

Weekly Bottom Line

January 23, 2026

Highlights

Canada

- The Bank of Canada's business and consumer sentiment surveys continued to point to subdued moods amid economic uncertainty.
- Cooling core inflation metrics in December 2025 were likely well received by policymakers, even with an acceleration in overall inflation.
- Even with the headwind of uncertainty, Canadian consumer spending is holding up, with November retail trade volumes up 1% month-on-month.

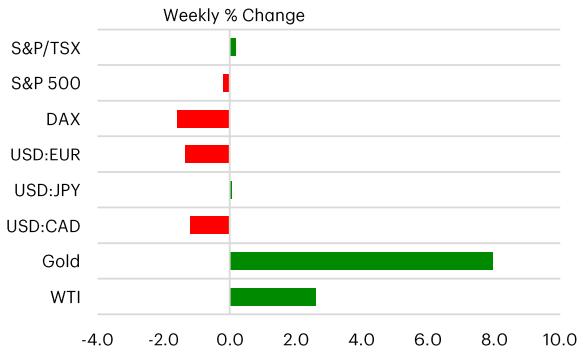
U.S.

- Financial markets declined sharply on rising trade and geopolitical tensions but clawed earlier losses as cooler heads prevailed at the World Economic Forum in Davos.
- Consumer resilience carried into the fourth quarter, despite around 650,000 federal workers being furloughed without pay throughout the six-week long government shutdown.
- Core PCE inflation rose to 2.8% year-over-year in November, a slight acceleration from 2.7% in October.

This Week in the Markets				
	Current*	Week Ago	52-Week High	52-Week Low
Stock Market Indexes				
S&P 500	6920	6940	6977	4983
S&P/TSX Comp.	33092	33041	33092	22507
DAX	24883	25297	25421	19671
FTSE 100	10147	10235	10239	7679
Nikkei	53847	53936	54341	31137
Fixed Income Yields				
U.S. 10-yr Treasury	4.24	4.22	4.64	3.95
Canada 10-yr Bond	3.42	3.37	3.60	2.83
Germany 10-yr Bund	2.89	2.84	2.90	2.36
UK 10-yr Gilt	4.49	4.40	4.80	4.34
Japan 10-yr Bond	2.26	2.19	2.36	1.12
Foreign Exchange Cross Rates				
C\$ (USD per CAD)	0.73	0.72	0.74	0.69
Euro (USD per EUR)	1.18	1.16	1.19	1.03
Pound (USD per GBP)	1.36	1.34	1.37	1.24
Yen (JPY per USD)	158.2	158.1	159.1	140.9
Commodity Spot Prices**				
Crude Oil (\$US/bbl)	61.0	59.4	75.1	55.3
Natural Gas (\$US/MMBtu)	8.42	3.09	8.42	2.65
Copper (\$US/met. tonne)	12672.7	12864.5	13273.8	8571.4
Gold (\$US/troy oz.)	4958.7	4596.1	4958.7	2740.8

*As of 10:49 AM on Friday. **Oil-WTI, Cushing, Nat. Gas-Henry Hub, LA (Thursday close price). Copper-LME Grade A, Gold-London Gold Bullion. Source: Bloomberg.

Gold Surges as Geopolitical Risks Linger



Note: Data as of 10:49 AM ET, Friday, January 23, 2026.
Source: Bloomberg, TD Economics.

Global Official Policy Rate Targets	
Central Banks	Current Target
Federal Reserve (Fed Funds Rate)	3.50 - 3.75%
Bank of Canada (Overnight Rate)	2.25%
European Central Bank (Refi Rate)	2.15%
Bank of England (Repo Rate)	3.75%
Bank of Japan (Overnight Rate)	0.75%

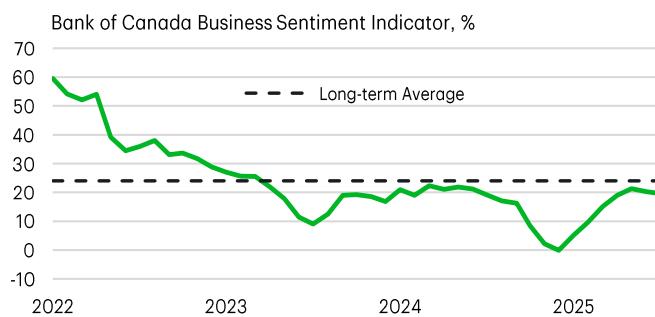
Canada – Transatlantic Tensions Unsettle Markets

Rishi Sondhi, Economist
416-983-8806

For financial markets this week, an appropriate statement may have been “what a year this week was”. The TSX, for instance, plunged early in the week on tensions between Europe and the U.S. over Greenland. It then staged a relief rally, more-than-fully recouping those losses after President Trump eased fears of military action in the region and a renewed trade war with Europe. Canadian bond yields were also volatile, flaring higher alongside the spike in Japanese bond yields and geopolitical tensions, before pulling back a touch, as cooler heads prevailed on the Greenland issue.

