

Weekly Bottom Line

February 20, 2026

Highlights

Canada

- The U.S. Supreme Court decision to strike down the IEEPA tariffs offers limited near-term relief for Canada, as ample uncertainty remains.
- Canada's trade diversification thus far relies heavily on gold and oil, raising questions about whether it is sustainable.
- Focus remains on the CUSMA review process, with the resulting uncertainty expected to hang over the economy.

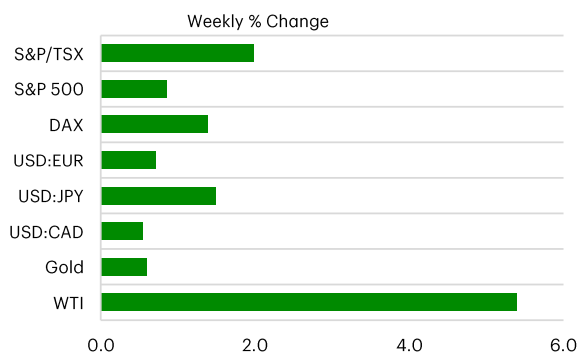
U.S.

- A Supreme Court decision on Friday struck down a large chunk of President Trump's second-term tariffs.
- January FOMC minutes reinforced a shift in the balance of risks toward inflation, with policymakers signaling little urgency to resume rate cuts.
- GDP growth cooled to 1.4% at the end of 2025, reflecting a sharp contraction in federal outlays. Core PCE inflation rose to 3.0% y/y in December, remaining well above target.

This Week in the Markets				
	Current*	Week Ago	52-Week High	52-Week Low
Stock Market Indexes				
S&P 500	6907	6836	6979	4983
S&P/TSX Comp.	33716	33074	33716	22507
DAX	25247	24915	25421	19671
FTSE 100	10683	10446	10686	7679
Nikkei	56826	56942	57651	31137
Fixed Income Yields				
U.S. 10-yr Treasury	4.09	4.05	4.60	3.95
Canada 10-yr Bond	3.22	3.26	3.60	2.83
Germany 10-yr Bund	2.74	2.76	2.91	2.41
UK 10-yr Gilt	4.35	4.42	4.80	4.34
Japan 10-yr Bond	2.12	2.23	2.36	1.12
Foreign Exchange Cross Rates				
C\$ (USD per CAD)	0.73	0.73	0.74	0.69
Euro (USD per EUR)	1.18	1.19	1.20	1.04
Pound (USD per GBP)	1.35	1.37	1.38	1.26
Yen (JPY per USD)	155.0	152.7	159.1	140.9
Commodity Spot Prices**				
Crude Oil (\$US/bbl)	66.2	62.9	75.1	55.3
Natural Gas (\$US/MMBtu)	3.08	3.24	30.72	2.65
Copper (\$US/met. tonne)	12713.6	12774.6	13524.2	8571.4
Gold (\$US/troy oz.)	5065.6	5042.0	5417.2	2857.8

*As of 11:48 AM on Friday. **Oil-WTI, Cushing, Nat. Gas-Henry Hub, LA (Thursday close price). Copper-LME Grade A. Gold-London Gold Bullion. Source: Bloomberg.

Oil Prices Rise Amid Geopolitical Tensions



Note: Data as of 12:09 PM ET, Friday, February 20, 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%

Source: Bloomberg.

Canada – IEEPA Tariff Struck Down, But Uncertainty Lingers

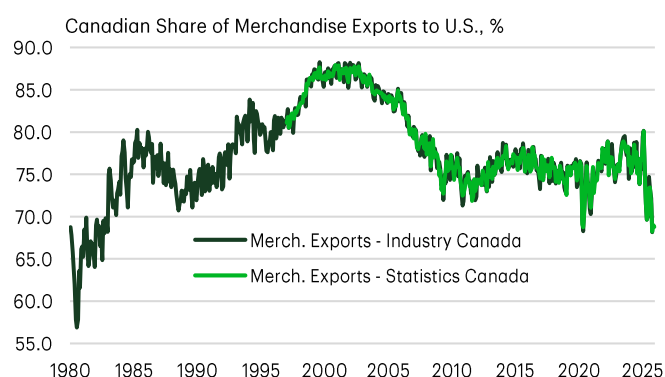
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The biggest piece of news this week came Friday morning as the [U.S. Supreme Court struck down the U.S. administration's use of IEEPA legislation to impose tariffs](#). These duties were 35% on non-CUSMA compliant goods flowing from Canada to the United States. The market reaction was relatively muted as the decision was expected given the skepticism expressed by justices in oral arguments in November. Canadian equities are up this week as rising commodities prices have buoyed prospects for the energy sector. Meanwhile, bond yields were little changed on the week as the stream of economic data left the narrative on the country's economic prospects relatively unchanged.

