

Weekly Bottom Line

October 24, 2025

Highlights

Canada

- Headline inflation came in stronger than expected, but core measures remained stable, supporting the case for another interest rate cut next week.
- Long-term inflation expectations edged higher, but firms' pricing power remained limited. Retail sales rose in August but declined in September, losing momentum on a three-month basis.
- Attention increasingly shifts to Carney's forthcoming budget for signs of a broader growth strategy.

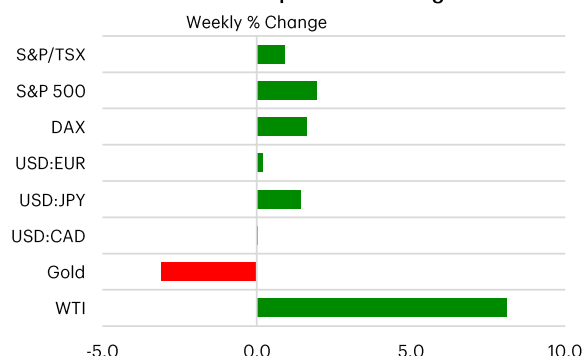
U.S.

- The federal government shutdown entered its 4th week, becoming the 2nd longest in history.
- The CPI data release for September, delayed by the shutdown, showed inflation moderated during the month but remained elevated on aggregate.
- Trade negotiations with China will ramp up over the next week in advance of the November 1st deadline for 100% additional tariffs threatened by the President.

This Week in the Markets				
	Current*	Week Ago	52-Week High	52-Week Low
Stock Market Indexes				
S&P 500	6794	6664	6794	4983
S&P/TSX Comp.	30385	30108	30637	22507
DAX	24216	23831	24611	19003
FTSE 100	9622	9355	9622	7679
Nikkei	49300	47582	49316	31137
Fixed Income Yields				
U.S. 10-yr Treasury	3.99	4.01	4.79	3.95
Canada 10-yr Bond	3.07	3.09	3.60	2.83
Germany 10-yr Bund	2.63	2.58	2.90	2.03
UK 10-yr Gilt	4.43	4.53	4.89	4.21
Japan 10-yr Bond	1.66	1.63	1.70	0.94
Foreign Exchange Cross Rates				
C\$ (USD per CAD)	0.71	0.71	0.74	0.69
Euro (USD per EUR)	1.16	1.17	1.19	1.02
Pound (USD per GBP)	1.33	1.34	1.37	1.22
Yen (JPY per USD)	152.7	150.6	158.4	140.9
Commodity Spot Prices**				
Crude Oil (\$US/bbl)	62.3	57.5	80.0	57.1
Natural Gas (\$US/MMBtu)	3.34	2.65	9.33	1.22
Copper (\$US/met. tonne)	10843.0	10587.7	11047.3	8571.4
Gold (\$US/troy oz.)	4121.0	4251.8	4356.3	2563.3

*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.

U.S. Sanctions Spur Oil Prices Higher



Note: Data as of 11:10 AM ET, Friday, October 24, 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 – Final Puzzle Pieces Before the Bank's Rate Decision

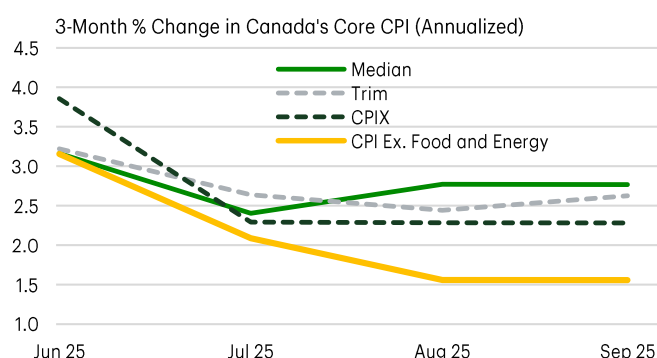
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This week's Business Outlook Survey, CPI inflation and retail sales reports offered the final puzzle pieces before the Bank of Canada's interest rate decision on October 29th. The TSX briefly wavered after the CPI release on tempered expectations for rate cuts, but quickly recovered, finishing the week 0.9% higher (as of writing). They also seem to have brushed off President Trump ending trade talks with Canada over an Ontario ad quoting President Reagan. Taken together, the data supports expectations for another Bank of Canada cut next week, while attention increasingly shifts to fiscal policy and Carney's forthcoming budget for signs of a broader growth strategy.

