TD Economics

Weekly Bottom Line

November 28, 2025

Highlights

Canada

- GDP growth rebounded sharply in Q3, but the composition points to soft domestic demand. Revisions back to 2022 indicate that the economy was stronger than previously thought.
- Industry GDP posted a modest gain in September, but points to a contraction in October. Export-reliant sectors continue to lag.
- Tangible benefits from the two new government announcements will take some time to materialize. For now, the economy is tracking in line with the BoC's estimates, suggesting the policy rate will remain on hold.

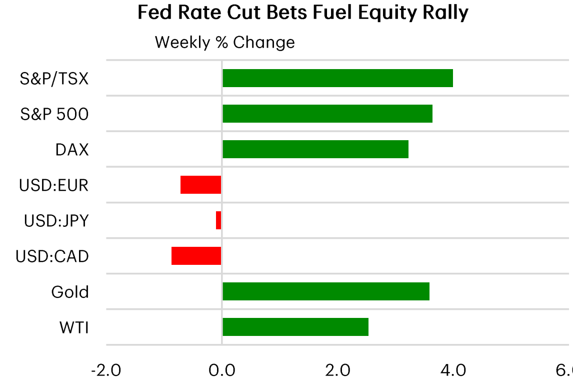
U.S.

- Market expectations for a Fed rate cut on December 10th are now north of 80%, as key Fed officials voice support for a further reduction.
- Retail sales for September were a bit weaker than expected, suggesting less momentum heading into the fourth quarter.
- The Beige Book provided further anecdotal evidence that growth in the U.S. economy remains sluggish.

This Week in the Markets				
	Current*	Week Ago	52-Week High	52-Week Low
Stock Market Indexes				
S&P 500	6844	6603	6891	4983
S&P/TSX Comp.	31368	30161	31368	22507
DAX	23837	23092	24611	19426
FTSE 100	9721	9540	9911	7679
Nikkei	50254	48626	52411	31137
Fixed Income Yields				
U.S. 10-yr Treasury	4.02	4.06	4.79	3.95
Canada 10-yr Bond	3.15	3.20	3.60	2.83
Germany 10-yr Bund	2.69	2.70	2.90	2.03
UK 10-yr Gilt	4.44	4.55	4.89	4.21
Japan 10-yr Bond	1.81	1.78	1.82	1.04
Foreign Exchange Cross Rates				
C$ (USD per CAD)	0.72	0.71	0.74	0.69
Euro (USD per EUR)	1.16	1.15	1.19	1.02
Pound (USD per GBP)	1.32	1.31	1.37	1.22
Yen (JPY per USD)	156.2	156.4	158.4	140.9
Commodity Spot Prices**				
Crude Oil ($US/bbl)	59.5	58.1	80.0	57.1
Natural Gas ($US/MMBtu)	4.59	4.13	9.33	2.65
Copper ($US/met. tonne)	10956.1	10778.6	11163.8	8571.4
Gold ($US/troy oz.)	4210.7	4065.1	4356.3	2585.4

*As of 12:08 PM on Friday. **Oil-WTI, Cushing, Nat. Gas-Henry Hub, LA (Thursday close price). Copper-LME Grade A. Gold-London Gold Bullion. Source: Bloomberg.

Fed Rate Cut Bets Fuel Equity Rally



Note: Data as of 12:07 PM ET, Friday, November 28, 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 – The Economy is Still Playing Andante

Maria Solovieva, CFA, Economist
416-380-1195

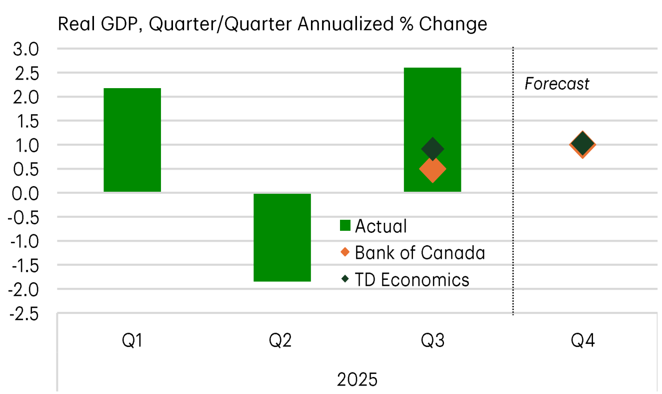
The third quarter GDP report spilled plenty of black ink, giving Black Friday week a literal twist. Markets reacted positively with the S&P/TSX building on previous gains, rising by 3.5% and long-term rates holding close to 3.1%. The loonie firmed by a full cent to $0.72

GDP growth rebounded sharply in Q3, rising by 2.6% quarter-on-quarter (q/q), annualized - far above the consensus call of 0.5% and our tracking of 0.9% (Chart 1). The upward surprise was tempered slightly by revisions. The second-quarter contraction was marked down from -1.6% to -1.8%, reflecting weaker personal consumption expenditures.

