fed's Kashkari Speaks at Center for Indian Country Development</i>				
Oct 08	16:30	<i>Fed's Kashkari Hosts Fireside Chat with Senator Tina Smith</i>				
Oct 09	8:30	Initial Jobless Claims	Oct 04	Thsd	233.0	-
Oct 09	10:00	Wholesale Trade Sales	Aug	M/M % Chg.	-	1.4
Oct 09	21:40	<i>Fed's Daly at the Silicon Valley Directors Exchange</i>				
Oct 10	9:45	<i>Fed's Goolsbee Gives Opening Remarks</i>				
Oct 10	13:00	<i>Fed's Musalem Speaking at Springfield Area Chamber of Commerce</i>				
Canada						
Oct 07	8:30	Int'l Merchandise Trade	Aug	Blns	-5.8	-4.9
Oct 09	8:15	<i>BoC Carolyn Rogers Speech at Canadian Club Toronto</i>				
Oct 10	8:30	Net Change in Employment	Sep	Thsd	-10.0	-65.5
Oct 10	8:30	Unemployment Rate	Sep	%	7.2	7.1
International						
Oct 06	5:00 EZ	Retail Sales	Aug	Y/Y % Chg.	1.3	2.2

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

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