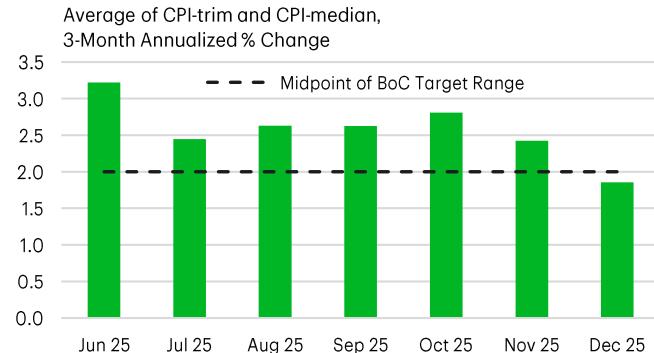
These events reinforced that Canada continues to deal in an uncertain economic backdrop, and this will likely be a factor restraining economic activity in 2026. This uneasiness has certainly been weighing on consumer and business moods, and we received fresh evidence of this impact this week with the latest Bank of Canada surveys on business and consumer confidence. Although showing some improvement relative to early 2025, business sentiment continues to be “subdued” (Chart 1). The uncertainty caused by the trade war continues to weigh on investment intentions, consistent with the pullback that we are seeing in the hard data. Consumers are also concerned about trade uncertainty, though actual spending remains decent. This week’s retail spending report showed a healthy 1% monthly gain in volumes. And, although retail sales are tracking flat for Q4 overall, we see some upside risk to our fourth quarter consumption forecast, on the back of stronger services spending.

Chart 1: Trade Uncertainty, Tariffs Continue to Dim Canadian Business Moods



Source: Bank of Canada, TD Economics. Indicator is a double-weighed balance of opinion on the following question, “excluding normal seasonal patterns, how would you rate current business conditions for your firm?”

Chart 2: Canadian Core Inflation Cooled Notably in December



Source: Statistics Canada, TD Economics

High prices were also a top concern for consumers in the Bank’s latest survey. However, there was some good news on this front this week. The Bank’s preferred core inflation metrics cooled in December (Chart 2), with the 3-month annualized percent change for the CPI-trim and CPI-median both ducking under 2%. What’s more, the share of items whose prices grew at 3% or more dropped (when measured on the same basis) - signaling a narrowing breadth of inflation across categories. However, the report wasn’t a complete slam dunk, as overall inflation increased by more than expected on the back of stronger food prices.

Tying these threads together, this week painted a picture of a soft underlying Canadian economy with moderating inflation pressures that still faces significant uncertainty. While this was enough for markets to slightly pare back their expectations of a rate hike later this year, we don’t think it was enough to meaningfully shift the policy dial. The Bank has repeatedly said that they are happy with the current policy stance, provided the economy evolves broadly in line with expectations. And, at 2.8%, core inflation landed almost bang-on the Bank’s expectation for 2025Q4. Indeed, it would take a significant undershooting of economic growth or meaningful softening in the labour market to force policymakers off the sidelines.

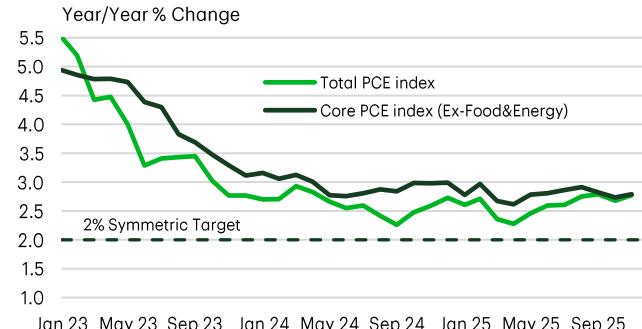
U.S. – Davos De-escalation Supports Market Recovery

Admir Kolaj, Economist
416-944-6318

Financial markets experienced considerable volatility this week amid resurgent geopolitical and trade frictions. President Trump ramped up the pressure to 'acquire' Greenland ahead of the annual World Economic Forum in Davos. He announced tariffs on eight European countries that resisted these efforts. This set into motion retaliatory efforts, with the EU suspending the ratification of the U.S.-EU trade agreement. Global financial markets fell sharply, as did the trade-weighted U.S. dollar and Treasury prices. Relief emerged during the Davos meetings. During his speech, President Trump ruled out military action on Greenland. He subsequently announced that a "framework on a future deal" had been reached and dropped earlier tariff threats. Markets responded strongly, with the S&P 500 recovering nearly all its intra-week declines.