For Canada, the removal of the IEEPA tariffs represents some limited near-term relief, but it would be optimistic to assume this tariff relief is permanent or provides a sustainable upside risk to growth. First, the administration is likely to use other tariff tools, including the possibility to apply 50% duties on countries for trade practices deemed to “discriminate” against the U.S. We expect some new form of tariff regime will be established. Moreover, the IEEPA tariffs only applied to the subset Canadian goods that were not compliant with CUSMA rules of origin and that were not covered under Section 232 tariffs (autos, steel, aluminum, etc.), leaving many goods unaffected by the decision.

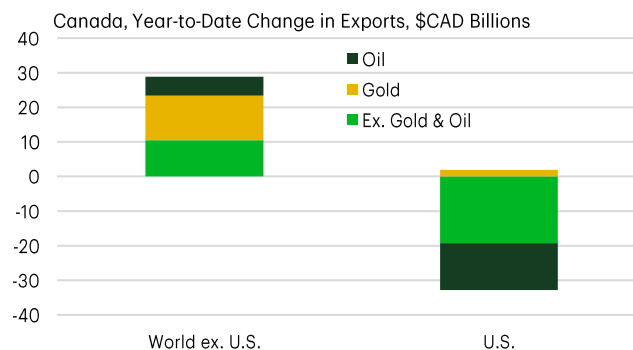
This week's trade data gives some indication of the tariff impact. Exports to the U.S. were down \$30.9 billion through 2025, of which \$15.5 billion were in categories of goods affected by Section 232 tariffs. Of the remaining \$15.4 billion decline, \$13.5 billion is attributable to a

Chart 1. Canadian Exports Increasingly Diversified



Source: Statistics Canada, Industry Canada, TD Economics.
Last observation: December 2025.

Chart 2. But Export Rotation Relies Heavily on Two Commodities



Note: Year-to-Date through December 2025.
Source: Statistics Canada, TD Economics.

decline in oil exports (which have been weighed down by lower prices and refinery outages in the U.S.). The decline in exports of goods that are not oil, gold, or covered by Section 232 was roughly \$3.8, down a meagre 1.4% relative to last year.

So, the focus for Canada remains the trade landscape and ongoing efforts to diversify its trade partnerships. As of December, Canada shipped roughly 68% of its goods exports to the U.S. The figure is down significantly from the 76% registered in December 2024, roughly unchanged since October. The 68% share is similar to the export composition during the pandemic, and a level of interaction not seen in over 40 years (Chart 1).

The rotation is underway, but it's not all good news. Exports that are being negatively affected by U.S. tariffs are struggling to find new markets. Much of Canada's success on the trade front has relied on two commodities; gold and oil. Total exports to the U.S. are down \$30.9 billion through 2025, while flows to the rest of the world are up \$28.8 (Chart 2). However, strip out the effects of these two commodities and the declines to the U.S. register \$19.3 billion with a smaller \$10.5 billion offset from the rest of the world.

This lack of new export markets for affected industries and the prominent role of commodities prone to large price changes does little to assuage concerns about the long-term sustainability of the current export mix, and the prospects for Canadian industry. Looking forward, the CUSMA review is set to pick up steam, and the resulting uncertainty is expected to hang over the economy.

U.S. – Tariff Uncertainty Makes a Comeback

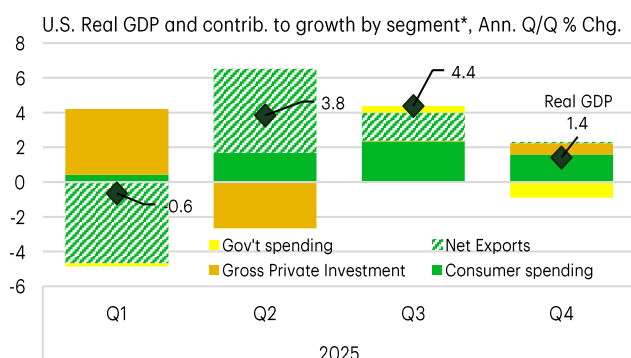
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Financial markets were largely rangebound for much of this week as investors digested the January FOMC minutes and an important run of macro data. Early market reaction to the Supreme Court's decision to strike down a large chunk of President Trump's second term tariffs appears broadly positive, with the S&P 500 up 0.9% from last week's close at time of writing.

The Supreme Court ruling found that the law that underpins many of Trump's global tariffs – the International Emergency Economic Powers Act (IEEPA) – “does not authorize the President to impose tariffs”. The decision did not rule on how or if tariffs that have already been paid should be refunded – a potentially messy process. We expect the U.S. administration will act quickly to recreate its tariff regime using justification from other statutes. For more on this, see our commentary [here](#).

