

## The Weekly Bottom Line

January 15, 2021

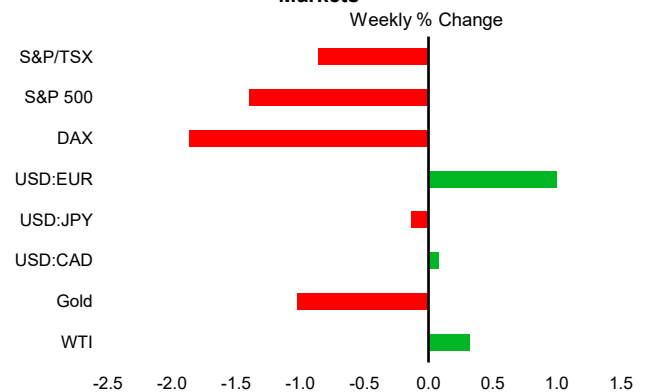
### Highlights of the Week

- President-elect Biden unveiled a proposal for a new relief package this week. The \$1.9 trillion plan includes additional one-time stimulus checks, unemployment benefit supplements and funding for state and local governments.
- Additional fiscal support will help bolster a faltering economy. Initial jobless claims rose by 181k last week to levels not seen since last summer, while retail sales fell 0.7% last month, their third straight month of decline.
- This week, Fed Chairman Powell brushed aside concerns about higher inflation and reiterated the central bank's commitment to maintain an accommodative monetary policy stance until the economic recovery is complete.

| This Week in the Markets            |          |          |              |             |
|-------------------------------------|----------|----------|--------------|-------------|
|                                     | Current* | Week Ago | 52-Week High | 52-Week Low |
| <b>Stock Market Indexes</b>         |          |          |              |             |
| S&P 500                             | 3777     | 3825     | 3825         | 2237        |
| S&P/TSX Comp.                       | 17901    | 18042    | 18042        | 11228       |
| DAX                                 | 13780    | 14050    | 14050        | 8442        |
| FTSE 100                            | 6730     | 6873     | 7675         | 4994        |
| Nikkei                              | 28519    | 28139    | 28698        | 16553       |
| <b>Fixed Income Yields</b>          |          |          |              |             |
| U.S. 10-yr Treasury                 | 1.09     | 1.12     | 1.82         | 0.51        |
| Canada 10-yr Bond                   | 0.82     | 0.81     | 1.57         | 0.43        |
| Germany 10-yr Bund                  | -0.54    | -0.52    | -0.19        | -0.86       |
| UK 10-yr Gilt                       | 0.29     | 0.29     | 0.80         | 0.08        |
| Japan 10-yr Bond                    | 0.04     | 0.04     | 0.08         | -0.16       |
| <b>Foreign Exchange Cross Rates</b> |          |          |              |             |
| C\$ (USD per CAD)                   | 0.79     | 0.79     | 0.79         | 0.69        |
| Euro (USD per EUR)                  | 1.21     | 1.22     | 1.23         | 1.07        |
| Pound (USD per GBP)                 | 1.36     | 1.36     | 1.37         | 1.15        |
| Yen (JPY per USD)                   | 103.8    | 103.9    | 112.1        | 102.4       |
| <b>Commodity Spot Prices**</b>      |          |          |              |             |
| Crude Oil (\$US/bbl)                | 52.0     | 52.2     | 58.5         | -37.6       |
| Natural Gas (\$US/MMBtu)            | 2.77     | 2.70     | 3.04         | 1.35        |
| Copper (\$US/met. tonne)            | 8039.5   | 8118.0   | 8167.0       | 4625.0      |
| Gold (\$US/troy oz.)                | 1832.3   | 1849.0   | 2063.5       | 1471.2      |

\*As of 11:46 AM on Friday. \*\*Oil-WTI, Cushing, Nat. Gas-Henry Hub, LA (Thursday close price). Copper-LME Grade A. Gold-London Gold Bullion. Source: Bloomberg.

