

Weekly Bottom Line

September 12, 2025

Highlights

Canada

- Odds are the Bank of Canada cuts rates next week after a pair of soft employment reports and a contraction in GDP.
- Canadian household wealth continues to rise, supporting the recent resiliency in consumer spending. However, elevated debt levels will likely keep a lid on near-term consumption growth.
- Prime Minister Mark Carney announced the first five major projects of the country's nation-building project plan.

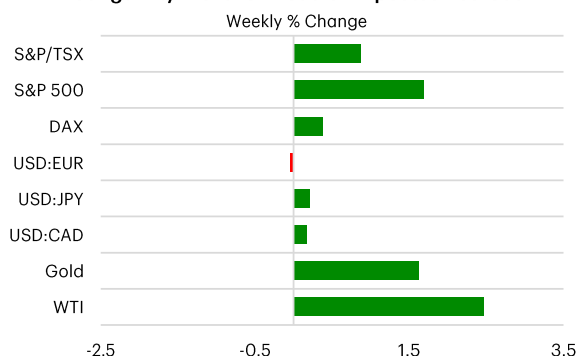
U.S.

- The preliminary benchmark revisions to the payrolls data through March 2025 suggest that job growth slowed earlier than previously believed, with 911k fewer jobs added in the year through March 2025.
- August's consumer inflation report showed continued price pressures from tariffs.
- All eyes will now turn to the Federal Reserve meeting next week, with the FOMC expected to implement its first 25 basis-point cut of the year.

This Week in the Markets				
	Current*	Week Ago	52-Week High	52-Week Low
Stock Market Indexes				
S&P 500	6591	6482	6591	4983
S&P/TSX Comp.	29304	29051	29408	22507
DAX	23687	23597	24550	18518
FTSE 100	9294	9208	9321	7679
Nikkei	44768	43019	44768	31137
Fixed Income Yields				
U.S. 10-yr Treasury	4.07	4.07	4.79	3.62
Canada 10-yr Bond	3.20	3.27	3.60	2.83
Germany 10-yr Bund	2.71	2.66	2.90	2.03
UK 10-yr Gilt	4.66	4.65	4.89	3.76
Japan 10-yr Bond	1.59	1.58	1.63	0.82
Foreign Exchange Cross Rates				
C\$ (USD per CAD)	0.72	0.72	0.74	0.69
Euro (USD per EUR)	1.17	1.17	1.18	1.02
Pound (USD per GBP)	1.36	1.35	1.37	1.22
Yen (JPY per USD)	147.7	147.4	158.4	140.6
Commodity Spot Prices**				
Crude Oil (\$US/bbl)	63.4	61.9	80.0	57.1
Natural Gas (\$US/MMBtu)	2.82	3.05	9.33	1.22
Copper (\$US/met. tonne)	9990.0	9829.5	10219.3	8571.4
Gold (\$US/troy oz.)	3645.0	3586.7	3645.0	2557.9

*As of 11:15 AM on Friday. **Oil-WTI, Cushing, Nat. Gas-Henry Hub, LA (Thursday close price). Copper-LME Grade A. Gold-London Gold Bullion. Source: Bloomberg.

Sanguinity Prevails Ahead of Expected Fed Cut



Note: Data as of 11:15 AM ET, Friday, September 12, 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)	2.15%
Bank of England (Repo Rate)	4.00%
Bank of Japan (Overnight Rate)	0.50%

Source: Bloomberg.

Canada – The Calm Before the Cut?