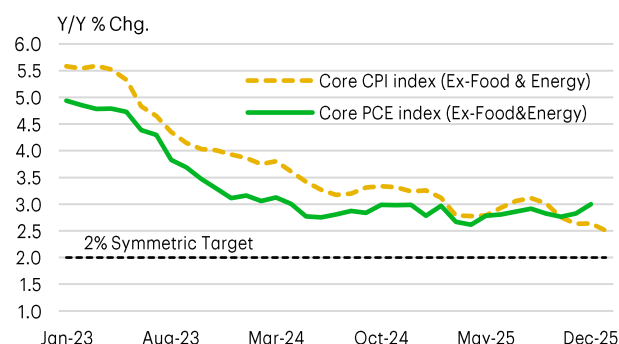
Prior to the tariff decision, the January FOMC minutes dominated the financial market limelight. Two key takeaways stood out from the minutes. First, the balance of risks has shifted away from labor market weakness and toward inflation staying uncomfortably high. Driving home this point was the fact that most committee members judged that “downside risks to employment had moderated, while the risk of more persistent inflation remained”. Importantly, this assessment occurred before the release of last week's delayed payrolls report, which showed a firmer labor market than many feared. Second, most participants judged that the current policy rate is closer to neutral rather than

Chart 1: U.S. Growth Slowed in Q4, Gov't Sector Was a Drag, Consumer Continued to do the Heavy Lifting



*Diamonds represent Real GDP growth, stacked bars represent contributions to growth.
Source: Census Bureau, TD Economics.

Chart 2: U.S. Core PCE Inflation at 3% in December, Remains Above Target



*Missing CPI data has been interpolated.
Source: BEA, TD Economics.

restrictive. That assessment diminishes the urgency to resume rate cuts.

This week's macro data broadly echoed the tone of the minutes, even as growth was weaker than expected at the end of 2025. Fourth-quarter GDP growth came in at 1.4% annualized in the first estimate, a notable slowdown from 4.4% in the third quarter (Chart 1). The disappointment was driven largely by a steep pullback in federal outlays, reflecting the 43-day government shutdown. Importantly, final sales to private domestic purchasers rose 2.4%, underscoring the resilience of underlying private sector demand despite the headline slowdown.

The December personal income and outlays report added further color to the economic backdrop at year-end. Real consumer spending was up just 0.1% m/m in December, reflecting a pullback in goods spending. Inflation pressures, meanwhile, re-accelerated at the margin. Core PCE inflation rose to 3.0% y/y, remaining well above target (Chart 2).

All told, even after accounting for this morning's miss on Q4 growth, we still feel that the U.S. economy has entered 2026 with considerable momentum. That said, it appears that 2026 may start off in similar fashion to 2025 after all – with elevated tariff uncertainty. This reinforces the notion that the Fed will remain on hold for the time being, as it waits for the policy fog to clear.

Exhibits

Recent Key Economic Indicators: February 16 - 20, 2026					
Release Date	Economic Indicator/Event	Data for Period	Units	Current	Prior
United States					
Feb 17	Empire Manufacturing	Feb	Index	7.1	7.7
Feb 17	NAHB Housing Market Index	Feb	Index	36.0	37.0
Feb 18	Durable Goods Orders	Dec	M/M % Chg.	-1.4	5.4
Feb 18	Cap Goods Orders Nondef Ex Air	Dec	M/M % Chg.	0.6	0.8
Feb 18	Housing Starts	Nov	Thsd	1322.0	1272.0
Feb 18	Building Permits	Nov	Thsd	1388.0	1411.0
Feb 18	Housing Starts	Dec	Thsd	1404.0	1322.0
Feb 18	Building Permits	Dec	Thsd	1448.0	1388.0
Feb 18	Industrial Production	Jan	M/M % Chg.	0.7	0.2
Feb 18	Manufacturing (SIC) Production	Jan	M/M % Chg.	0.6	0.0
Feb 18	Capacity Utilization	Jan	%	76.2	75.7
Feb 19	Advance Goods Trade Balance	Dec	Blns	-98.5	-82.8
Feb 19	Initial Jobless Claims	Feb 14	Thsd	206.0	229.0
Feb 19	Trade Balance	Dec	Blns	-70.3	-53.0
Feb 19	Pending Home Sales	Jan	M/M % Chg.	-0.8	-7.4
Feb 20	Personal Income	Dec	M/M % Chg.	0.3	0.4
Feb 20	Real Personal Spending	Dec	M/M % Chg.	0.1	0.2
Feb 20	Gross Domestic Product (Annualized)	4Q	Q/Q % Chg.	1.4	4.4
Feb 20	Personal Consumption	4Q	Q/Q % Chg.	2.4	3.5
Feb 20	S&P Global US Manufacturing PMI	Feb	Index	51.2	52.4
Feb 20	S&P Global US Services PMI	Feb	Index	52.3	52.7
Feb 20	S&P Global US Composite PMI	Feb	Index	52.3	53.0
Feb 20	Building Permits	Dec	Thsd	1455.0	1448.0
Canada					
Feb 16	Housing Starts	Jan	Thsd	238.0	280.7
Feb 16	Manufacturing Sales	Dec	M/M % Chg.	0.6	-1.3
Feb 17	Wholesale Sales ex Petroleum	Dec	M/M % Chg.	2.0	-1.8
Feb 17	Consumer Price Index NSA	Jan	M/M % Chg.	0.0	-0.2
Feb 17	Consumer Price Index	Jan	Y/Y % Chg.	2.3	2.4
Feb 17	CPI-Median	Jan	Y/Y % Chg.	2.5	2.6
Feb 17	CPI-Trim	Jan	Y/Y % Chg.	2.4	2.7
Feb 18	Existing Home Sales	Jan	M/M % Chg.	-5.8	-2.7
Feb 19	Int'l Merchandise Trade	Dec	Blns	-1.3	-2.6
Feb 20	Retail Sales	Dec	M/M % Chg.	-0.4	1.2
Feb 20	Retail Sales Ex Auto	Dec	M/M % Chg.	0.1	1.6
Feb 20	Industrial Product Price	Jan	M/M % Chg.	2.7	-0.9
International					
Feb 19	JN National Consumer Price Index	Jan	Y/Y % Chg.	1.5	2.1
Feb 17	UK ILO Unemployment Rate (3 Mths.)	Dec	%	5.2	5.1
Feb 18	UK Consumer Price Index	Jan	Y/Y % Chg.	3.0	3.4
Feb 20	UK Retail Sales Ex Auto Fuel	Jan	Y/Y % Chg.	5.5	2.5