### Weak Economic Data, Virus Concerns Weigh on Financial Markets



Note: Data as of 12:01 PM ET, Friday, January 15, 2021.  
Source: Bloomberg, TD Economics

| Global Official Policy Rate Targets |                |
|-------------------------------------|----------------|
| Central Banks                       | Current Target |
| Federal Reserve (Fed Funds Rate)    | 0.00 - 0.25%   |
| Bank of Canada (Overnight Rate)     | 0.25%          |
| European Central Bank (Refi Rate)   | 0.00%          |
| Bank of England (Repo Rate)         | 0.10%          |
| Bank of Japan (Overnight Rate)      | -0.10%         |

Source: Bloomberg.

| TD Economics Key Financial Forecasts |                         |      |      |      |      |      |      |      |      |      |      |      |      |
|--------------------------------------|-------------------------|------|------|------|------|------|------|------|------|------|------|------|------|
|                                      | Current Rate<br>1/15/21 | 2020 |      |      |      | 2021 |      |      |      | 2022 |      |      |      |
|                                      |                         | Q1   | Q2   | Q3   | Q4   | Q1F  | Q2F  | Q3F  | Q4F  | Q1F  | Q2F  | Q3F  | Q4F  |
| Fed Funds Target Rate                | 0.25                    | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 |
| 2-yr Govt. Bond Yield                | 0.14                    | 0.23 | 0.16 | 0.13 | 0.13 | 0.20 | 0.20 | 0.20 | 0.20 | 0.20 | 0.25 | 0.30 | 0.35 |
| 10-yr Govt. Bond Yield               | 1.09                    | 0.70 | 0.66 | 0.69 | 0.93 | 1.05 | 1.20 | 1.35 | 1.50 | 1.55 | 1.60 | 1.65 | 1.70 |
| 30-yr Govt. Bond Yield               | 1.84                    | 1.35 | 1.41 | 1.46 | 1.65 | 1.75 | 1.85 | 1.95 | 2.05 | 2.10 | 2.15 | 2.20 | 2.25 |

Forecast by TD Economics as of December 2020; all forecasts are end-of-period. Source: Bloomberg, Federal Reserve Board, TD Economics.

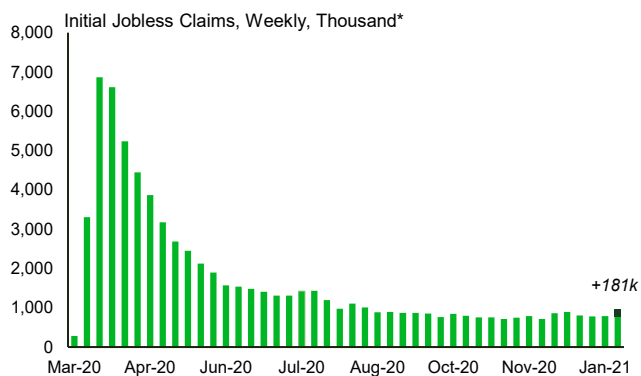
# New Year, New Stimulus

This week offered some welcome respite following the turbulent events that marked the start of the year. From an economic standpoint, the biggest news came from President-elect Biden's address on Thursday as he unveiled a new \$1.9 trillion coronavirus relief plan. The proposal, which will need to go through Congress, notably includes a round of \$1,400 stimulus checks for individuals with expanded eligibility, a \$400-per-week unemployment insurance boost through September, as well as funding for state and local governments. With eviction and foreclosure moratoriums set to expire later this month, Mr. Biden also called to extend these measures until September.

Additional fiscal support will go a long way toward breathing new life into a faltering economic recovery. Indeed, the heavy toll of the third wave of COVID-19 infections was on full display in economic data released this week. Initial jobless claims rose by 181,000 last week to levels not seen since last summer (Chart 1). This marked the largest weekly increase since last spring and suggests that layoffs are picking up speed. The near-term outlook is not particularly bright. The U.S. economy already lost 140,000 payroll jobs last month, mainly in the leisure and hospitality industry, which was hit hard by restrictions imposed across the country to curb the spread.

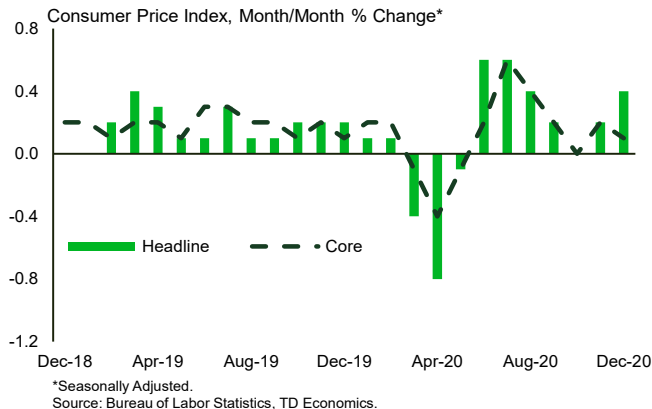
These difficult conditions are weighing on business confidence. In December, the NFIB small business optimism index plummeted by 5.5 points to 95.9 – one of the steepest drops in the survey's history. The decline was driven by lower expectations for real sales, earnings trends and