The composition tells an interesting story. Exports were basically flat last quarter after falling sharply in Q2, while business investment continued to slide amid still elevated trade uncertainty. Meanwhile, the pillar that carried the economy earlier in the year – household spending and inventories – slowed considerably. This kept underlying domestic demand soft, even as government spending surged by an eye-catching 12.2% (annualized), driven almost entirely by a massive increase in spending on weapon systems.

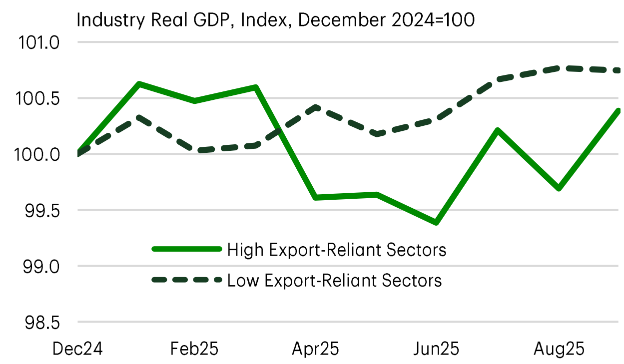
The GDP release also incorporated revisions from the Provincial and Territorial Economic Accounts. These updates showed stronger consumer spending and a substantial upgrade to non-residential investment. The latter added $135 billion to the level of GDP over the past two years, suggesting that Canada's productivity performance – while still troubling – may not be as weak as previously thought.

Chart 1: Canadian Economy Regained Momentum in Q3



Source: Statistics Canada, TD Economics.

Chart 2: Canada's Export-Reliant Sectors Remain the Key Laggard



Source: Statistics Canada, TD Economics.

We also received figures on GDP by industry for September, which showed a modest pick-up in activity. It offered a clearer view on how the ongoing trade tensions are filtering through supply chains. Industries most affected by tariffs, such as manufacturing, rebounded but remain a laggard and still face a difficult path forward (Chart 2). But even outside of trade exposed sectors, the rest of the economy is not convincingly expanding either, with several sectors that had shown strength earlier in the year, now contracting. The advance estimate points to a decline in October.

On the musical spectrum, the economy is still playing andante: faster than adagio but far from allegro –a slow, steady walk rather than a spirited march. In this otherwise muted symphony, the federal government added two notable accents. First, a suite of measures aimed at protecting and transforming Canada's industry by redirecting demand towards domestically-produced steel and lumber. Second, Ottawa and Alberta reached an agreement to advance a new pipeline connecting oil production to the West Coast, conditional on achieving a 75% reduction in emissions over the next decade.

As with all major infrastructure projects, tangible economic impacts will take years to materialize. For now, the underlying rhythm of the economy remains broadly aligned with the Bank's forecast for growth just above 1% through 2026, with existing slack already embedded in the outlook. A future rate cut cannot be fully ruled out but would require a pace of growth far closer to largo – a more meaningful cooling relative to the already subdued outlook.

U.S. – Equity Markets Gobble Up Prospects for a December Rate Cut

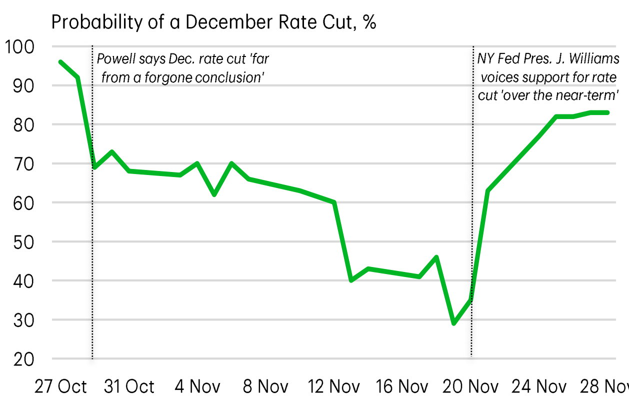
Thomas Feltmate, Director & Senior Economist
416-944-5730

U.S. equity markets traded higher through the holiday shortened week, boosted by expectations for a December rate cut and renewed enthusiasm for the AI trade. Meanwhile, economic data out this week reinforced the narrative that some sluggishness has materialized in the U.S. economy. The S&P 500 is looking to end the week higher by over 3%, more than erasing last week's losses and is now up 16% year-to-date. Treasury yields dipped by a few basis points on the week, with the 10-year currently hovering around 4%.