The week began with the release of the Bank's Q3 [surveys on business and consumer sentiment](#). Both measures improved modestly but remain subdued, with roughly one-third of firms and two-thirds of consumers still expecting a recession. From a policy perspective, the most important signal was that firms reported limited pricing power amid weak demand. That should offset the slight rise in longer-term inflation expectations among consumers, especially given that the survey was conducted before the federal government announced its plan to remove counter-tariffs.

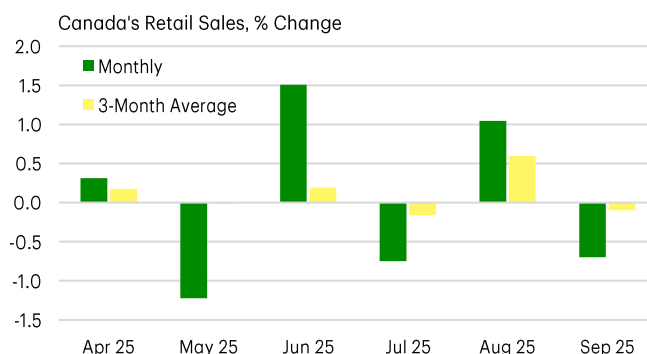
More difficult to ignore is the September [inflation report](#), which showed headline CPI rising 2.4% year-on-year, above expectations for 2.2%. The acceleration was due to base effects, slower declines in gasoline prices, higher food prices, and a pickup in travel services prices. Still, inflation remains within the Bank's 1-3% target range, while three-month trends in most

Chart 1: Core Inflation Trend Stable Despite Slight Monthly Uptick in Headline CPI



Source: Statistics Canada, TD Economics.

Chart 2: Retail Sales Struggle to Maintain Growth Momentum



Source: Statistics Canada, TD Economics.

core measures moved sideways (Chart 1). The breadth of inflationary pressure also held steady and should ease some of the Bank's lingering concerns.

While the Bank remains laser-focused on inflation, its recent communication placed greater emphasis on economic slack, albeit with the caveat that monetary policy has limited ability to deal with tariffs. In this context, August [retail sales](#) provided some insight into consumer demand. Sales expanded in line with the flash estimate, largely driven once again by autos. However, the September flash estimate suggests demand deteriorated again. Parsing through the noise, retail sales have clearly lost momentum (Chart 2). This is particularly obvious in autos and home-related goods, which will likely weigh on durable goods spending. That said, some discretionary goods categories are still growing at a decent clip, while services spending, especially on travel, appears to have accelerated in Q3 as signalled by our internal spending data.

Beyond these mixed signals, the Bank has sufficient evidence of slack to justify one more rate cut, particularly given the subdued outlook for exports and investment. This weakness framed the Prime Minister Carney's address to university students on Wednesday, where he announced an ambitious goal to double Canada's non-U.S. exports over the next decade. Given the limits of monetary policy, the strategic fiscal push from November's budget has the chance to shape Canada's economic trajectory in the coming quarters and years. Let's hope it proves as potent as the Prime Minister's speech was inspiring.

U.S. – Persistent Inflation, Shutdown Pose Challenges for Federal Reserve

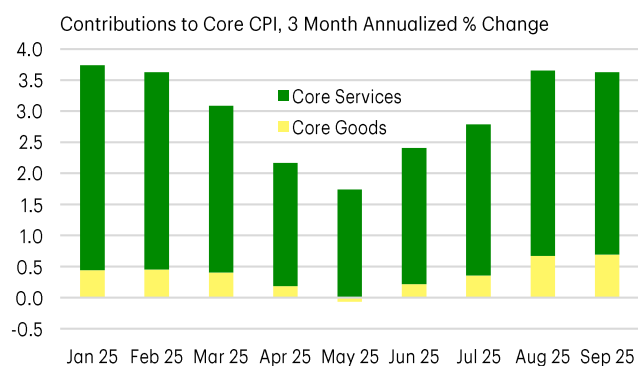
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The ongoing government shutdown became the 2nd longest in history this week, as it stretched into week 4. With divisions in Congress largely unchanged relative to September, a resolution remains out of sight, but as the economic impacts become more material, intransigence will likely yield. Elsewhere in D.C., President Trump called off trade negotiations with Canada over the use of anti-tariff television advertisements broadcast in the U.S., forestalling a near-term trade agreement with the nation's second largest trading partner. Despite political dysfunction in the Capitol and rising trade tensions in recent weeks, the S&P 500 still managed to rise 2% this week from a host of positive third quarter earnings reports.

