

Weekly Bottom Line

March 6, 2026

Highlights

Canada

- Escalating conflict in the Middle East has sent oil prices parabolic. Major disruptions at the Strait of Hormuz leaves the near-term price outlook highly uncertain.
- Higher oil prices are a short-term boost for Canada's energy sector and public revenues, but are already hitting consumers, with national gasoline prices up sharply on the week.
- The limited Canadian data this week was soft. Preliminary home sales data for February flatlined while Q4 productivity edged lower.

U.S.

- Global equity markets sold off this week, while energy prices pushed meaningfully higher following the United States and Israel's strikes on Iran.
- Despite this week's sharp move in oil prices, the impact to the U.S. economy remains relatively small, but that assumes the conflict is short-lived.
- The February employment report came in on the softer side, with hiring declining and the unemployment rate ticking higher.

This Week in the Markets

	Current*	Week Ago	52-Week High	52-Week Low
Stock Market Indexes				
S&P 500	6761	6879	6979	4983
S&P/TSX Comp.	33236	34340	34541	22507
DAX	23548	25284	25421	19671
FTSE 100	10276	10911	10911	7679
Nikkei	55621	58850	58850	31137
Fixed Income Yields				
U.S. 10-yr Treasury	4.13	3.94	4.60	3.94
Canada 10-yr Bond	3.39	3.13	3.60	2.88
Germany 10-yr Bund	2.87	2.64	2.91	2.44
UK 10-yr Gilt	4.62	4.23	4.80	4.23
Japan 10-yr Bond	2.17	2.12	2.36	1.12
Foreign Exchange Cross Rates				
C\$ (USD per CAD)	0.74	0.73	0.74	0.69
Euro (USD per EUR)	1.16	1.18	1.20	1.08
Pound (USD per GBP)	1.34	1.35	1.38	1.27
Yen (JPY per USD)	157.5	156.1	159.1	140.9
Commodity Spot Prices**				
Crude Oil (\$US/bbl)	89.1	67.0	89.1	55.3
Natural Gas (\$US/MMBtu)	2.90	2.98	30.72	2.65
Copper (\$US/met. tonne)	12857.4	13294.0	13524.2	8571.4
Gold (\$US/troy oz.)	5143.7	5278.9	5417.2	2888.7

Oil Prices Soar and Equities Sour on Middle East Conflict



Note: Data as of 11:45 AM ET, Friday, March 6, 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 – Oil’s Well... Until it Isn’t

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Escalating conflict in the Middle East dominated headlines this week. WTI oil prices surged an eye-watering 30% since last Friday to over \$89/bbl – it’s highest level since late-2023, but changing by the minute (Chart 1). The key concern is the Strait of Hormuz, a choke point for 20% of global oil supply. At the time of writing, oil is not being transported through the Strait, and major Gulf producers are approaching storage limits, forcing them to make difficult decisions about near-term production. So far Iraq and Kuwait have started ratcheting back production, with Saudi Arabia and the UAE expected to start cutting soon.

Oil price forecasts are highly uncertain at this time. For now, we anticipate prices will stay elevated near current levels for the month of March, before very gradually easing in the months following. Risk premiums are assumed to stay high as the current episode is widely viewed as the most significant threat to Middle East energy supply in several years. A worst-case scenario could see prices breach \$100/bbl should more oil supply go offline for longer and major infrastructure is damaged. We chart out some macroeconomic implications ([here](#)).

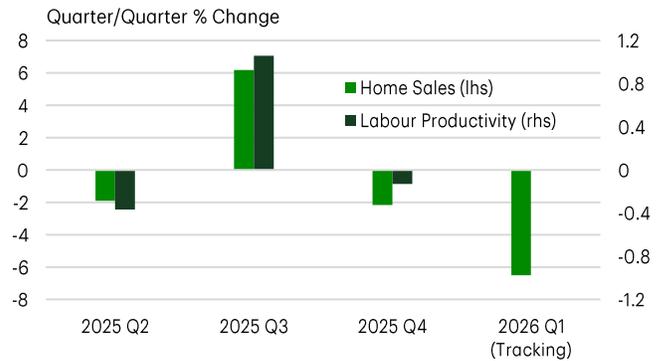
Canadian energy stocks caught a bid this week, though broader volatility pulled the TSX down 2%. Markets also began pricing higher inflation expectations into bonds, pushing 2 and 10-year Canada yields up around 20 basis points (bps) on the week. For Canada, rising oil prices are seen as a tailwind to energy producers’ revenues and government coffers. The downside is that Canadi-

Chart 1: Oil Prices Surging on Middle East Conflict



Source: TD Economics.

Chart 2: Canada Prints A Pair of Weak Macro Data



Source: Statistics Canada, CREA, TD Economics.

ans are starting to see increased prices at the pumps. The national average price for gasoline has jumped 12 cents per litre (an almost 10% gain) this week, with further moves higher likely on the way.

