TD Economics

Weekly Bottom Line

September 11, 2026

Highlights

Canada

- The U.S.-Canada trade dispute continued this week. While the latest tariffs will cause pain for affected businesses, it should not materially add to the drag on Canada's economic growth.
- Canadian household wealth marked its eleventh consecutive quarterly gain, breaching the $19 trillion mark; it should support the recent resilience in consumer spending.
- Next week's inflation report will show whether higher energy prices are spilling over into broader inflation. Markets are pricing in at least one interest rate hike from the Bank of Canada this year, but we think that looks overdone.

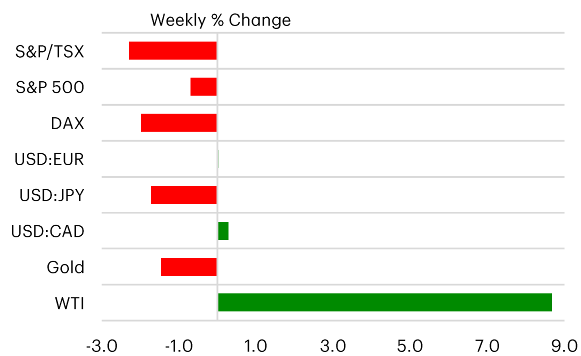
U.S.

- U.S. Treasury yields approached their post-pandemic high as oil prices briefly surpassed $100/barrel.
- August producer and consumer inflation picked up on the back of higher energy prices, while core inflation pressures also firmed.
- Markets raised the implied probability of a rate hike to roughly 90% ahead of next week's Federal Reserve meeting.

This Week in the Markets				
	Current*	Week Ago	52-Week High	52-Week Low
Stock Market Indexes				
S&P 500	7663	7719	7799	6344
S&P/TSX Comp.	35657	36514	36958	29284
DAX	25525	26046	26570	22301
FTSE 100	10646	10831	10911	9196
Nikkei	64011	65021	72366	44373
Fixed Income Yields				
U.S. 10-yr Treasury	4.94	4.78	4.96	3.94
Canada 10-yr Bond	3.92	3.78	3.95	3.04
Germany 10-yr Bund	3.52	3.34	3.52	2.55
UK 10-yr Gilt	5.35	5.13	5.37	4.23
Japan 10-yr Bond	2.99	2.92	3.03	1.58
Foreign Exchange Cross Rates				
C$ (USD per CAD)	0.72	0.72	0.74	0.70
Euro (USD per EUR)	1.16	1.16	1.20	1.14
Pound (USD per GBP)	1.35	1.35	1.38	1.30
Yen (JPY per USD)	153.6	156.3	163.9	146.5
Commodity Spot Prices**				
Crude Oil ($US/bbl)	99.62	91.48	113.0	55.3
Natural Gas ($US/MMBtu)	2.74	2.92	33.80	0.26
Copper ($US/met. tonne)	14222.9	14490.2	14809.0	9868.9
Gold ($US/troy oz.)	4363.1	4430.0	5417.2	3634.1

*As of 11:09 AM on Friday. **Oil-WTI, Cushing, Nat. Gas-Henry Hub, LA (Thursday close price). Copper-LME Grade A. Gold-London Gold Bullion. Source: Bloomberg.

Stocks Retreat as Oil Rises, Global Bond Selloff Deepens



Note: Data as of 11:07 AM ET, Friday, September 11, 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)	2.65%
Bank of England (Repo Rate)	3.75%
Bank of Japan (Overnight Rate)	1.00%

Source: Bloomberg.

Canada – Stand Ready for the Right Time

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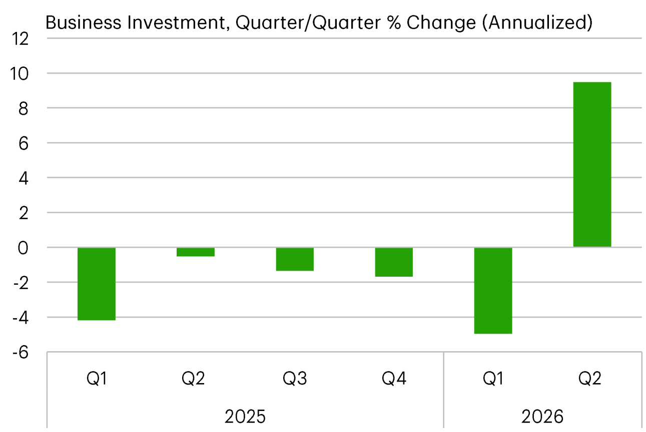
An escalation in the U.S.-Canada trade conflict was the main event in an otherwise quiet week for economic data. Canada's latest counter-tariffs took effect on September 8 and triggered another round of countermeasures from the U.S. This weighed on Canadian equities, with the S&P/TSX Composite falling mid-week and losing further ground as oil prices moved higher. Canadian government bonds also sold off, with 5- and 10-year yields rising 19 and 13 basis points, respectively. The increase mirrored the selloff in U.S. Treasuries and, more broadly, a global trend of upward pressure on yields.