Fed futures have been on a wild ride recently. Just over a week ago, markets attached a roughly one-third probability to a December rate cut. But since then, two Fed officials who hew closely to Chair Powell, including NY Fed President John Williams and San Francisco Fed President Mary Daly (non-voting member) voiced support for a December rate cut. Pricing has since swung back to over 80% (Chart 1). The Fed doesn't tend to fight the market and with the decision just over a week away, a further trimming in the policy rate looks to be a safe bet. Though if ADP employment data were to surprise to the upside next week, odds may yet shift again.

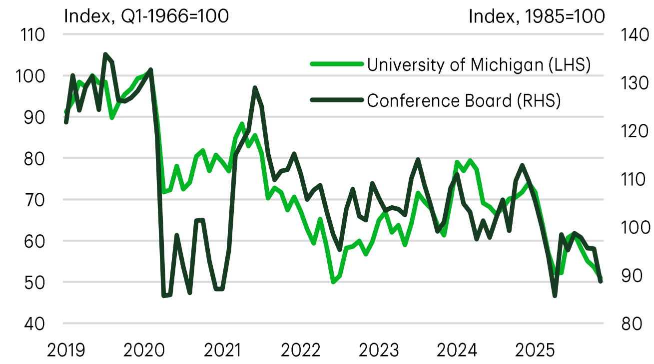
Turning to this week's economic data releases, retail figures for September showed that spending slowed at the end of the third quarter – putting Q4 on a shakier footing. The softening in September spending isn't entirely surprising. Measures of consumer sentiment have nosedived recently, with the Conference Board's November reading slipping to its lowest level since April and second lowest reading since the depths of the 2020 Global

Chart 1: Probability of a December Rate Cut Now Over 80%



Source: Bloomberg, TD Economics.

Chart 2: Measures of Consumer Sentiment Have Turned Lower



Source: Conference Board, University of Michigan, TD Economics.

Pandemic (Chart 2). Survey details show that consumers' assessment of job availability is particularly downbeat, as are prospects for making 'larger purchases' over the next six months. While shifts in consumer confidence metrics have proven to be a less reliable predictor of spending patterns post-pandemic, the steady downward trend across multiple measures suggests the direction of travel is likely to be lower over the near-term.

This was further confirmed in the Fed's Beige Book, which noted that overall consumer spending had 'declined further' in recent months, even though higher-end retail spending remained resilient. The Fed's contacts chalked some of the weakness up to the government shutdown, and a pullback in EV sales following the expiration of the federal tax credit. However, the softening labor market also likely had some influence, with the majority of Districts seeing a decline in hiring and about half noting weaker labor demand. Importantly, employers across most Districts reported limiting headcounts using hiring freezes, 'replacement-only' hiring and attrition rather than through layoffs.

This reinforces the 'low hire, low fire' narrative' (see report). But it's a precarious balance, and one where the downside risks have the potential to materialize very quickly. While this supports the case for a bit more easing in the fed funds rate, still elevated inflation and a policy stance that is quickly closing in on neutral are important considerations that can't be overlooked. Bringing the policy rate much lower runs the risk of putting the Fed out of position in the event the labor market were to firm in the months ahead.