Outside of geopolitical events, Canadian data was light (Chart 2). A pulse check on Canadian housing markets via preliminary sales data for February showed a minimal bounce back in home sales after a dismal performance in January. Though sales gains edged higher in major B.C. and Quebec markets, a pullback in Toronto largely offset these gains. Elsewhere, Canadian productivity slipped in the fourth quarter, putting overall productivity growth in 2025 up a modest 1.1%. The data reinforces that Canada’s productivity problem is structural and will take time to see material improvements.

Meanwhile, Prime Minister Carney continued his quest to bolster trade relations with global trading partners. In a trip to India this week, Canada finalized a \$2.6 billion uranium supply agreement, with product to be delivered between 2027-2035. Assuming shipments are evenly distributed through the trade deal horizon (~280 million/year), this would bump Canada’s total uranium shipments up by almost 10% annually. Nominally, the deal represents a very modest portion of Canada’s overall trade portfolio, but it is expected to have positive regional impacts for Saskatchewan, with Cameco serves as the principal supplier.

U.S. – Epic Fury Sends Shockwaves Through Financial Markets

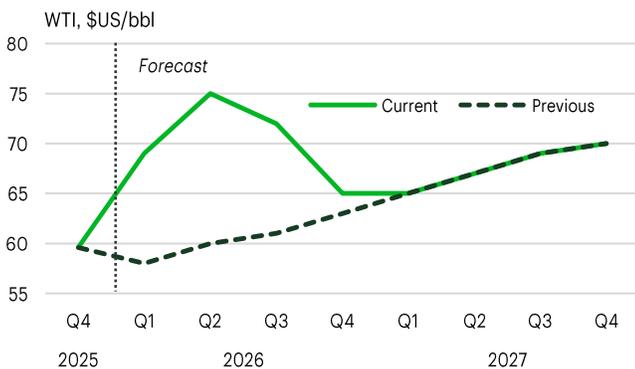
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The United States and Israel launched coordinated strikes on Iran over the weekend, prompting retaliatory counterattacks across other countries in the Middle East. On Monday, Iran announced that it would attack tanker ships passing through the Strait of Hormuz – a crucial choke point for 20% of global oil supply. Based on satellite imagery, shipping through the passage has effectively come to a halt. Energy prices pushed meaningfully higher this week, with WTI up roughly 33% (or \$18per-barrel) and currently sits just north of \$88 – its highest level since September 2023. U.S. equities were under pressure for most of the week, with February’s softer employment report adding further insult to injury on Friday. The S&P 500 looks to end the week down over 2%. Meanwhile, Treasury yields across the curve were about 20 basis points higher, as market participants pushed out the timing of expected rate cuts amid fears that higher oil prices will add further upward pressure to inflation.

Despite the sharp move in oil prices, the impact to U.S. economy (so far) remains relatively small. In large part, that’s because the U.S. is now a small net exporter of oil, so energy shocks don’t pack the same punch that they used to. Case in point: we’ve marked-to-market our oil forecast, and the upgrade (shown in Chart 1) only shaves about a tenth of a percentage point from 2026 GDP growth – barely moving the needle considering our forecast of 2.7%.

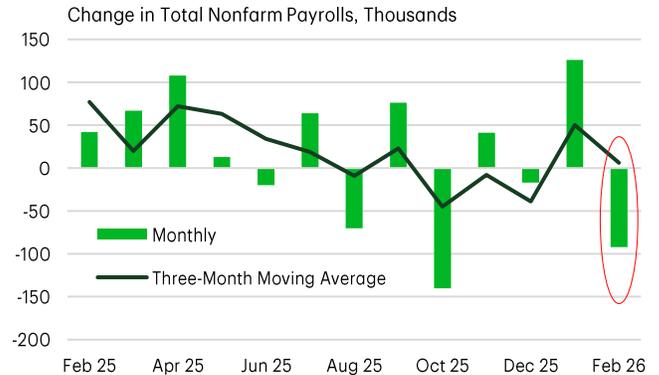
But to say that uncertainty is elevated at the moment would be an understatement. President Trump and

Chart 1: Iran Conflict Has Pushed Oil Forecast Higher



Source: Energy Information Administration, TD Economics.

Chart 2: Employment Declines in February



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

other administration senior officials have said this week that the conflict could drag on for at least another several weeks. This suggests further upside to oil prices over the near term, particularly if oil supplies were to remain choked off indefinitely.

From the Federal Reserve’s perspective, economic theory would tell us that policymakers should “look through” the energy shock given its supply driven nature. But because the jump in oil prices is coming atop already elevated inflationary pressures, Fed officials are likely to keep a close eye on inflation expectations. So far, market-based measures have remained well anchored, but there is a risk that they could start to drift higher, particularly if the conflict were to drag on.

The further upside risk to the inflation outlook comes at a time when market participants have started to question the labor market narrative. **Nonfarm employment** unexpectedly declined in February (Chart 2), while the unemployment rate ticked up to 4.4%. On the surface, the employment report looked very weak, but there were a few factors including a strike and potential weather-related impacts that contributed to at least some of last month’s pullback. We feel it’s still too early to upend our prior thinking of the labor market – but it certainly underscores that current conditions are far from perfect. At the moment, the greater threat to the Fed’s dual mandate is price stability. That is reflected in market participants having pushed out the timing of next rate cut until September and are only 80% priced for a second cut.