Washington responded to Canada's counter-tariffs by banning imports of some products, removing tariffs on a handful of others and introducing new duties elsewhere. Previously applied tariffs on cement, sugar, toilet paper and fishing rods were removed, while new duties were imposed on products including dairy, alcoholic beverages, metal and paper products, and outboard motors. The impact of another threat to remove Canadian firms from U.S. government procurement is less clear, apart from the immediate hit to sentiment and the share prices of Canadian companies doing business in the U.S.

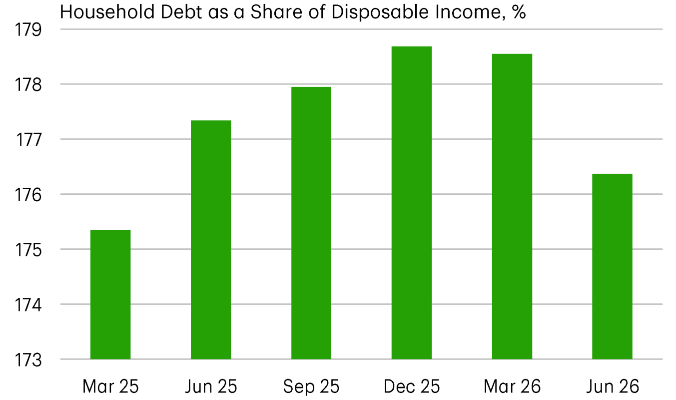
The new trade restrictions and duties should not materially add to our estimated 0.3 percentage point drag on Canadian growth over the next year. Rather, they represent another manifestation of policy uncertainty, which has been a major headwind to business investment. Encouragingly, the second quarter broke a five-quarter streak of contractions, with business investment rebounding at a solid pace (Chart 1). The question

Chart 1: Canada's Business Investment Rebounded in Q2



Source: Statistics Canada, TD Economics.

Chart 2: Stronger Income Growth Helps Ease Canadian Household Leverage



Source: Statistics Canada, TD Economics.

is whether that momentum can last. Ottawa has said trade negotiations will resume at "the right time." But for the investment, the right time may be now. Canada aims to catalyse $1 trillion in investment over the next five years, next week's investment summit is a step in the right direction

Meanwhile, a somewhat backward-looking but positive signal came from the second-quarter household wealth report. Canadian household wealth marked its eleventh consecutive quarterly gain, breaching the $19 trillion mark. Moreover, stronger income growth, supported in part by federal measures, pushed the debt-to-income ratio – a measure of household leverage – lower (Chart 2). Similarly, the debt-service ratio fell to its lowest level since Q3 2022, indicating an improved ability to service debt. Together with continued wealth gains, lower leverage has likely contributed to the recent resilience in consumer spending, which we expect to carry into Q3.

Next week's CPI inflation report will be closely watched for signs of spillover from higher energy prices. We think current market pricing for Bank of Canada rate hikes this year is overdone. Canadian inflation is more contained than in the U.S and has been moving in the right direction, while the renewed trade tension adds downside risk to growth. Moreover, Canadian bond yields have been pulled higher alongside the move in the U.S., raising borrowing costs, which if sustained will be a drag on growth. We expect the combination of these forces will keep the BoC on the sidelines, but we will be watching the inflation report closely.

U.S. - All Eyes Turn to the Fed After Inflation Pressures Firmed in August

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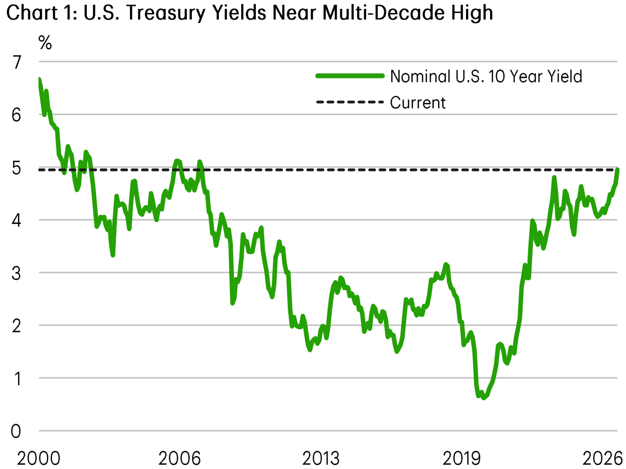
The holiday-shortened week proved to be eventful, with U.S. Treasury yields flirting with their post-pandemic peak (Chart 1) and oil prices briefly breaching $100/barrel for the first time in four months. The two developments are partially related, as rising energy costs have bolstered expectations for tighter monetary policy. However, a higher term premium has also played a role, reflecting increased compensation demanded by investors to hold longer-dated U.S. government debt (see here). Against this backdrop, equities struggled, with the S&P 500 down 0.7% on the week as of the time of writing.

