TD Economics

Weekly Bottom Line

November 6, 2026

Highlights

Canada

- Markets got bad news this week that Canada's job market has lost jobs for three consecutive months as of October.
- This week's federal budget showed that Ottawa received a windfall and spent it. The deficit outlook improved but longer-term borrowing has increased, raising the debt servicing burden.
- For the Bank of Canada, the budget's doesn't shift the policy calculus, but the weak jobs report casts doubt on their stronger economic outlook.

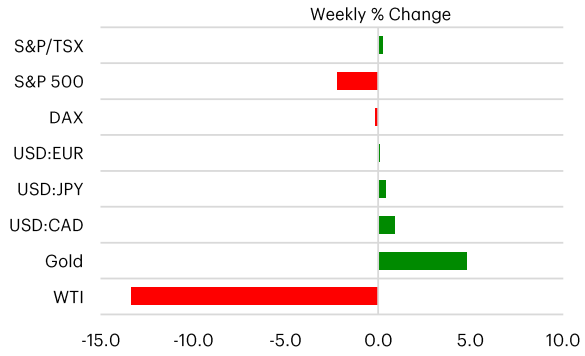
U.S.

- Democrats won majorities in both chambers of Congress, leading to a sell-off in equity markets, a drop in Treasury yields and oil prices as markets repriced political and AI-related risks.
- The sell-off was mitigated somewhat by a very constructive payrolls report on Friday.
- ISM business surveys also pointed to continued expansion, but with persistent price pressures. All in, the case for a December Fed hike was strengthened this week.

This Week in the Markets				
	Current*	Week Ago	52-Week High	52-Week Low
Stock Market Indexes				
S&P 500	7416	7580	7819	6344
S&P/TSX Comp.	35714	35620	36958	29869
DAX	25779	25818	26570	22301
FTSE 100	10649	10730	10911	9507
Nikkei	57435	63290	72366	48538
Fixed Income Yields				
U.S. 10-yr Treasury	4.85	4.93	5.30	3.94
Canada 10-yr Bond	3.64	3.80	4.00	3.10
Germany 10-yr Bund	3.25	3.32	3.64	2.64
UK 10-yr Gilt	5.15	5.28	5.48	4.23
Japan 10-yr Bond	2.65	2.78	3.13	1.68
Foreign Exchange Cross Rates				
C$ (USD per CAD)	0.71	0.72	0.74	0.70
Euro (USD per EUR)	1.11	1.12	1.20	1.11
Pound (USD per GBP)	1.34	1.34	1.38	1.31
Yen (JPY per USD)	158.3	157.6	163.9	152.2
Commodity Spot Prices**				
Crude Oil ($US/bbl)	90.28	104.12	113.0	55.3
Natural Gas ($US/MMBtu)	2.37	2.38	33.80	2.37
Copper ($US/met. tonne)	13940.1	14329.4	14821.0	10651.5
Gold ($US/troy oz.)	4059.9	3874.6	5417.2	3874.6

*As of 11:05 AM on Friday. **Oil-WTI, Cushing, Nat. Gas-Henry Hub, LA (Thursday close price). Copper-LME Grade A. Gold-London Gold Bullion. Source: Bloomberg.

Equities and Oil Slide Following Midterm Results



Note: Data as of 11:05 AM ET, Friday, November 6, 2026.
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)	2.50%
European Central Bank (Refi Rate)	2.65%
Bank of England (Repo Rate)	4.00%
Bank of Japan (Overnight Rate)	1.25%

Source: Bloomberg.

Canada – The Devil is in the Fiscal Details

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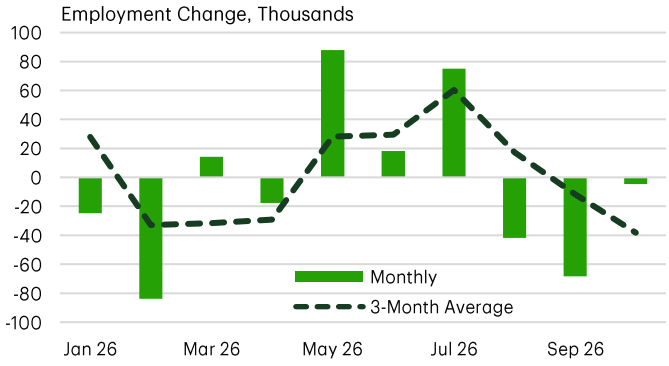
There was plenty for markets to digest this week: a disappointing jobs report and a federal budget that delivered a better near-term deficit but a weaker long-run fiscal picture. Markets took the fiscal outlook in stride, but the softer-than-expected jobs report raised market's worries, with the S&P TSX falling at the opening.