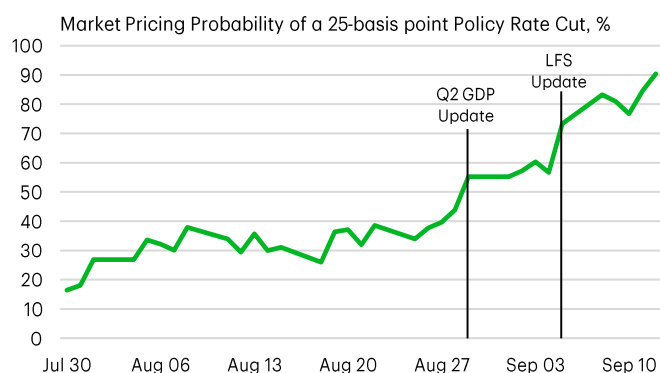
Marc Ercolao, Economist
416-983-0686

A quiet week for domestic data gave some time for markets to assess economic conditions before next week's Bank of Canada (BoC) rate decision. In recent weeks, softer economic data led by a further deterioration in Canada's job market has shifted the tides toward a rate cut on Sept. 17th – markets are pricing a 90% probability of a 25 bps cut, up from around 30% during the first half of August (Chart 1).

We've long argued that the BoC has reason to cut rates this year as ongoing trade uncertainty and loosening labour markets work to cool residual inflation pressures. Next week's CPI update could solidify the BoC's rate decision, if waning inflation momentum, especially in core measures, shows through. However, an upside surprise to inflation readings may keep the BoC to the sidelines. Overall, recent data flows have more or less tracked the Bank's forecast scenario consistent with a rising need for a further reduction in the policy rate. Whatever happens next week, we believe the BoC's cutting cycle is nearing the end, with 2.25% policy rate—the bottom end of their neutral rate range—being the target.

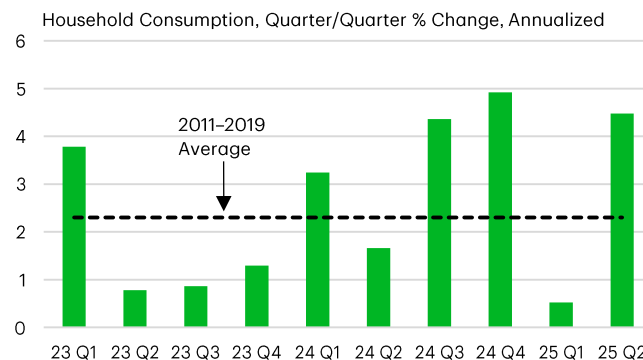
It's worth pointing out that the Canadian consumer has shown some resiliency in recent months. Second-quarter consumption growth exceeded expectations despite a trade-driven economic contraction (Chart 2). National balance sheet data released this week showed that stronger balance sheets may be underpin-

Chart 1: Weak Data Spurring Market Bets for a Bank of Canada Cut



Source: Bloomberg, TD Economics.

Chart 2: Canadian Households Are Showing Resiliency



Source: Statistics Canada, TD Economics.

ning the surge in spending as household wealth trends higher on the back of stronger financial markets. It is encouraging to see a slight improvement in the financial position of Canadian households, but debt levels and debt-servicing costs remain elevated. High debt burdens and a weaker labour market are likely to see households keep spending in check over coming quarters, offering only modest support to growth in the second half of 2025.

As the economy faces headwinds, Prime Minister Mark Carney unveiled the first phase of the country's nation-building projects. The first five include: LNG Canada Phase 2 in BC; the Darlington New Nuclear Project in Ontario; the Contrecoeur port expansion in Quebec; and two mine expansion projects in BC and Saskatchewan. The combined value of the projects tallies around \$25 billion, excluding the LNG Canada project which has yet to reach a final investment decision. Another six projects in the early stages of planning have also been identified as part of a next wave under consideration.

The timing of project outlays is still highly uncertain and will likely span over several years, potentially providing a mild tailwind for Canada's GDP growth over the medium-term. More importantly, this nation-building agenda is part of the government's broader plan of enhancing long-term economic and productivity growth through increased defense spending, infrastructure development, reduced interprovincial trade barriers, and comprehensive spending and regulatory reviews.

U.S. – Waiting on Rates to Change

Andrew Foran, Economist
416-350-8927

Despite there only being a handful of economic data releases this week, each was influential to the economic outlook. This included the preliminary benchmark revision for employment, as well as the consumer and producer inflation reports for August. While the data was somewhat concerning, financial markets largely took it in-stride as expectations for next week's Federal Reserve decision remained in-tact. The S&P 500 rose 1.6% on the week, with U.S. Treasury yields seeing little change as of the time of writing.

