TD Economics

Weekly Bottom Line

November 20, 2026

Highlights

Canada

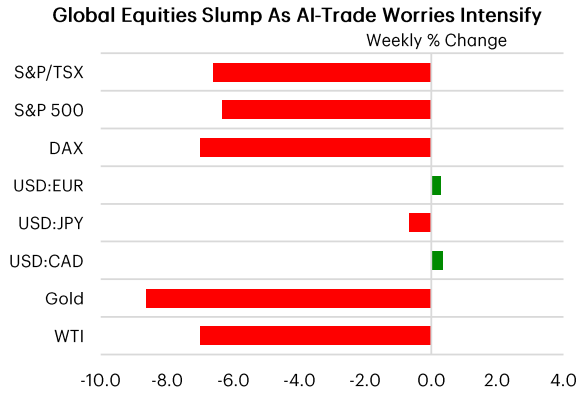
- October inflation came in softer than expected, with core inflation remaining contained despite elevated energy costs.
- Softer growth and easing oil prices strengthen the case for BoC patience, even as markets price further near-term tightening.
- Housing activity remained subdued in October, while softer retail sales volumes point to less consumer momentum heading into Q4.

U.S.

- Tech stocks led the week's sell-off, but markets are still fully pricing in a December Fed hike.
- Underlying retail sales held up in October, even as headline growth slowed. Falling permits cast doubt on the rebound in housing starts.
- The Fed minutes showed that nearly all officials expected more hikes. The question is how fast to move.

This Week in the Markets				
	Current*	Week Ago	52-Week High	52-Week Low
Stock Market Indexes				
S&P 500	7084	7562	7819	6344
S&P/TSX Comp.	33728	36106	36958	29907
DAX	24880	26750	26772	22301
FTSE 100	10373	10903	10911	9528
Nikkei	56437	61142	72366	48626
Fixed Income Yields				
U.S. 10-yr Treasury	4.94	5.14	5.30	3.94
Canada 10-yr Bond	3.71	3.85	4.00	3.12
Germany 10-yr Bund	3.30	3.38	3.64	2.64
UK 10-yr Gilt	5.23	5.34	5.48	4.23
Japan 10-yr Bond	2.80	2.87	3.13	1.78
Foreign Exchange Cross Rates				
C$ (USD per CAD)	0.70	0.70	0.74	0.70
Euro (USD per EUR)	1.10	1.10	1.20	1.10
Pound (USD per GBP)	1.31	1.32	1.38	1.31
Yen (JPY per USD)	158.7	159.7	163.9	152.2
Commodity Spot Prices**				
Crude Oil ($US/bbl)	82.36	88.56	113.0	55.3
Natural Gas ($US/MMBtu)	2.73	2.90	33.80	2.37
Copper ($US/met. tonne)	12525.2	13467.7	14821.0	10719.6
Gold ($US/troy oz.)	3550.1	3884.5	5417.2	3550.1

*As of 10:46 AM on Friday. **Oil-WTI, Cushing, Nat. Gas-Henry Hub, LA (Thursday close price). Copper-LME Grade A. Gold-London Gold Bullion. Source: Bloomberg.



Note: Data as of 10:48 AM ET, Friday, November 20, 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 – Softer Data Give the BoC Room to Wait

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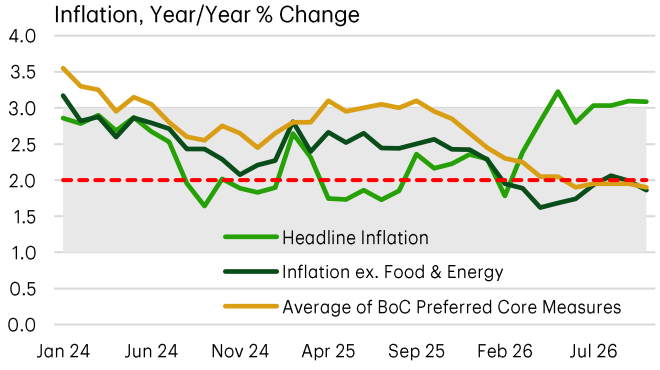
Canadian inflation took centre stage this week. Higher gasoline prices kept headline inflation steady at 3.1% year-on-year (y/y), a tick below market expectations, while accelerating grocery and clothing prices were partly offset by cooler shelter inflation. Importantly, the Bank of Canada's (BoC) preferred core measures surprised to the downside, with CPI-median and CPI-trim averaging below 2% (Chart 1). For now, this report provided only lukewarm evidence of the price pressures the BoC sought to pre-empt with last month's rate hike.