**Chart 1: Initial Jobless Claims Rise as COVID-19 Surge Weighs on Economic Recovery**



\*Seasonally Adjusted. Source: Bureau of Labor Statistics, TD Economics. Last observation: Week ended Jan. 9, 2021.

**Chart 2: Headline Inflation Lifted by Higher Gasoline Prices in December**



\*Seasonally Adjusted. Source: Bureau of Labor Statistics, TD Economics.

economic improvement in the near-future. This downbeat tone was also echoed in last month's retail sales report. Sales contracted by 0.7% in December from the previous month, marking their third consecutive month of decline. They fell the most at nonstore retailers (-5.8%), electronics and appliance stores (-4.9%) and food services and drinking places (-4.5%). By contrast, sales at gasoline stations increased by 6.6% on the month.

Alongside stronger gasoline sales came higher prices at the pump, which lifted overall consumer prices in December. The headline Consumer Price Index (CPI) rose by 0.4% month/month, while the core series – which excludes volatile food and energy items – was more muted at 0.1% (Chart 2). On the whole, the pandemic continues to dampen consumer price growth, particularly for core services, which are now trailing their goods counterpart. This is a notably rare occurrence, which usually manifests itself on the heels of an economic recession.

Inflation will likely pick up later this year as vaccination rates increase and the economy gets back on track, but the Federal Reserve is in no rush to shift away from its accommodative monetary policy stance. This week, Chairman Powell brushed aside concerns about higher inflation, noting that the central bank has the tools to stave off unwelcomed price growth, though he doesn't expect to use them anytime soon. What is more, Mr. Powell indicated that the U.S. economy is still a long way from a complete recovery. The message was clear – interest rates will remain low for the foreseeable future.

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| Recent Key Economic Indicators: Jan 11 - 15, 2021 |   |                 |            |         |       |
|---|---|-----------------|------------|---------|-------|
| Release Date                                      | Economic Indicator/Event                  | Data for Period | Units      | Current | Prior |
| <b>United States</b>                              |   |                 |            |         |       |
| Jan 12  | NFIB Small Business Optimism              | Dec             | Index      | 95.9    | 101.4 |
| Jan 13  | Consumer Price Index                      | Dec             | M/M % Chg. | 0.4     | 0.2   |
| Jan 13  | Consumer Price Index                      | Dec             | Y/Y % Chg. | 1.4     | 1.2   |
| Jan 13  | Consumer Price Index Ex Food and Energy   | Dec             | M/M % Chg. | 0.1     | 0.2   |
| Jan 13  | Consumer Price Index Ex Food and Energy   | Dec             | Y/Y % Chg. | 1.6     | 1.6   |
| Jan 13  | U.S. Federal Reserve Releases Beige Book  |                 |            |         |       |
| Jan 14  | Initial Jobless Claims                    | Jan 9           | Thsd       | 965.0   | 784.0 |
| Jan 15  | Empire Manufacturing                      | Jan             | Index      | 3.5     | 4.9   |
| Jan 15  | Producer Price Index Ex Food and Energy   | Dec             | M/M % Chg. | 0.1     | 0.1   |
| Jan 15  | Producer Price Index Final Demand         | Dec             | M/M % Chg. | 0.3     | 0.1   |
| Jan 15  | Retail Sales Advance                      | Dec             | M/M % Chg. | -0.7    | -1.4  |
| Jan 15  | Retail Sales Ex Auto and Gas              | Dec             | M/M % Chg. | -2.1    | -1.3  |
| Jan 15  | Capacity Utilization                      | Dec             | %          | 74.5    | 73.4  |
| Jan 15  | Industrial Production                     | Dec             | M/M % Chg. | 1.6     | 0.5   |
| Jan 15  | Manufacturing (SIC) Production            | Dec             | M/M % Chg. | 0.9     | 0.8   |
| Jan 15  | Business Inventories                      | Nov             | M/M % Chg. | 0.5     | 0.8   |
| <b>Canada</b>                                     |   |                 |            |         |       |
| Jan 15  | Existing Home Sales                       | Dec             | M/M % Chg. | 7.2     | -1.6  |
| <b>International</b>                              |   |                 |            |         |       |
| Jan 15  | UK Monthly Gross Domestic Product (3M/3M) | Nov             | M/M % Chg. | 4.1     | 10.5  |