The preliminary revision to non-farm payrolls released on Tuesday will not be incorporated into the official data until the January 2026 release, but the snapshot it provided was concerning. Estimates of employment for the year through to March 2025 were revised lower by 911k jobs, which would be the largest revision since 2009 (Chart 1). This comes on the heels of last week's employment report for August, which showed only 22k jobs added during the month and the unemployment rate rising to 4.3%. The emerging shift away from full employment in the economy is likely to be a top priority during Federal Reserve deliberations at next week's meeting.

However, they will also have to assess the emerging risks to the other side of their dual mandate related to price stability, with the data we received this week on inflation also raising concerns. Those with dovish predispositions may point to the surprise decline in the producer price index (PPI) in August as evidence that price pressures

Chart 1: Employment Revision Would be Largest Since 2009

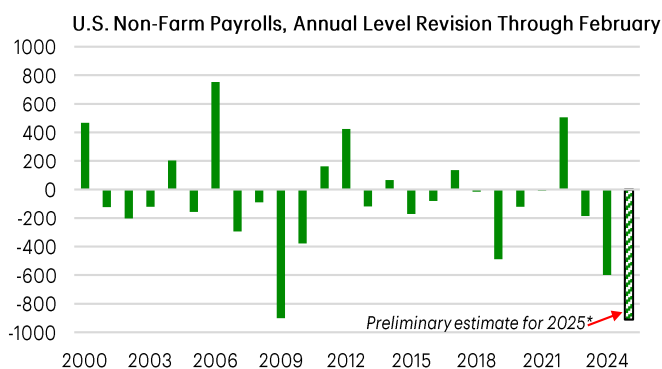
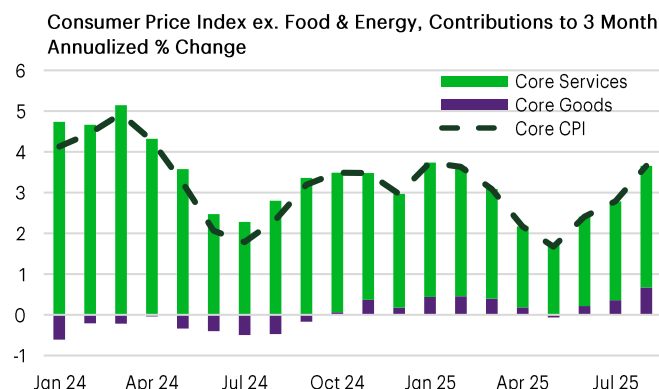


Chart 2: Goods & Services Inflation Rising in U.S.



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

are under control. However, the rolling 12-month volatility of the PPI final demand index excluding food & energy has hit its highest level since mid-2022, likely reflecting the impact that constant trade policy changes have had on firm pricing decisions. Single-month changes in the PPI therefore need to be taken with a grain of salt and illustrate the challenges the Fed faces in assessing price developments in 2025.

On the consumer inflation front, we saw further upward pressure on goods prices in August, while services inflation also remained elevated. With the three-month annualized percent change in core CPI accelerating to 3.6% in August (Chart 2), the Federal Reserve's response function would typically be to consider raising interest rates in such an environment, all else equal. However, given the temporary nature of tariff-induced inflation and the flagging labor market, the full balance of risks will need to be taken into consideration. Amid this backdrop, in conjunction with the sustained stability in consumer inflation expectations, we expect the Fed to implement its first 25 basis point cut of the year next week.

Further interest rate reductions are expected to be implemented gradually through the end of the year, to provide support to the economy without fanning the flames of inflation anew. This is expected to be a delicate maneuver by the Federal Reserve, and one that will be sensitive to the balance of incoming economic data.