Energy prices marched higher throughout the week as tensions between the U.S. and Iran flared up periodically but paused on Friday amid signs of diplomatic efforts between Iran and several Gulf states to reopen the Strait of Hormuz. Many of the factors that helped to contain energy prices through the summer, both domestically and internationally, are no longer providing the same degree of support. As the recent rise in oil prices illustrates, this could leave energy prices more vulnerable to any further escalation in geopolitical tensions.

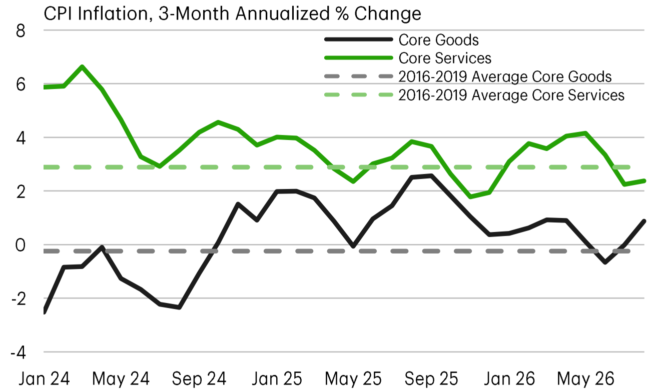
August's CPI inflation data released on Friday only captured a modest uptick in energy prices during the month, but it was still sufficient to generate an acceleration in headline inflation. The producer price index rose 0.4% in August, bringing the annual change to 5.4%, as higher energy costs filtered through supply chains. In the six months since the start of the conflict in the Middle East, producer prices have risen by 2.7%, compared with a 2.0% increase in consumer prices. If this gap reflects margin compression, the recent increase in energy prices could generate greater pass-through to consumer prices if sustained.

Chart 1: U.S. Treasury Yields Near Multi-Decade High



Source: Federal Reserve, TD Economics.

Chart 2: Recent Acceleration in U.S. Core Inflation Primarily Driven by Goods



Source: Bureau of Labor Statistics, TD Economics. Last Observation: August 2026.

On the consumer side, headline and core inflation accelerated to 0.4% and 0.3% month-on-month respectively. The energy price driven uptick in headline inflation was expected, but the acceleration in core inflation, which included broad increases in prices for airfares, hotels, and communication services, was an unwelcome surprise. While the three-month annualized change in core prices sat at 2% in August, the acceleration recorded in both goods and services was more concerning(Chart 2).

Taken together, this week's data paints a complicated picture for next week's Fed interest rate decision. Inflation pressures have undoubtedly trended higher, which seems likely to continue into September with oil prices up roughly 16% since the end of last month. However, energy prices remain volatile and the near-term acceleration in core inflation is young. Combined with the sustained stability in inflation expectations, next week's decision is likely to be a close call. Markets appear slightly more confident, with odds for a hike next week jumping from roughly 70% to 90% following the CPI data release. Chair Warsh's post-meeting press conference and the updated summary of economic projections will be of particular interest, as markets assess the evolution of the Fed's reaction function in an environment of elevated uncertainty. We will be releasing updated economic and financial forecasts the following day.

Exhibits

Recent Key Economic Indicators: Sep 07 - Sep 11, 2026						
Release Date		Economic Indicator/Event	Data for Period	Units	Current	Prior
United States						
Sep 08		NFIB Small Business Optimism	Aug	Index	98.7	99.8
Sep 10		Initial Jobless Claims	Sep 05	Thsd	206.0	207.0
Sep 10		PPI Final Demand	Aug	M/M % Chg.	0.4	0.1
Sep 10		PPI Ex Food and Energy	Aug	M/M % Chg.	0.2	0.3
Sep 10		Existing Home Sales	Aug	Mlns	3.98	4.06
Sep 10		Wholesale Trade Sales	Jul	M/M % Chg.	0.8	-2.9
Sep 11		Core Consumer Price Index	Aug	M/M % Chg.	0.3	0.2
Sep 11		Core Consumer Price Index	Aug	Y/Y % Chg.	2.4	2.5
Sep 11		Consumer Price Index	Aug	M/M % Chg.	0.4	0.1
Sep 11		Consumer Price Index	Aug	Y/Y % Chg.	3.4	3.4
Canada						
Sep 11		National Balance Sheet Accounts	2Q	-	-	-
International						
Sep 07	EZ	Gross Domestic Product SA	Q2	Y/Y % Chg.	1.2	1.0
Sep 07	EZ	Employment	Q2	Y/Y % Chg.	0.5	0.5
Sep 07	JN	Gross Domestic Product Annualized SA	Q2	Q/Q % Chg.	1.4	1.1
Sep 08	CH	Consumer Price Index	Aug	Y/Y % Chg.	`	0.5
Sep 10	EZ	ECB Main Refinancing Rate	Sep 10	%	2.65	2.40
Sep 11	UK	Gross Domestic Product	Jul	3M/3M % Chg.	0.4	0.4

