

Weekly Bottom Line

November 21, 2025

Highlights

Canada

- Canada's economy is showing signs of slowing momentum, but inflation persists.
- Upcoming GDP figures have an additional layer of uncertainty due to delayed trade data.
- Tepid growth and slowly softening underlying inflation are in line with the Bank of Canada's projections, suggesting no upcoming changes to the policy rate.

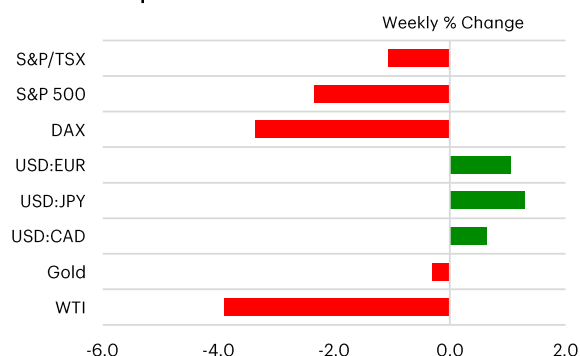
U.S.

- Equity markets sold off this week as investors continued to worry about the valuations of AI companies.
- Although the data fog has started to clear, it did little to resolve differences among FOMC members, with a rate cut in December now looking less likely.
- The delayed September payrolls report was better than expected, rising by 119,000 jobs. However, the unemployment rate increased to a new cyclical high of 4.4%.

This Week in the Markets				
	Current*	Week Ago	52-Week High	52-Week Low
Stock Market Indexes				
S&P 500	6580	6734	6891	4983
S&P/TSX Comp.	30013	30326	30828	22507
DAX	23078	23877	24611	19146
FTSE 100	9528	9698	9911	7679
Nikkei	48626	50377	52411	31137
Fixed Income Yields				
U.S. 10-yr Treasury	4.07	4.15	4.79	3.95
Canada 10-yr Bond	3.21	3.23	3.60	2.83
Germany 10-yr Bund	2.70	2.72	2.90	2.03
UK 10-yr Gilt	4.55	4.57	4.89	4.21
Japan 10-yr Bond	1.78	1.71	1.82	1.04
Foreign Exchange Cross Rates				
C\$ (USD per CAD)	0.71	0.71	0.74	0.69
Euro (USD per EUR)	1.15	1.16	1.19	1.02
Pound (USD per GBP)	1.31	1.32	1.37	1.22
Yen (JPY per USD)	156.7	154.6	158.4	140.9
Commodity Spot Prices**				
Crude Oil (\$US/bbl)	57.7	60.1	80.0	57.1
Natural Gas (\$US/MMBtu)	3.97	3.49	9.33	2.41
Copper (\$US/met. tonne)	10719.6	10855.9	11163.8	8571.4
Gold (\$US/troy oz.)	4071.6	4084.1	4356.3	2585.4

*As of 11:36 AM on Friday. **Oil-WTI, Cushing, Nat. Gas-Henry Hub, LA (Thursday close price). Copper-LME Grade A. Gold-London Gold Bullion. Source: Bloomberg.

Equities Sell Off on Valuation Worries



Note: Data as of 11:36 AM ET, Friday, November 21, 2025.
Source: Bloomberg, TD Economics.

Global Official Policy Rate Targets

Central Banks	Current Target
Federal Reserve (Fed Funds Rate)	3.75 - 4.00%
Bank of Canada (Overnight Rate)	2.25%
European Central Bank (Refi Rate)	2.15%
Bank of England (Repo Rate)	4.00%
Bank of Japan (Overnight Rate)	0.50%

Source: Bloomberg.