While the Department of Labor remains unfunded, the CPI data for September was released on Friday owing to its use in the annual inflation adjustment to social security payments. The data showed that recent inflationary pressures moderated slightly in September but remained elevated on aggregate, with the three-month annualized percentage change in core CPI running above 3.5% (Chart 1). With price growth still well above the Fed's 2% target and the timing of future data releases uncertain, policy decisions are expected to be cautious moving forward.

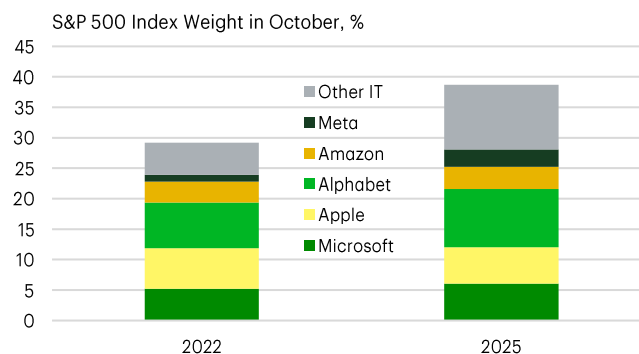
The shift in the Federal Reserve's stance on monetary policy over the past few months came on the heels of a slowdown in the labor market, tracking of which has been obscured by the lapse in data releases. As the

Chart 1: Inflation Trends Remain Elevated Ahead of Fed Meeting



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

Chart 2: Tech Concentration of S&P 500 Has Increased Notably



Source: Bloomberg L.P., Standard & Poor's, TD Economics.

FOMC begins deliberations next week, they will likely assume that the slowdown persisted through September and opt to meet financial market expectations for a quarter-point rate cut. Chair Powell's press conference will be closely watched for insights into how the policy response function of the Federal Reserve will adapt to a prolonged government shutdown, as inference becomes more difficult the further we are from the last official data release.

On the trade front, U.S. Treasury Secretary Bessent will be meeting with a Chinese delegation in Malaysia over the weekend. The deadline to reach some form of agreement is becoming tight, with President Trump's threat of 100% tariffs on China starting November 1st. The President will also be travelling to Asia Friday night, with plans to visit Malaysia, Japan, and South Korea, culminating with the Asia Pacific Economic Cooperation (APEC) summit where he is expected to meet with his Chinese counterpart. Amid rising trade tensions in recent weeks, financial markets will be watching for any signs of de-escalation.

Markets will also be watching for several big tech earnings reports next week, including Microsoft, Apple, Alphabet, Amazon, and Meta, which collectively account for nearly a quarter of the S&P 500 (Chart 2). Given the high level of concentration in equity markets, growing concerns about elevated valuations, and the influence of these trends on the economy, these results will be monitored closely on the heels of Wednesday's Federal Reserve decision.