Canada's job market chalked up its third consecutive weak result in October (Chart 1). On a three-month and the year-to-date basis, the Canadian economy has shed jobs. The details offered no silver linings either. The unemployment rate rose 0.2 percentage points to 6.7%, average hourly wage growth slowed, and the job-finding rate remained well below its pre-pandemic norm. This supports our view that growing labour market weakness will constrain households' ability to spend, supporting a moderate growth outlook.

Digging deeper into employment figures, the private sector lost jobs, while the public sector added positions, but both remained down on the year. The weakness in the private sector is particularly discouraging, highlighting the cumulative effects of uncertainty over the Canada-U.S. trade relationship, and lackluster growth in the Canadian economy over the past year. Meanwhile, the decline in public-sector jobs over the year partly reflects Ottawa's commitment to reduce its workforce by 10% over five years as part of broader operational savings outlined last year.

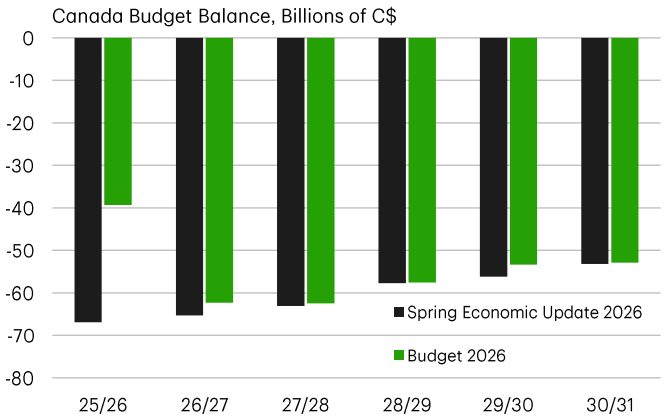
This week's federal budget offered another chance to assess government's fiscal commitment. In short, Ottawa received a windfall, and spent it. Stronger growth and higher energy prices improved the fiscal outlook by $175 billion through 2030-31. Left alone, that would have cut the 2030-31 deficit but instead, $142 billion in net new measures absorbed most of it.

Chart 1: October Jobs Flat as Labour Market Slack Builds



Source: Statistics Canada, TD Economics.

Chart 2: The Headline Budget Looks Orderly



Source: Department of Finance Canada, TD Economics.

The headline deficit for the outgoing fiscal year looks orderly: it came in at $39.3 billion (1.2% of GDP) in 2025-26, well below the $66.9 billion penciled in at the spring update (Chart 2). It is expected to increase to 1.8% of GDP this year, and ease to 1.3% by 2030-31. However, there is no escaping that the debt and borrowing picture has deteriorated. As pointed out in our commentary, the borrowing requirement is larger than the deficit suggests, due to the government's large capital outlays. This higher borrowing and higher interest rates mean debt servicing costs eat up a larger share of the fiscal pie going forward. Debt servicing costs are not as bad as they were in the 1990s, and Canada remains better positioned than its G7 peers. But the strategy of tax breaks and direct investment to lure private capital is a bet on an investment supercycle. If the returns in economic growth don't materialize, the cost will show up as even wider deficits.

For the Bank of Canada, the budget's fiscal picture doesn't change the calculus much, but the weak employment report does. Increased labour market slack raises the odds that the BoC's inflation forecast is too high, which weakens the case for further interest rate hikes. The market agrees, and has lowered the amount of tightening priced in relative to a week ago.