In the months ahead, we expect core inflation to firm slightly into the 2.5%-to-3% range, but the extent to which those pressures become sufficiently persistent and broad-based will inform the timing of the Bank's next move. Oil and gasoline prices have pulled back meaningfully since the BoC's October meeting, which should take some pressure off of headline inflation and lessen the scope for second-round effects over the near-term for now.

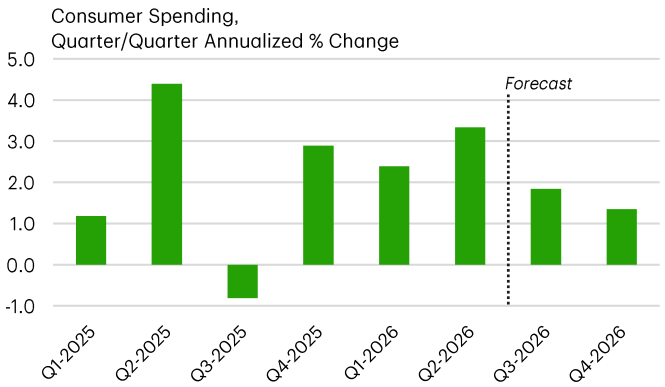
Markets initially took the CPI report as a reason to dial back expectations for near-term tightening, with the implied odds of a December hike falling below 50%. Those odds subsequently climbed again through the week, after markets interpreted a BoC speech which highlighted how its "high oil price scenario" from the April MPR was effectively materializing at the time of the October rate decision, which would require "consecutive policy rate increases." However, broader financial market moves were somewhat less hawkish, with two- and 10-year Canadian bond yields both falling roughly 12 basis points (bps) on the week amid a broader risk-off move. The loonie lost seven-tenths of a cent against the U.S. dollar, slipping below US$0.70, while the TSX slid 6% alongside a sharp global equity sell-off.

Chart 1: Canadian Core Inflation Pressures Remain Contained



Source: Statistics Canada, TD Economics

Chart 2: Canadian Consumer Spending Expected to Lose Some Momentum into Year-End



Source: Statistics Canada, TD Economics.

Meanwhile, economic growth indicators are landing softer than the Bank's expectations. Canadian home sales edged only slightly higher in October but remain subdued, while housing starts continued to trend lower. Nominal retail sales rose a solid 0.8% m/m in September, but most of this was price effects, with volumes rising by only 0.1% m/m. Household spending in the third quarter remained an important source of support for the economy, but an expected sharp pullback in spending in October suggests consumers are entering the final quarter with somewhat less momentum (Chart 2). These readings follow a string of monthly employment declines and weaker-than-expected monthly GDP prints. The economy isn't necessarily rolling over, but momentum looks less convincing than the Bank's relatively upbeat assessment last month. We're tracking Q3 real GDP growth at just over 1%, roughly half the BoC's 2% forecast from the October MPR.

We think that softer growth, cooling energy prices and limited inflation pass-through give the Bank room to proceed cautiously. Against this backdrop, our call is for policymakers to hold the policy rate at 2.50% in December before delivering one additional hike in January, followed by an extended pause through 2027.

U.S. – Tech Stocks Slide, but December Hike Bets Hold

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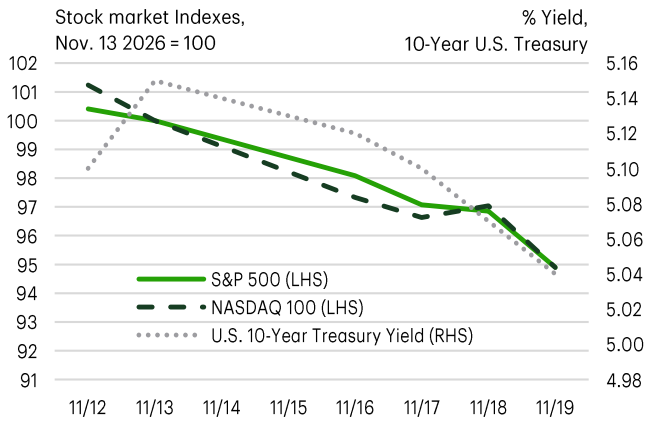
Investors cooled on tech stocks this week, but they didn't budge much on the Fed. Anthropic's market debut failed to rekindle enthusiasm for AI stocks on Thursday, and the tech-heavy Nasdaq fell more sharply than the S&P 500, which extended its losing streak. Long-term Treasury yields dipped alongside stocks, but markets still overwhelmingly priced in a quarter-point hike in December (Chart 1).