Source: Bloomberg, TD Economics.

Upcoming Economic Releases and Events: Sep 14 - 18, 2026							
Release Date	Time*		Economic Indicator/Event	Data for Period	Units	Consensus Forecast	Last Period
United States							
Sep 15	8:30		Empire Manufacturing	Sep	Index	14.1	20.6
Sep 16	8:30		Retail Sales Advance	Aug	M/M % Chg.	0.9	-0.6
Sep 16	8:30		Retail Sales Ex Auto and Gas	Aug	M/M % Chg.	0.4	-0.2
Sep 16	10:00		Business Inventories	Jul	M/M % Chg.	0.2	0.0
Sep 16	10:00		NAHB Housing Market Index	Sep	Index	34.0	35.0
Sep 16	14:00		FOMC Rate Decision (Upper Bound)	Sep 16	%	4.00	3.75
Sep 17	8:30		Building Permits	Aug	Thsd	1410.0	1433.0
Sep 17	8:30		Housing Starts	Aug	Thsd	1315.0	1239.0
Sep 17	8:30		Initial Jobless Claims	Sep 12	Thsd	-	206.0
Sep 18	9:15		Capacity Utilization	Aug	%	76.4	76.3
Sep 18	9:15		Industrial Production	Aug	M/M % Chg.	0.3	0.2
Canada							
Sep 14	8:30		Consumer Price Index	Aug	Y/Y % Chg.	3.0	3.0
Sep 14	8:30		Consumer Price Index NSA	Aug	M/M % Chg.	0.0	0.5
Sep 14	8:30		Consumer Price Index Ex. Food & Energy	Aug	Y/Y % Chg.	2.1	1.9
Sep 14	8:30		CPI-Median	Aug	Y/Y % Chg.	2.0	2.0
Sep 14	8:30		CPI-Trim	Aug	Y/Y % Chg.	1.9	1.9
Sep 14	8:30		Manufacturing Sales	Jul	M/M % Chg.	-0.2	0.1
Sep 15	5:00		Existing Home Sales	Aug	M/M % Chg.	-	0.5
Sep 15	8:30		Wholesale Sales ex Petroleum	Jul	M/M % Chg.	-0.5	2.8
Sep 16	8:15		Housing Starts	Aug	Thsd	235.0	229.1
Sep 16	13:30		*Bank of Canada Releases Summary of Deliberations*				
Sep 17	7:00		CFIB Business Barometer	Sep	Index	-	57.6
Sep 17	8:30		Industrial Product Price	Aug	M/M % Chg.	-	0.6
International							
Sep 14	22:00	CH	Retail Sales	Aug	Y/Y % Chg.	0.8	0.6
Sep 14	22:00	CH	Surveyed Jobless Rate	Aug	%	5.2	5.2
Sep 15	2:00	UK	ILO Unemployment Rate (3 Mths.)	Jul	%	4.9	4.9
Sep 16	2:00	UK	Consumer Price Index	Aug	Y/Y % Chg.	3.1	2.9
Sep 16	2:00	UK	Core Consumer Price Index	Aug	Y/Y % Chg.	2.6	2.6
Sep 17	5:00	EZ	Consumer Price Index	Aug	Y/Y % Chg.	3.3	3.3
Sep 17	5:00	EZ	Core Consumer Price Index	Aug	Y/Y % Chg.	2.4	2.4
Sep 17	7:00	UK	Bank of England Bank Rate	Sep 17	%	3.75	3.75
Sep 17	19:30	JN	National Consumer Price Index	Aug	Y/Y % Chg.	2.0	1.9
Sep 18	2:00	UK	Retail Sales Ex Auto Fuel	Aug	Y/Y % Chg.	1.9	2.3
Sep 18	-	JN	BOJ Policy Rate	Sep 18	%	1.25	1.00

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