Exhibits

Recent Key Economic Indicators: Nov 24 - 28, 2025						
Release Date		Economic Indicator/Event	Data for Period	Units	Current	Prior
United States						
Nov 25		Retail Sales Advance	Sep	M/M % Chg.	0.2	0.6
Nov 25		Retail Sales Ex Auto and Gas	Sep	M/M % Chg.	0.1	0.6
Nov 25		PPI Final Demand	Sep	M/M % Chg.	0.3	-0.1
Nov 25		PPI Ex Food and Energy	Sep	M/M % Chg.	0.1	-0.1
Nov 25		Business Inventories	Aug	M/M % Chg.	0.0	0.1
Nov 25		Conf. Board Consumer Confidence	Nov	Index	88.7	95.5
Nov 26		Initial Jobless Claims	Nov 22	Thsd	216.0	222.0
Nov 26		Durable Goods Orders	Sep	M/M % Chg.	0.5	3.0
Nov 26		Cap Goods Orders Nondef Ex Air	Sep	M/M % Chg.	0.9	0.9
Canada						
Nov 27		Payroll Employment Change - SEPH	Sep	Thsd	-58.0	17.6
Nov 28		Quarterly Gross Domestic Product Annualized	3Q	Q/Q % Chg.	2.6	-1.8
Nov 28		Gross Domestic Product	Sep	M/M % Chg.	0.2	-0.1
International						
Nov 27	JN	Tokyo Consumer Price Index	Nov	Y/Y % Chg.	2.7	2.7
Nov 27	JN	Jobless Rate	Oct	%	2.6	2.6
Nov 27	JN	Retail Sales	Oct	Y/Y % Chg.	1.7	0.2
Nov 28	IN	Gross Domestic Product	3Q	Y/Y % Chg.	8.2	7.8

Source: Bloomberg, TD Economics.

Upcoming Economic Releases and Events: Dec 1 - 5, 2025							
Release Date	Time**		Economic Indicator/Event	Data for Period	Units	Consensus Forecast	Last Period
United States							
Dec 01	9:45		S&P Global US Manufacturing PMI	Nov	Index	-	51.9
Dec 01	10:00		ISM Manufacturing	Nov	Index	49.0	48.7
Dec 01	10:00		Construction Spending	Sep	M/M % Chg.	-	0.2
Dec 01	20:00		*Fed's Powell Speaks at Memorial Event*				
Dec 02	10:00		*Fed's Bowman Testifies Before House Committee*				
Dec 02	0:00		Wards Total Vehicle Sales	Nov	Mlns	15.4	15.3
Dec 03	8:15		ADP Employment Change	Nov	Thsd	20.0	42.0
Dec 03	9:15		Capacity Utilization	Sep	%	77.3	77.4
Dec 03	9:15		Manufacturing (SIC) Production	Sep	M/M % Chg.	0.1	0.2
Dec 03	9:15		Industrial Production	Sep	M/M % Chg.	0.1	0.1
Dec 03	9:45		S&P Global US Services PMI	Nov	Index	-	55.0
Dec 03	9:45		S&P Global US Composite PMI	Nov	Index	-	54.8
Dec 03	10:00		ISM Services Index	Nov	Index	52.0	52.4
Dec 04	8:30		Initial Jobless Claims	Nov 29	Thsd	-	216.0
Dec 04	8:30		Trade Balance*	Sep	Blns	-	-59.6
Dec 04	12:00		*Fed's Bowman Speaks on Bank Supervision and Regulation*				
Dec 05	10:00		Personal Income	Sep	M/M % Chg.	0.3	-
Dec 05	10:00		Real Personal Spending	Sep	M/M % Chg.	0.1	-
Dec 05	10:00		Factory Orders*	Sep	M/M % Chg.	-	1.4
Dec 05	10:00		Factory Orders Ex Trans*	Sep	M/M % Chg.	-	0.1
Canada							
Dec 01	9:30		S&P Global Canada Manufacturing PMI	Nov	Index	-	49.6
Dec 03	8:30		Labour Productivity QoQ	3Q	Q/Q % Chg.		-1.0
Dec 05	8:30		Net Change in Employment	Nov	Thsd	-13.5	66.6
Dec 05	8:30		Unemployment Rate	Nov	%	7.0	6.9
International							
Dec 02	5:00	EZ	Unemployment Rate	Oct	%	6.3	6.3
Dec 02	5:00	EZ	Consumer Price Index Estimate	Nov	Y/Y % Chg.	2.1	2.1
Dec 04	5:00	EZ	Retail Sales	Oct	Y/Y % Chg.	1.4	1.0
Dec 04	7:00	BZ	Gross Domestic Product	3Q	Q/Q % Chg.	0.1	0.4
Dec 05	5:00	EZ	Gross Domestic Product SA	3Q	Y/Y % Chg.	1.4	1.4
Dec 05	5:00	EZ	Employment	3Q	Y/Y % Chg.	-	0.5

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

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