Source: Bloomberg, TD Economics.

Upcoming Economic Releases and Events: February 23 - 27, 2026						
Release Date	Time*	Economic Indicator/Event	Data for Period	Units	Consensus Forecast	Last Period
United States						
Feb 23	8:00	<i>Fed's Waller Speaks on Economic Outlook</i>				
Feb 23	10:00	Factory Orders	Dec	M/M % Chg.	1.0	2.7
Feb 23	10:00	Durable Goods Orders	Dec	M/M % Chg.	-	-1.4
Feb 23	10:00	Factory Orders Ex Trans	Dec	M/M % Chg.	-	0.2
Feb 23	10:00	Cap Goods Orders Nondef Ex Air	Dec	M/M % Chg.	-	0.6
Feb 24	8:00	<i>Fed's Goolsbee Speaks on Economy</i>				
Feb 24	9:00	<i>Fed's Collins Gives Opening Remarks</i>				
Feb 24	9:00	<i>Fed's Bostic in Moderated Discussion</i>				
Feb 24	9:10	<i>Fed's Waller Gives Keynote Address</i>				
Feb 24	9:35	<i>Fed's Cook Speaks on AI</i>				
Feb 24	10:00	Conf. Board Consumer Confidence	Feb	Index	88.0	84.5
Feb 24	10:00	Wholesale Trade Sales	Dec	M/M % Chg.	-	1.3
Feb 24	15:15	<i>Fed's Barkin & Collins on Panel</i>				
Feb 25	10:40	<i>Fed's Barkin Speaks on Panel</i>				
Feb 25	13:20	<i>Fed's Musalem Speaks on Role of Fed</i>				
Feb 26	8:30	Initial Jobless Claims	Feb 21	Thsd	-	206.0
Feb 27	8:30	PPI Final Demand	Jan	M/M % Chg.	0.3	0.5
Feb 27	8:30	PPI Ex Food and Energy	Jan	M/M % Chg.	0.3	0.7
Canada						
Feb 26	7:00	CFIB Business Barometer	Feb	Index	-	59.5
Feb 26	8:30	Payroll Employment Change (SEPH)	Dec	Thsd	-	-26.2
Feb 27	8:30	Gross Domestic Product (Annualized)	4Q	Q/Q % Chg.	-0.4	2.6
Feb 27	8:30	Gross Domestic Product	Dec	M/M % Chg.	0.1	0.0
International						
Feb 23	7:00	MX Gross Domestic Product NSA	4Q	Y/Y % Chg.	1.6	1.6
Feb 25	5:00	EZ Consumer Price Index	Jan	Y/Y % Chg.	1.7	1.7
Feb 26	18:30	JN Tokyo Consumer Price Index	Feb	Y/Y % Chg.	1.4	1.5
Feb 26	18:50	JN Retail Sales	Jan	Y/Y % Chg.	0.1	-0.9
Feb 27	5:30	IN Gross Domestic Product	4Q	Y/Y % Chg.	7.4	8.2

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

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