Exhibits

Recent Key Economic Indicators: Sep 08 - 12, 2025					
Release Date	Economic Indicator/Event	Data for Period	Units	Current	Prior
United States					
Sep 09	NFIB Small Business Optimism	Aug	Index	100.8	100.3
Sep 10	PPI Final Demand	Aug	M/M % Chg.	-0.1	0.7
Sep 10	PPI Ex Food and Energy	Aug	M/M % Chg.	-0.1	0.7
Sep 10	Wholesale Trade Sales	Jul	M/M % Chg.	1.4	0.7
Sep 11	Consumer Price Index	Aug	M/M % Chg.	0.4	0.2
Sep 11	Consumer Price Index Ex Food and Energy	Aug	M/M % Chg.	0.3	0.3
Sep 11	Consumer Price Index	Aug	Y/Y % Chg.	2.9	2.7
Sep 11	Consumer Price Index Ex Food and Energy	Aug	Y/Y % Chg.	3.1	3.1
Sep 11	Initial Jobless Claims	Sep 06	Thsd	263.0	236.0
International					
Sep 09	CH Consumer Price Index	Aug	Y/Y % Chg.	-0.4	0.0
Sep 11	EZ ECB Main Refinancing Rate	Sep 11	%	2.15	2.15
Source: Bloomberg, TD Economics.					

Upcoming Economic Releases and Events: Sep 15 - 19, 2025

Release Date	Time*	Economic Indicator/Event	Data for Period	Units	Consensus Forecast	Last Period
United States						
Sep 15	8:30	Empire Manufacturing	Sep	Index	4.5	11.9
Sep 16	8:30	Retail Sales Advance	Aug	M/M % Chg.	0.2	0.5
Sep 16	8:30	Retail Sales Ex Auto and Gas	Aug	M/M % Chg.	0.5	0.2
Sep 16	9:15	Industrial Production	Aug	M/M % Chg.	-0.1	-0.1
Sep 16	9:15	Manufacturing (SIC) Production	Aug	M/M % Chg.	-0.4	0.0
Sep 16	9:15	Capacity Utilization	Aug	%	77.4	77.5
Sep 16	10:00	Business Inventories	Jul	M/M % Chg.	0.2	0.2
Sep 16	10:00	NAHB Housing Market Index	Sep	Index	33.0	32.0
Sep 17	8:30	Housing Starts	Aug	Thsd	1368.0	1428.0
Sep 17	8:30	Building Permits	Aug	Thsd	1373.0	1362.0
Sep 17	14:00	FOMC Rate Decision (Upper Bound)	Sep 17	%	4.3	4.5
Sep 18	8:30	Initial Jobless Claims	Sep 13	Thsd	242.0	263.0
Canada						
Sep 15	8:30	Manufacturing Sales	Jul	M/M % Chg.	1.8	0.3
Sep 15	9:00	Existing Home Sales	Aug	Mlns	-	3.8
Sep 16	8:15	Housing Starts	Aug	Thsd	273.2	294.1
Sep 16	8:30	Consumer Price Index NSA	Aug	M/M % Chg.	0.1	0.3
Sep 16	8:30	Consumer Price Index	Aug	Y/Y % Chg.	2.0	1.7
Sep 17	9:45	Bank of Canada Rate Decision	Sep 17	%	2.5	2.8
Sep 18	7:00	CFIB Business Barometer	Sep	Index	-	47.8
Sep 18	15:30	<i>BoC's Ron Morrow Gives Speech on Supervision & Oversight</i>				
Sep 19	8:30	Retail Sales	Jul	M/M % Chg.	0.0	1.5
Sep 19	8:30	Retail Sales Ex Auto	Jul	M/M % Chg.	-	1.9
International						
Sep 16	2:00	UK ILO Unemployment Rate	Jul	Q/Q % Chg.	4.7	4.7
Sep 17	2:00	UK Consumer Price Index	Aug	Y/Y % Chg.	3.8	3.8
Sep 17	5:00	EZ Consumer Price Index	Aug	Y/Y % Chg.	2.1	2.1
Sep 18	7:00	UK Bank of England Bank Rate	Sep 18	%	4.0	4.0
Sep 18	19:30	JN Natl Consumer Price Index	Aug	Y/Y % Chg.	2.8	3.1
Sep 19	2:00	UK Retail Sales Ex Auto Fuel	Aug	Y/Y % Chg.	0.8	1.3

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

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