The October FOMC minutes help explain why a December hike looks to be a lock. The two votes for an immediate quarter-point hike at the prior meeting were already public. The minutes went further than the press conference: many officials wanted time to see how September's hike was working, but nearly all expected to raise rates again under their baseline outlooks. A couple were open to a bigger move in December if inflation came in hotter than expected.

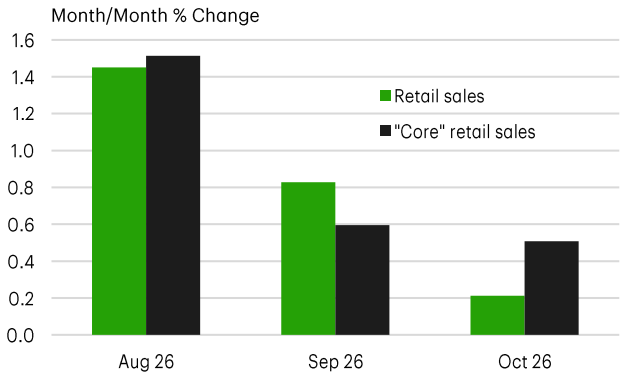
This week's Fed speakers put that difference in plain terms. Governor Christopher Waller favored a half-point hike in December unless the Fed clearly signals another move in January, while New York Fed President John Williams saw no need for dramatic action. Vice Chair Philip Jefferson pointed to another reason not to count on quick inflation relief: the AI buildout is adding to demand and inflation now, while any relief from higher productivity would come later. A quarter-point hike still looks like the better fit for a committee that largely agrees on direction but not on pace.

Chart 1: Stocks Slide While Yields Ease



Source: S&P, WSJ, Federal Reserve Board, TD Economics

Chart 2: Retail Sales Slow, but Core Holds Up in October



Source: U.S. Census Bureau, TD Economics

One clue to how quickly the Fed might need to move is how well spending is holding up. October's retail report gave a mixed answer. Overall sales edged up before adjusting for inflation and slipped afterward. Weaker auto sales dragged on the headline, while higher pump prices boosted gas station receipts. The control group, which excludes autos, gasoline, building materials and food services and helps estimate goods spending, matched September's solid gain, with online retailers among the stronger categories. Holiday spending looks to be on firmer footing than the headline alone suggests (Chart 2).

With goods spending holding up and the Fed still leaning toward more hikes, homebuilders aren't likely to get much relief from high borrowing costs soon. Housing starts bounced in October, led by multifamily construction, though single-family starts rose too. Permits fell in both segments, pointing to fewer projects ahead. That makes October look more like a bounce than the start of a lasting recovery.

Could next week's data change the rate outlook? On Wednesday, the second estimate of third-quarter GDP will show whether the initial 3.4% annualized gain holds up and whether domestic demand was stronger or weaker than first reported. October's Personal Income and Outlays report will give a fresher read on whether real consumer spending held up despite the dip in inflation-adjusted retail sales. For the Fed, core PCE inflation is the one to watch: a cooler reading would support a quarter-point hike in December, while a hotter one could put a larger move back in play.