Canada – Waning Momentum and Stubborn Inflation

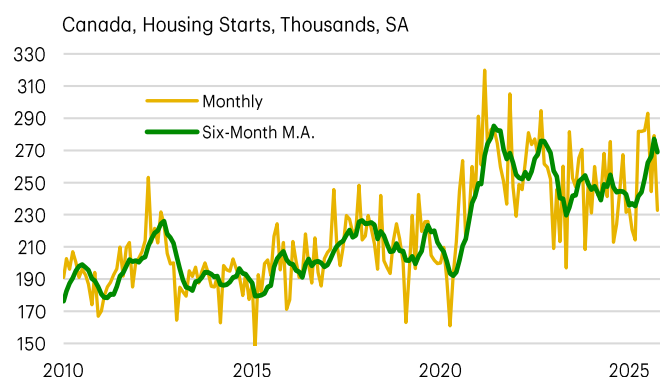
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An absolute data dump of a week, with updates on housing, inflation and retail sales. The overall story was one of waning economic momentum, and some disappointingly stubborn underlying inflation. That is basically in line with the Bank of Canada's (BoC) and our expectations – tepid growth and gradually weakening price pressures. With trade policy still prone to large changes, things could swing rapidly, but the new information this week suggests the BoC will remain on the sidelines for the time being.

The Canadian housing market continues to trudge along, with monthly starts dipping 3% on a six-month moving average basis. The figure isn't all that surprising given that new housing construction has been running at a healthy clip well ahead of anything registered before the pandemic (Chart 1). This has been supported by healthy activity in the multifamily space, with purpose-built rental construction offsetting the drag from the owner-occupied segment. Nonetheless, with building permits trending downward the sector's contribution to growth is likely to fade.

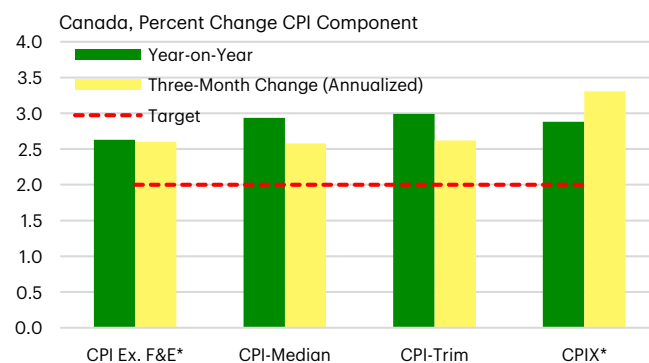
Fading momentum was the story in September's retail sales figures as well, with sales tumbling 0.8% in real terms on the month, essentially reversing August's gains. This leaves real retail sales up only 1.2% versus a year ago. October's flash estimate is for no growth – although with goods CPI falling last month there is hope for some small gains in volume terms. Nonetheless, real retail spending contracting in the third quarter and trending below 2% for the year are not the hallmarks of robust consumer activity.

Chart 1. Housing Starts Slow From Recent Peak



Source: Statistics Canada, TD Economics. Last Observation: October 2025

Chart 2. Underlying Inflation Remains Elevated



*CPI Excluding Food and Energy

**CPI Excluding 8 Most Volatile Components and Indirect Taxes

Source: Statistics Canada, TD Economics.

Domestic activity data suggest that some of the healthy momentum in late-2024 and the second quarter of this year has begun to fade amid an elevated unemployment rate. This is consistent with our view that inflation should remain contained in the coming months as domestic excess supply helps to offset inflationary pressure from global trade disruptions. And there are inflationary pressures to be offset. Measures of core inflation remain close to 3% on an annual basis, and near-term trends have also flipped higher, with three-month rates of change above 2.5% for the four most-prominent indicators (Chart 2).

This sets the stage for next week's third quarter GDP report. Our expectation is that growth will register somewhere between 0.5% and 1.0% on a quarterly (annualized) basis. This forecast, however, has an additional layer of uncertainty embedded in it as the U.S. government shut down delayed the release of Canadian trade data. Given the swings in trade in the second quarter, this forms a vital input into the projection – so its absence is adding uncertainty. We await clarity on when the information will be released and whether Statistics Canada's estimates of third quarter GDP will incorporate the information or rely on their own estimates of the figure.

All told, signs point to slow growth for Canada in Q3, with some stubbornness in inflation. All in line with what the BoC outlines in their most recent projection and suggesting that change in policy is not in the offing.

U.S. – Data – In, December’s Rate Cut – Out?