U.S. - Midterms' Blue Wave Hits Markets

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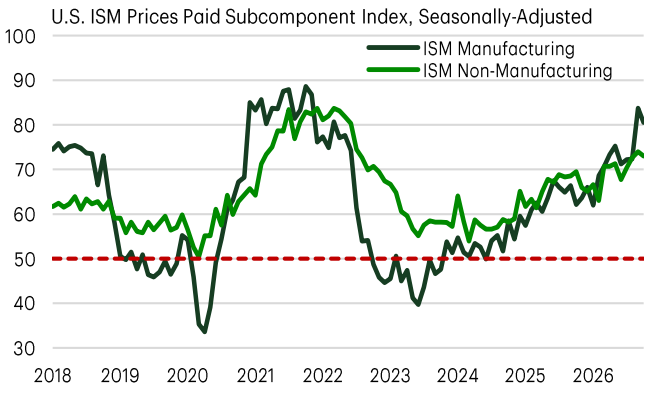
It was an eventful week. Tuesday's midterms delivered a decisive "blue wave" as Democrats won both chambers, ushering in divided government and narrowing the administration's legislative runway. Republican tax and spending initiatives will be harder to advance, while Democratic priorities face a presidential veto and the Senate's 60-vote filibuster threshold (report).

Markets rallied on Wednesday before reversing on Thursday as investors reassessed the implications of a Democratic Congress and key gubernatorial gains for AI infrastructure and data-centre investment. AI-related stocks led the sell-off, with the Nasdaq plunging nearly into correction territory. Markets were up on Friday on a strong jobs report, but remained on track to end the week lower. Oil prices plunged by over $10/barrel to about $90/barrel for the WTI benchmark on expectations of an earlier end to the Iran conflict.

The equity sell-off likely tightened financial conditions, although lower Treasury yields mitigated the impact. As this week's report notes, conditions remain accommodative historically, with tightening driven mainly by market volatility from repricing of near-term rate expectations and concerns about AI valuations rather than broad credit restrictions. This week's Fed's Senior Loan Officer Opinion Survey showed slight tightening in business-loan standards, but nothing concerning.

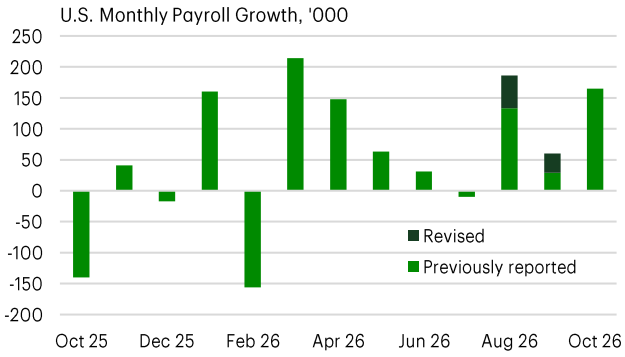
Tighter financial conditions have yet to meaningfully slow the economy. The new Congress inherits a resilient economy with growth likely to accelerate to 2.5%

Chart 1: Input Prices Are Heating Up Across Industries



Source: Institute for Supply Management, TD Economics.

Chart 2: Payroll Revisions Paint a More Resilient Picture



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

Q4/Q4 this year from 2.0% in 2025. The downside is higher inflation. This week's ISM surveys highlighted that tension. October's services index edged lower, while manufacturing counterpart continued to rise, with both remaining above 50 and signalling expansion. But, their prices-paid components have remained elevated, nearing pandemic-era readings and raising the risk of persistent cost pressures (Chart 1).

Higher interest rates and months of elevated gas prices may be starting to weigh on consumer spending, particularly on big-ticket items. Vehicle sales fell to an annualized 15.5 million units in October. Higher tax refunds, financial-market wealth gains and job growth have supported consumer spending and debt payments despite inflation, but resilience could weaken if these supports falter. Our report shows rising 30-day mortgage delinquencies among prime and super-prime borrowers and a growing share of consumers devoting more than 40% of income to debt payments.

Against this backdrop, Friday's payroll report offered reassurance. Payroll gains handily beat expectations, rising 165k in October (Chart 2). Upward revisions added to the report's strength, with August and September revised up 84k in total. The unemployment rate edged down to 4.1% from 4.2%. Attention now turns to next week's CPI inflation report, likely to show inflation remains too hot amid a resilient economy and labour market, leaving the runway open for another Fed rate hike in December. Markets agree, pricing about 75% odds of a December hike, up from 70% a week ago.