Stepping back from market swings, the episode reveals deeper geopolitical and economic implications. While tensions have eased, significant uncertainties remain. Details on the proposed framework on Greenland are limited, appearing to center on mineral rights extraction and potential integration into the planned Golden Dome missile defense system. Denmark and its allies firmly oppose any outcome that compromises territorial sovereignty, raising the risk of future bouts of escalation. Additionally, this week's events bring into question the stability of the trade deals that have been negotiated thus far. The sudden announcement of tariff threats undermined recently negotiated agreements with the U.K. and the EU, chipping away at the

Chart 2: U.S. Core PCE Inflation Remains Above Target



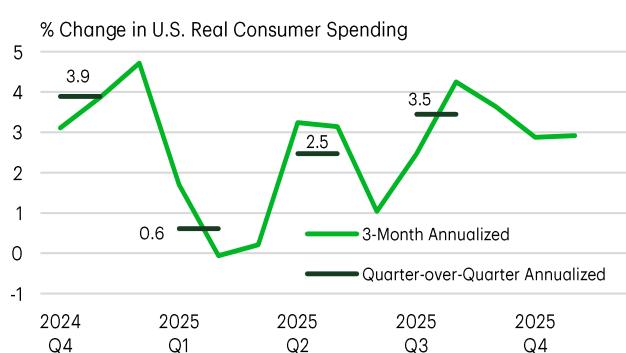
Source: U.S. Bureau of Economic Analysis, TD Economics.

predictability these pacts were meant to secure. Such policy volatility undermines business and investor confidence, which underpins forecasts for improved U.S. growth in 2026.

A light U.S. economic data calendar took a backseat to Greenland developments, yet the released figures highlighted resilience. The first revision to third-quarter GDP lifted annualized growth to 4.4% from 4.3%, reflecting upward adjustments in exports and business fixed investment. Consumer spending remained unchanged at 3.5%, but the trend in the fourth quarter appeared to remain healthy. The delayed October and November PCE reports pointed to greater household endurance through the extended government shutdown than initially anticipated (Chart 1). This recent data brings our tracking for consumption in the fourth quarter to 3% – stronger than previously expected. Inflation, however, tempered the positive tone. Core PCE inflation – the Fed's preferred inflation gauge – rose to 2.8% year-over-year in November from 2.7% in October, remaining firmly above the 2% target (Chart 2).

Overall, the U.S. economy enters 2026 on firmer ground than previously expected, bolstered by upward growth revisions and a resilient consumer. Yet this week's swift escalation and de-escalation raise a fundamental question: can trade agreements be considered truly settled when they remain vulnerable to unilateral changes? Trade frictions – previously expected to fade and support growth – may persist longer than anticipated, with this week's events a clear reminder of that.

Chart 1: Consumer Spending Trend Showed Resilience in Q4



Source: U.S. Bureau of Economic Analysis, TD Economics.
*Last monthly data point is November.

Exhibits

Recent Key Economic Indicators: Jan 19 - 23, 2026						
Release Date	Economic Indicator/Event		Data for Period	Units	Current	Prior
United States						
Jan 21	Construction Spending		Oct	M/M % Chg.	-0.6	0.4
Jan 21	Pending Home Sales		Dec	M/M % Chg.	-9.3	3.3
Jan 22	Gross Domestic Product Annualized		3Q	Q/Q % Chg.	4.4	4.3
Jan 22	Personal Consumption		3Q	Q/Q % Chg.	3.5	3.5
Jan 22	Initial Jobless Claims		Jan 17	Thsd	200.0	199.0
Jan 22	Personal Income		Nov	M/M % Chg.	0.3	0.1
Jan 22	Real Personal Spending		Nov	M/M % Chg.	0.3	0.1
Jan 23	S&P Global US Manufacturing PMI		Jan	Index	51.9	51.8
Jan 23	S&P Global US Services PMI		Jan	Index	52.5	52.5
Jan 23	S&P Global US Composite PMI		Jan	Index	52.8	52.7
Canada						
Jan 19	Consumer Price Index NSA		Dec	M/M % Chg.	-0.2	0.1
Jan 19	Consumer Price Index		Dec	Y/Y % Chg.	2.4	2.2
Jan 21	Industrial Product Price		Dec	M/M % Chg.	-0.6	1.1
Jan 23	Retail Sales		Nov	Y/Y % Chg.	1.3	-0.3
Jan 23	Retail Sales Ex Auto		Nov	M/M % Chg.	1.7	-0.6
International						
Jan 19	EZ Consumer Price Index		Dec	Y/Y % Chg.	1.9	2.0
Jan 20	UK ILO Unemployment Rate		Nov	%	5.1	5.1
Jan 21	UK Consumer Price Index		Dec	Y/Y % Chg.	3.4	3.2
Jan 22	JN Natl Consumer Price Index		Dec	Y/Y % Chg.	2.1	2.9
Jan 23	UK Retail Sales Ex Auto Fuel		Dec	Y/Y % Chg.	3.1	2.6