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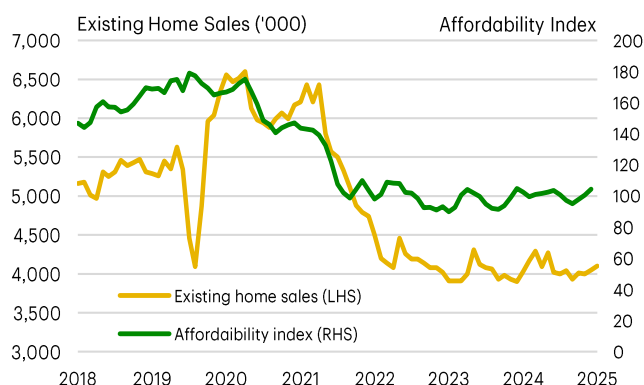
Equity markets sold off this week amid concerns about high tech-stock valuations and aggressive AI capital spending. As of writing, the tech-focused Nasdaq Composite was down 2.5% on the week, while the S&P 500 had declined 1.9%.

Official economic data began to trickle in, with September’s payroll report being the most notable. However, reporting backlogs are expected to persist. October payrolls will be released with November’s figures on December 16, not in time for the FOMC’s next meeting on December 9–10. Other data points, like October CPI, will not be released. On the housing side, [existing home sales](#) edged higher in October, supported by falling mortgage rates. Still, the housing market continues to tread water as affordability remains stretched, despite some modest improvement in recent months (Chart 1).

A busy slate of Fed speakers reaffirmed the lack of consensus among FOMC members for another rate cut in December. Some, like Governor Jefferson (voter), advocated for a cautious, “meeting-by-meeting approach,” as the policy rate moves closer to neutral. Chicago Fed President Goolsbee (voter) joined the hawkish camp, downplaying the recent labour-market weakness and emphasizing the lack of progress on inflation.

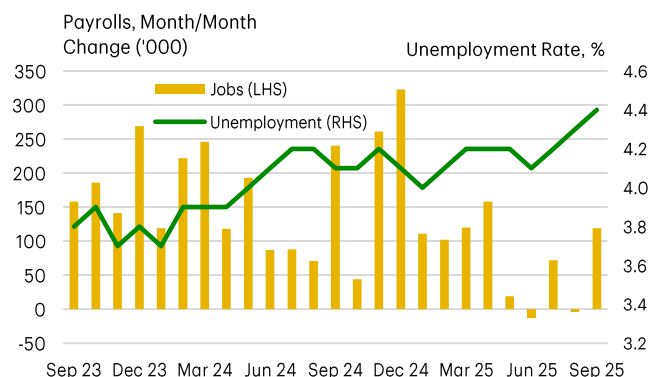
[Minutes](#) from the October FOMC meeting also highlighted the growing divide, with many participants seeing no case for easing in December. This contributed to market pricing shifting towards the next cut

Chart 1: Home Sales Improve In October, but Affordability Challenges Still Weigh on Activity



Source: National Association of Realtors, TD Economics.

Chart 2: Payrolls Beat Expectations In September, but Jobless Rate Also Edges Higher



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

coming in January rather than December. After that meeting, Chair Powell stated that a December cut “is not a foregone conclusion, far from it.”

But policy doves like Governor Waller (voter), argued that another rate cut in December is warranted, given his assessment that the labor market remains weak, longer-term inflation expectations are anchored, and the impact of tariffs on inflation are likely to be transitory. Echoing this view, FOMC Vice Chair Williams emphasized that inflation expectations remain “very well anchored” and noted room for further cuts over the ‘near-term’. These remarks helped to tip market odds back in favour of a December cut on Friday morning.

The delayed September [payrolls report](#) did little to reconcile the divide among policymakers. Hawks were likely reassured by the better-than-expected job gains: payrolls rose by 119k—the strongest reading since April (Chart 2). However, policy doves are likely to point to the negative revisions to prior months, the narrow concentration of job gains, and the uptick in the unemployment rate.

All in all, hawkish voters appear to outnumber the doves on the FOMC for now, and there is no official jobs or inflation data before the next meeting to shift views. Therefore, we expect the slow-and-steady approach to carry the day and for the Fed to hold rates steady in December. Chair Powell perhaps said it best: “when you’re driving in the fog, you slowdown”. That said, the door for a cut in January remains open.