Exhibits

Recent Key Economic Indicators: Mar 2 - 6, 2026						
Release Date	Economic Indicator/Event		Data for Period	Units	Current	Prior
United States						
Mar 02	S&P Global US Manufacturing PMI		Feb	Index	51.6	51.2
Mar 02	ISM Manufacturing		Feb	Index	52.4	52.6
Mar 03	Wards Total Vehicle Sales		Feb	MIns	15.8	14.9
Mar 04	ADP Employment Change		Feb	Thsd	63.0	11.0
Mar 04	S&P Global US Services PMI		Feb	Index	51.7	52.3
Mar 04	S&P Global US Composite PMI		Feb	Index	51.9	52.3
Mar 04	ISM Services Index		Feb	Index	56.1	53.8
Mar 05	Initial Jobless Claims		Feb 28	Thsd	213.0	213.0
Mar 05	Unit Labor Costs		4Q	Q/Q % Chg.	2.8	-1.8
Mar 06	Change in Nonfarm Payrolls		Feb	Thsd	-92.0	126.0
Mar 06	Average Hourly Earnings		Feb	M/M % Chg.	0.4	0.4
Mar 06	Unemployment Rate		Feb	%	4.4	4.3
Mar 06	Retail Sales Advance		Jan	M/M % Chg.	-0.2	0.0
Mar 06	Retail Sales Ex Auto and Gas		Jan	M/M % Chg.	0.3	0.1
Mar 06	Business Inventories		Dec	M/M % Chg.	0.1	0.1
Canada						
Mar 02	S&P Global Canada Manufacturing PMI		Feb	Index	51.0	50.4
International						
Mar 02	JN	Jobless Rate	Jan	%	2.7	2.6
Mar 03	EZ	Consumer Price Index	Feb	Y/Y % Chg.	1.9	1.7
Mar 03	BZ	Gross Domestic Product	4Q	Q/Q % Chg.	0.1	0.0
Mar 03	CH	Manufacturing PMI	Feb	Index	49.0	49.3
Mar 04	EZ	Unemployment Rate	Jan	%	6.1	6.3
Mar 05	EZ	Retail Sales	Jan	Y/Y % Chg.	2.0	1.8
Mar 06	EZ	Gross Domestic Product SA	4Q	Y/Y % Chg.	1.2	1.3
Mar 06	EZ	Employment	4Q	Y/Y % Chg.	0.7	0.6

Source: Bloomberg, TD Economics.

Upcoming Economic Releases and Events: Mar 9 - 13, 2026						
Release Date	Time*	Economic Indicator/Event	Data for Period	Units	Consensus Forecast	Last Period
United States						
Mar 10	6:00	NFIB Small Business Optimism	Feb	Index	99.6	99.3
Mar 10	10:00	Existing Home Sales	Feb	Mlns	3.87	3.91
Mar 11	8:30	<i>Fed's Bowman Speaks on Supervision and Regulation</i>				
Mar 11	8:30	Consumer Price Index	Feb	M/M % Chg.	0.2	0.2
Mar 11	8:30	Consumer Price Index	Feb	Y/Y % Chg.	2.5	2.4
Mar 12	8:30	Trade Balance	Jan	Blns	-67.9	-70.3
Mar 12	8:30	Initial Jobless Claims	Mar 07	Thsd	-	213.0
Mar 12	8:30	Housing Starts	Jan	Thsd	1340.0	1404.0
Mar 12	8:30	Building Permits	Jan	Thsd	1392.0	-
Mar 12	11:00	<i>Fed's Bowman Speaks on Basel III</i>				
Mar 13	8:30	Personal Income	Jan	M/M % Chg.	0.5	0.3
Mar 13	8:30	Real Personal Spending	Jan	M/M % Chg.	-	0.1
Mar 13	8:30	Durable Goods Orders	Jan	M/M % Chg.	0.4	-1.4
Mar 13	8:30	Cap Goods Orders Nondef Ex Air	Jan	M/M % Chg.	-	0.8
Mar 13	8:30	Gross Domestic Product Annualized	4Q	Q/Q % Chg.	1.4	1.4
Mar 13	8:30	Personal Consumption	4Q	Q/Q % Chg.	-	2.4
Canada						
Mar 12	8:30	Int'l Merchandise Trade	Jan	Blns	-1.1	-1.3
Mar 13	8:30	Manufacturing Sales	Jan	M/M % Chg.	-3.3	0.6
Mar 13	8:30	Net Change in Employment	Feb	Thsd	10.0	-24.8
International						
Mar 09	19:50	JN Gross Domestic Product Annualized SA	4Q	Y/Y % Chg.	1.2	0.2
Mar 13	3:00	UK Gross Domestic Product	Jan	Q/Q % Chg.	0.3	0.1

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

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