Exhibits

Recent Key Economic Indicators: Oct 20 - 24, 2025					
Release Date	Economic Indicator/Event	Data for Period	Units	Current	Prior
United States					
Oct 23	Existing Home Sales	Sep	Mlns	4.1	4.0
Oct 24	Consumer Price Index	Sep	M/M % Chg.	0.3	0.4
Oct 24	Consumer Price Index	Sep	Y/Y % Chg.	3.0	2.9
Oct 24	S&P Global US Manufacturing PMI	Oct	Index	52.2	52.0
Oct 24	S&P Global US Services PMI	Oct	Index	55.2	54.2
Oct 24	S&P Global US Composite PMI	Oct	Index	54.8	53.9
Canada					
Oct 20	Industrial Product Price	Sep	M/M % Chg.	0.8	0.2
Oct 20	BoC Business Outlook Future Sales	3Q	Q/Q % Chg.	-2.0	6.0
Oct 20	BoC Overall Business Outlook Survey	3Q	Q/Q % Chg.	-2.3	-2.4
Oct 21	Consumer Price Index NSA	Sep	M/M % Chg.	0.1	-0.1
Oct 21	Consumer Price Index	Sep	Y/Y % Chg.	2.4	1.9
Oct 23	Retail Sales	Aug	M/M % Chg.	1.0	-0.7
Oct 23	Retail Sales Ex Auto	Aug	M/M % Chg.	1.3	-1.1
International					
Oct 22	UK Consumer Price Index	Sep	Y/Y % Chg.	3.8	3.8
Oct 23	JN Natl Consumer Price Index	Sep	Y/Y % Chg.	2.9	2.7
Oct 24	UK Retail Sales Ex Auto Fuel	Sep	Y/Y % Chg.	2.3	1.3

Source: Bloomberg, TD Economics.

Upcoming Economic Releases and Events: Oct 27 - 31, 2025						
Release Date	Time**	Economic Indicator/Event	Data for Period	Units	Consensus Forecast	Last Period
United States						
Oct 27	8:30	Durable Goods Orders*	Sep	M/M % Chg.	0.3	-
Oct 27	8:30	Cap Goods Orders Nondef Ex Air*	Sep	M/M % Chg.	-	-
Oct 28	10:00	Conf. Board Consumer Confidence	Oct	Index	93.8	94.2
Oct 29	8:30	Advance Goods Trade Balance*	Sep	Blns	-90.0	-85.5
Oct 29	14:00	FOMC Rate Decision (Upper Bound)	Oct 29	%	4.0	4.3
Oct 30	8:30	Initial Jobless Claims*	Oct 25	Thsd	-	-
Oct 30	8:30	Gross Domestic Product Annualized	3Q	Q/Q % Chg.	3.0	3.8
Oct 30	8:30	Personal Consumption*	3Q	Q/Q % Chg.	-	2.5
Oct 30	9:30	<i>Fed's Logan Speaks at Bank Funding Conference</i>				
Oct 31	8:30	Personal Income*	Sep	M/M % Chg.	0.4	0.4
Oct 31	8:30	Real Personal Spending*	Sep	M/M % Chg.	-	0.4
Oct 31	8:30	Employment Cost Index*	3Q	Index	0.9	0.9
Oct 31	9:30	<i>Fed's Logan Speaks at Bank Funding Conference, Day 2</i>				
Oct 31	12:00	<i>Fed's Hammack and Bostic Speak at Bank Funding Conference</i>				
Canada						
Oct 29	9:45	Bank of Canada Rate Decision	Oct 29	%	2.3	2.5
Oct 29	9:45	<i>Bank of Canada Releases Monetary Policy Report</i>				
Oct 30	8:30	Payroll Employment Change - SEPH	Aug	Thsd	-	21.6
Oct 31	8:30	Gross Domestic Product	Aug	M/M % Chg.	0.0	0.2
International						
Oct 30	6:00	EZ Gross Domestic Product SA	3Q	Y/Y % Chg.	1.2	1.5
Oct 30	6:00	EZ Unemployment Rate	Sep	%	6.3	6.3
Oct 30	9:15	EZ ECB Main Refinancing Rate	Oct 30	%	2.2	2.2
Oct 30	19:30	JN Jobless Rate	Sep	%	2.5	2.6
Oct 30	19:30	JN Tokyo Consumer Price Index	Oct	Y/Y % Chg.	2.5	2.5
Oct 30	19:50	JN Retail Sales	Sep	Y/Y % Chg.	0.7	-0.9
Oct 30	21:30	CH Manufacturing PMI	Oct	Index	49.6	49.8
Oct 31	6:00	EZ Consumer Price Index Estimate	Oct	Y/Y % Chg.	2.1	2.2

*May be delayed due to Government shutdown. **Eastern Standard Time. Source: Bloomberg, TD Economics.

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