Exhibits

Recent Key Economic Indicators: Nov 17 - 21, 2025					
Release Date	Economic Indicator/Event	Data for Period	Units	Current	Prior
United States					
Nov 17	Empire Manufacturing	Nov	Index	18.7	10.7
Nov 18	NAHB Housing Market Index	Nov	Index	38.0	37.0
Nov 20	Initial Jobless Claims	Nov 15	Thsd	220.0	228.0
Nov 20	Existing Home Sales	Oct	Mlns	4.10	4.05
Nov 21	S&P Global US Manufacturing PMI	Nov	Index	51.9	52.5
Nov 21	S&P Global US Services PMI	Nov	Index	55.0	54.8
Nov 21	S&P Global US Composite PMI	Nov	Index	54.8	54.6
Canada					
Nov 17	Existing Home Sales	Oct	M/M % Chg.	0.9	-1.7
Nov 17	Consumer Price Index NSA	Oct	M/M % Chg.	0.2	0.1
Nov 17	Consumer Price Index	Oct	Y/Y % Chg.	2.2	2.4
Nov 18	Housing Starts	Oct	Thsd	3.2	279.2
Nov 20	CFIB Business Barometer	Nov	Index	55.5	46.7
Nov 20	Industrial Product Price	Oct	M/M % Chg.	1.5	1.0
Nov 21	Retail Sales	Sep	M/M % Chg.	-0.7	1.0
Nov 21	Retail Sales Ex Auto	Sep	M/M % Chg.	0.2	0.8
International					
Nov 19	UK Consumer Price Index	Oct	Y/Y % Chg.	3.6	3.8
Nov 19	EZ Consumer Price Index	Oct	Y/Y % Chg.	2.1	2.1
Nov 20	JN Natl Consumer Price Index	Oct	Y/Y % Chg.	3.0	2.9
Nov 21	UK Retail Sales Ex Auto Fuel	Oct	Y/Y % Chg.	1.2	1.7

Source: Bloomberg, TD Economics.

Upcoming Economic Releases and Events: Nov 24 - 28, 2025						
Release Date	Time*	Economic Indicator/Event	Data for Period	Units	Consensus Forecast	Last Period
United States						
Nov 25	8:30	Retail Sales Advance	Sep	M/M % Chg.	-	0.6
Nov 25	8:30	Retail Sales Ex Auto and Gas	Sep	M/M % Chg.	-	-
Nov 25	8:30	PPI Final Demand	Sep	M/M % Chg.	-	-0.1
Nov 25	8:30	PPI Ex Food and Energy	Sep	M/M % Chg.	-	-0.1
Nov 25	10:00	Business Inventories	Aug	M/M % Chg.	-	0.2
Nov 25	10:00	Conf. Board Consumer Confidence	Nov	Index	93.3	94.6
Nov 26	8:30	Initial Jobless Claims	Nov 22	Thsd	-	220.0
Nov 26	8:30	Durable Goods Orders	Sep	M/M % Chg.	-	2.9
Nov 26	8:30	Cap Goods Orders Nondef Ex Air	Sep	M/M % Chg.	-	0.4
Nov 26	14:00	<i>Fed's Beige Book</i>				
Canada						
Nov 27	8:30	Payroll Employment Change - SEPH	Sep	Thsd	-	3.3
Nov 28	8:30	Quarterly Gross Domestic Product Annualized	3Q	Q/Q % Chg.	0.5	-1.6
Nov 28	8:30	Gross Domestic Product	Sep	M/M % Chg.	0.2	-0.3
International						
Nov 27	18:30	JN Tokyo Consumer Price Index	Nov	Y/Y % Chg.	2.7	2.8
Nov 27	18:30	JN Jobless Rate	Oct	%	2.5	2.6
Nov 27	18:50	JN Retail Sales	Oct	Y/Y % Chg.	0.8	0.5
Nov 28	5:30	IN Gross Domestic Product	3Q	Y/Y % Chg.	7.4	7.8

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

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