Source: Bloomberg, TD Economics.

| Upcoming Economic Releases and Events: Jan 18 - 22, 2021 |       |                                      |                 |            |                    |             |
|--|-------|--------------------------------------|-----------------|------------|--------------------|-------------|
| Release Date   | Time* | Economic Indicator/Event             | Data for Period | Units      | Consensus Forecast | Last Period |
| <b>United States</b>                                     |       |                                      |                 |            |                    |             |
| Jan 20   | 10:00 | NAHB Housing Market Index            | Jan             | Index      | 86.0               | 86.0        |
| Jan 21   | 8:30  | Building Permits                     | Dec             | Thsd       | 1600.0             | 1635.0      |
| Jan 21   | 8:30  | Housing Starts                       | Dec             | Thsd       | 1562.0             | 1547.0      |
| Jan 21   | 8:30  | Initial Jobless Claims               | Jan 21          | Thsd       | 830.0              | 965.0       |
| Jan 22   | 9:45  | Markit US Manufacturing PMI          | Jan             | Index      | 56.5               | 57.1        |
| Jan 22   | 9:45  | Markit US Services PMI               | Jan             | Index      | 53.6               | 54.8        |
| Jan 22   | 10:00 | Existing Home Sales                  | Dec             | Mlns       | 6.6                | 6.7         |
| <b>Canada</b>  |       |                                      |                 |            |                    |             |
| Jan 18   | 8:15  | Housing Starts                       | Dec             | Thsd       | -                  | 246.0       |
| Jan 19   | 8:30  | Manufacturing Sales                  | Nov             | M/M % Chg. | -                  | 0.3         |
| Jan 19   | 8:30  | Wholesale Trade Sales                | Nov             | M/M % Chg. | -                  | 1.0         |
| Jan 20   | 8:30  | Consumer Price Index                 | Dec             | Y/Y % Chg. | -                  | 1.0         |
| Jan 20   | 8:30  | Consumer Price Index NSA             | Dec             | M/M % Chg. | -                  | 0.1         |
| Jan 20   | 8:30  | Teranet/National Bank HPI            | Dec             | Y/Y % Chg. | -                  | 9.0         |
| Jan 20   | 10:00 | Bank of Canada Rate Decision         | Jan 21          | %          | 0.25               | 0.25        |
| Jan 22   | 8:30  | Retail Sales                         | Nov             | M/M % Chg. | -                  | 0.4         |
| Jan 22   | 8:30  | Retail Sales Ex Auto                 | Nov             | M/M % Chg. | -                  | 0.0         |
| <b>International</b>                                     |       |                                      |                 |            |                    |             |
| Jan 20   | 2:00  | UK Consumer Price Index              | Dec             | Y/Y % Chg. | 0.5                | 0.3         |
| Jan 20   | 5:00  | EZ Consumer Price Index              | Dec             | Y/Y % Chg. | -0.3               | -0.3        |
| Jan 21   | 7:45  | EZ ECB Main Refinancing Rate         | Jan 21          | %          | 0.00               | 0.00        |
| Jan 21   | 18:30 | JN Natl Consumer Price Index         | Dec             | Y/Y % Chg. | -1.3               | -0.9        |
| Jan 21   | 19:30 | JN Jibun Bank Japan PMI Mfg          | Jan             | Index      | -                  | 50.0        |
| Jan 21   |       | JN BOJ Policy Balance Rate           | Jan 21          | %          | -                  | -0.10       |
| Jan 22   | 2:00  | UK Retail Sales Ex Auto Fuel         | Dec             | Y/Y % Chg. | 7.0                | 5.6         |
| Jan 22   | 4:00  | EZ Markit Eurozone Manufacturing PMI | Jan             | Index      | 54.5               | 55.2        |
| Jan 22   | 4:30  | UK Markit UK PMI Manufacturing SA    | Jan             | Index      | 53.0               | 57.5        |

Source: Bloomberg, TD Economics.

## Disclaimer

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