Source: Bloomberg, TD Economics.

Upcoming Economic Releases and Events: Jan 26 - 30, 2026						
Release Date	Time*	Economic Indicator/Event	Data for Period	Units	Consensus Forecast	Last Period
United States						
Jan 26	8:30	Durable Goods Orders	Nov	M/M % Chg.	3.0	-2.2
Jan 26	8:30	Cap Goods Orders Nondef Ex Air	Nov	M/M % Chg.	0.3	0.5
Jan 27	10:00	Conf. Board Consumer Confidence	Jan	Index	90.0	89.1
Jan 28	14:00	FOMC Rate Decision (Upper Bound)	Jan 28	%	3.75	3.75
Jan 29	8:30	Unit Labor Costs	3Q	Q/Q % Chg.	-1.9	-1.9
Jan 29	8:30	Initial Jobless Claims	Jan 24	Thsd	-	200.0
Jan 29	8:30	Trade Balance	Nov	Blns	-45.0	-29.4
Jan 29	10:00	Factory Orders	Nov	M/M % Chg.	0.5	-1.3
Jan 29	10:00	Factory Orders Ex Trans	Nov	M/M % Chg.	-	-0.2
Jan 29	10:00	Durable Goods Orders	Nov	M/M % Chg.	-	-
Jan 29	10:00	Cap Goods Orders Nondef Ex Air	Nov	M/M % Chg.	-	-
Jan 29	10:00	Wholesale Trade Sales	Nov	M/M % Chg.	-	-0.4
Jan 30	8:30	PPI Final Demand	Dec	M/M % Chg.	0.3	0.2
Jan 30	8:30	PPI Ex Food and Energy	Dec	M/M % Chg.	0.3	0.0
Jan 30	13:30	<i>Fed's Musalem Speaks on Economy and Policy</i>				
Canada						
Jan 28	9:45	Bank of Canada Rate Decision	Jan 28	%	2.25	2.25
Jan 29	8:30	Payroll Employment Change - SEPH	Nov	Thsd	-	21.2
Jan 29	8:30	Int'l Merchandise Trade	Nov	Blns	-	-0.6
Jan 30	8:30	Gross Domestic Product	Nov	M/M % Chg.	0.1	-0.3
International						
Jan 29	18:30	JN Tokyo Consumer Price Index	Jan	Y/Y % Chg.	1.7	2.0
Jan 29	18:30	JN Jobless Rate	Dec	%	2.6	2.6
Jan 29	18:50	JN Retail Sales	Dec	Y/Y % Chg.	0.8	1.0
Jan 30	5:00	EZ Gross Domestic Product SA	4Q	Y/Y % Chg.	1.3	1.4
Jan 30	5:00	EZ Unemployment Rate	Dec	%	6.3	6.3
Jan 30	20:30	CH Manufacturing PMI	Jan	Index	50.2	50.1

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

Disclaimer

This report is provided by TD Economics. It is for informational and educational purposes only as of the date of writing, and may not be appropriate for other purposes. The views and opinions expressed may change at any time based on market or other conditions and may not come to pass. This material is not intended to be relied upon as investment advice or recommendations, does not constitute a solicitation to buy or sell securities and should not be considered specific legal, investment or tax advice. The report does not provide material information about the business and affairs of TD Bank Group and the members of TD Economics are not spokespersons for TD Bank Group with respect to its business and affairs. The information contained in this report has been drawn from sources believed to be reliable, but is not guaranteed to be accurate or complete. This report contains economic analysis and views, including about future economic and financial markets performance. These are based on certain assumptions and other factors, and are subject to inherent risks and uncertainties. The actual outcome may be materially different. The Toronto-Dominion Bank and its affiliates and related entities that comprise the TD Bank Group are not liable for any errors or omissions in the information, analysis or views contained in this report, or for any loss or damage suffered.