Exhibits

Recent Key Economic Indicators: Nov 16 - 20, 2026						
Release Date		Economic Indicator/Event	Data for Period	Units	Current	Prior
United States						
Nov 16		Empire Manufacturing	Nov	Index	7.8	25.5
Nov 17		Retail Sales Advance	Oct	M/M % Chg.	0.2	0.8
Nov 17		Retail Sales Ex Auto and Gas	Oct	M/M % Chg.	0.5	0.5
Nov 17		Capacity Utilization	Oct	%	76.4	76.8
Nov 17		Industrial Production	Oct	M/M % Chg.	-0.4	0.7
Nov 17		Business Inventories	Sep	M/M % Chg.	0.5	0.4
Nov 17		NAHB Housing Market Index	Nov	Index	25.0	29.0
Nov 18		Building Permits	Oct	Thsd	1295.0	1398.0
Nov 18		Housing Starts	Oct	Thsd	1309.0	1191.0
Nov 18		Pending Home Sales	Oct	M/M % Chg.	-4.7	-7.2
Nov 19		Initial Jobless Claims	Nov 14	Thsd	203.0	202.0
Canada						
Nov 16		Consumer Price Index	Oct	Y/Y % Chg.	3.1	3.1
Nov 16		Consumer Price Index NSA	Oct	M/M % Chg.	0.2	0.1
Nov 16		CPI-Median	Oct	Y/Y % Chg.	2.0	2.0
Nov 16		CPI-Trim	Oct	Y/Y % Chg.	1.8	1.9
Nov 17		Existing Home Sales	Oct	M/M % Chg.	0.3	-2.3
Nov 17		Housing Starts	Oct	Thsd	244.6	250.1
Nov 19		CFIB Business Barometer	Nov	Index	57.3	51.0
Nov 19		Industrial Product Price	Oct	M/M % Chg.	0.3	1.5
Nov 20		Retail Sales	Sep	M/M % Chg.	0.8	1.4
Nov 20		Retail Sales Ex Auto	Sep	M/M % Chg.	1.0	1.2
International						
Nov 17	UK	ILO Unemployment Rate (3 Mths.)	Sep	%	4.6	4.7
Nov 18	UK	Consumer Price Index	Oct	Y/Y % Chg.	3.6	3.5
Nov 18	UK	Core Consumer Price Index	Oct	Y/Y % Chg.	2.8	2.8
Nov 18	EZ	Consumer Price Index	Oct	Y/Y % Chg.	4.0	4.0
Nov 18	EZ	Core Consumer Price Index	Oct	Y/Y % Chg.	2.6	2.5
Nov 19	JN	National Consumer Price Index	Oct	Y/Y % Chg.	2.3	2.1
Nov 20	UK	Retail Sales Ex Auto Fuel	Oct	Y/Y % Chg.	2.5	0.4

Source: Bloomberg, TD Economics.

Upcoming Economic Releases and Events: Nov 23 - 27, 2026							
Release Date	Time*		Economic Indicator/Event	Data for Period	Units	Consensus Forecast	Last Period
United States							
Nov 23	9:45		S&P Global US Manufacturing PMI	Nov	Index	54.5	54.9
Nov 23	9:45		S&P Global US Services PMI	Nov	Index	55.7	56.1
Nov 23	9:45		S&P Global US Composite PMI	Nov	Index	-	55.9
Nov 23	16:00		*Fed's Williams Delivers Keynote Address*				
Nov 24	10:00		Conf. Board Consumer Confidence	Nov	Index	92.1	91.7
Nov 25	8:30		Personal Income	Oct	M/M % Chg.	0.3	0.2
Nov 25	8:30		Real Personal Spending	Oct	M/M % Chg.	0.0	0.0
Nov 25	8:30		Gross Domestic Product Annualized	3Q	Q/Q % Chg.	3.4	3.4
Nov 25	8:30		Personal Consumption	3Q	Q/Q % Chg.	3.8	3.8
Nov 25	8:30		Initial Jobless Claims	Nov 21	Thsd	-	203.0
Nov 25	8:30		Durable Goods Orders	Oct	M/M % Chg.	0.5	1.9
Nov 25	8:30		Cap Goods Orders Nondef Ex Air	Oct	M/M % Chg.	0.8	0.6
Nov 25	10:00		New Home Sales	Oct	Thsd	648.0	676.0
Nov 25	14:00		*Fed Releases Beige Book*				
Nov 27	8:30		Advance Goods Trade Balance	Oct	Blns	-130.8	-135.1
Canada							
Nov 24	11:30		*BoC Macklem Speaking at Economic Club of Canada*				
Nov 26	8:30		Payroll Employment Change - SEPH	Sep	Thsd	-	-49.6
International							
Nov 26	18:30	JN	Tokyo Consumer Price Index	Nov	Y/Y % Chg.	3.1	2.8

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

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