Exhibits

Recent Key Economic Indicators: Nov 2 - 6, 2026						
Release Date		Economic Indicator/Event	Data for Period	Units	Current	Prior
United States						
Nov 02		S&P Global US Manufacturing PMI	Oct	Index	54.9	56.0
Nov 02		ISM Manufacturing	Oct	Index	55.5	54.5
Nov 03		Factory Orders	Sep	M/M % Chg.	1.8	0.3
Nov 03		Factory Orders Ex Trans	Sep	M/M % Chg.	1.3	0.4
Nov 03		Durable Goods Orders	Sep	M/M % Chg.	1.9	1.8
Nov 03		Cap Goods Orders Nondef Ex Air	Sep	M/M % Chg.	0.6	0.5
Nov 04		ADP Employment Change	Oct	Thsd	86.0	86.0
Nov 04		Trade Balance	Sep	Blns	-105.0	-105.7
Nov 04		S&P Global US Services PMI	Oct	Index	56.1	57.9
Nov 04		S&P Global US Composite PMI	Oct	Index	55.9	57.6
Nov 04		ISM Services Index	Oct	Index	54.5	54.9
Nov 05		Unit Labor Costs	3Q	Q/Q % Chg.	-0.7	1.9
Nov 05		Initial Jobless Claims	Oct 31	Thsd	189.0	195.0
Nov 06		Change in Nonfarm Payrolls	Oct	Thsd	165.0	60.0
Nov 06		Average Hourly Earnings	Oct	M/M % Chg.	0.4	0.3
Nov 06		Unemployment Rate	Oct	%	4.1	4.2
Canada						
Nov 02		S&P Global Canada Manufacturing PMI	Oct	Index	49.6	51.5
Nov 04		Int'l Merchandise Trade	Sep	Blns	5.4	5.0
Nov 06		Net Change in Employment	Oct	Thsd	-4.7	-68.3
Nov 06		Unemployment Rate	Oct	%	6.7	6.5
International						
Nov 04	EZ	Consumer Price Index	Oct	Y/Y % Chg.	4.0	3.8
Nov 05	UK	Bank of England Bank Rate	Nov 05	%	4.0	3.8
Nov 06	EZ	Retail Sales	Sep	Y/Y % Chg.	0.4	1.3

Source: Bloomberg, TD Economics.

Upcoming Economic Releases and Events: Nov 9 - 13, 2026							
Release Date	Time*		Economic Indicator/Event	Data for Period	Units	Consensus Forecast	Last Period
United States							
Nov 09	10:00		Wholesale Trade Sales	Sep	M/M % Chg.	-	1.8
Nov 09	10:00		*Fed's Goolsbee Speaks in Moderated Q&A*				
Nov 09	12:15		*Fed's Barkin Speaks to Greater Greer Chamber of Commerce*				
Nov 10	4:00		*Fed's Waller Gives Keynote Speech*				
Nov 10	6:00		NFIB Small Business Optimism	Oct	Index	98.2	97.9
Nov 10	8:30		Consumer Price Index	Oct	M/M % Chg.	0.3	0.6
Nov 10	13:30		*Fed's Schmid Participates In Fireside Chat*				
Nov 10	18:30		*Fed's Paulson Speaks on Economic Outlook*				
Nov 12	8:30		Initial Jobless Claims	Nov 07	Thsd	195.0	189.0
Nov 12	9:00		*Fed's Hammack Speaks in Moderated Conversation*				
Nov 12	10:00		Existing Home Sales	Oct	Mlns	3.9	4.0
Nov 12	11:30		*Fed's Goolsbee Speaks in Moderated Q&A at Yahoo! Finance*				
Nov 12	13:10		*Fed's Daly Delivers Keynote Remarks at Stanford*				
Nov 12	18:30		*Fed's Williams Participates in Panel Discussion*				
Nov 13	8:30		PPI Final Demand	Oct	M/M % Chg.	0.4	1.3
Nov 13	8:30		PPI Ex Food and Energy	Oct	M/M % Chg.	0.3	0.7
Nov 13	12:00		*Fed's Daly Speaks in Moderated Discussion*				
Nov 13	19:00		*Fed's Jefferson Speaks at UC San Diego*				
Canada							
Nov 13	8:30		Manufacturing Sales	Sep	M/M % Chg.	0.1	1.5
Nov 10	13:30		*BoC Summary of Deliberations*				
International							
Nov 12	2:00	UK	Gross Domestic Product	3Q	Q/Q Ann. % Chg.	-	1.4
Nov 13	5:00	EZ	Gross Domestic Product SA	3Q	Y/Y % Chg.	1.3	1.3
Nov 13	5:00	EZ	Employment	3Q	Y/Y % Chg.	-	0.5

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

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