TD Economics

Weekly Bottom Line

November 27, 2026

Highlights

Canada

- While gains were made this week, equity markets and oil prices are still down sharply from the highs seen earlier in November.
- In an important speech Tuesday, Governor Macklem emphasized that persistent inflation pressures are likely to pass through to consumer prices, reinforcing the case for another rate hike, likely in December.
- Next week brings Q3 GDP data. We expect a soft print of just 1.3% annualized, in line with our view that not much monetary tightening should be required to keep inflation contained.

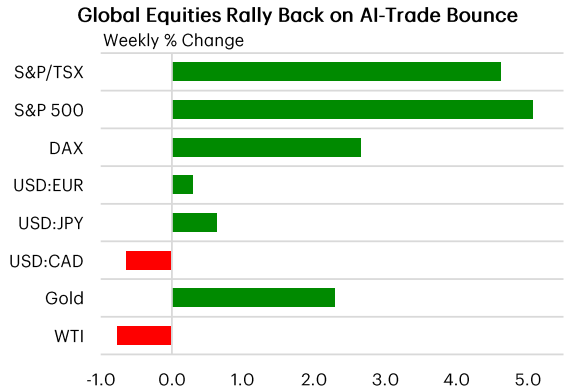
U.S.

- AI valuation concerns and renewed tariff uncertainty kept markets volatile, even as the S&P 500 and Nasdaq ended the holiday-shortened week higher.
- The proposed tariffs would largely replace or top up existing rates, modestly raising the effective U.S. tariff rate and limiting the incremental growth and inflation impacts.
- Resilient demand and elevated inflation keep further Fed tightening in focus, with next week's employment report a key test of labor-market strength.

This Week in the Markets

	Current*	Week Ago	52-Week High	52-Week Low
Stock Market Indexes				
S&P 500	7270	6910	7819	6344
S&P/TSX Comp.	34754	33190	36958	31049
DAX	25442	24803	26772	22301
FTSE 100	10703	10346	10911	9642
Nikkei	58711	56437	72366	49002
Fixed Income Yields				
U.S. 10-yr Treasury	4.91	4.94	5.30	3.94
Canada 10-yr Bond	3.68	3.71	4.00	3.12
Germany 10-yr Bund	3.26	3.30	3.64	2.64
UK 10-yr Gilt	5.18	5.24	5.48	4.23
Japan 10-yr Bond	2.64	2.80	3.13	1.80
Foreign Exchange Cross Rates				
C$ (USD per CAD)	0.70	0.70	0.74	0.70
Euro (USD per EUR)	1.09	1.10	1.20	1.09
Pound (USD per GBP)	1.31	1.31	1.38	1.30
Yen (JPY per USD)	159.6	158.6	163.9	152.2
Commodity Spot Prices**				
Crude Oil ($US/bbl)	83.55	83.98	113.0	55.3
Natural Gas ($US/MMBtu)	3.26	3.49	33.80	2.37
Copper ($US/met. tonne)	11863.1	12150.0	14821.0	10956.1
Gold ($US/troy oz.)	3622.3	3538.5	5417.2	3538.5

*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.



Note: Data as of 11:18 AM ET, Friday, November 27, 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 Banker's Speech

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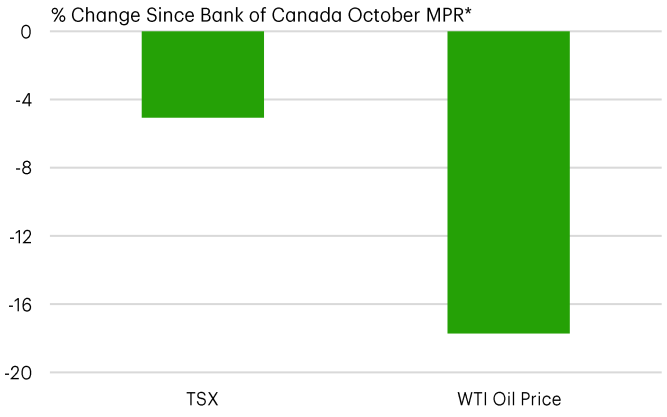
Financial markets were mixed this week. Equities partially recouped some of last week's major losses, keyed by some reversal of the AI selloff. Still, the TSX remained about 5% below the highs of only a few weeks ago. Even with money flowing back into equities – which, all else equal would typically pressure bond yields higher – yields on government debt were still down. This seemingly reflects continued unease about the AI sector's ability to sustain its momentum.

The key event for Canadian economy watchers was Bank of Canada Governor Macklem's speech, which discussed the conclusions from the monetary policy framework renewal process that occurs every five years. Macklem took great pains to emphasize that the Bank is targeting headline inflation, and that the Bank's array of core inflation measures are merely guideposts in their quest to keep overall inflation stable at 2%. On core inflation, the Bank will now emphasize CPI-trim and CPIX, and publish an inflation dashboard with a variety of inflation metrics including breadth measures.

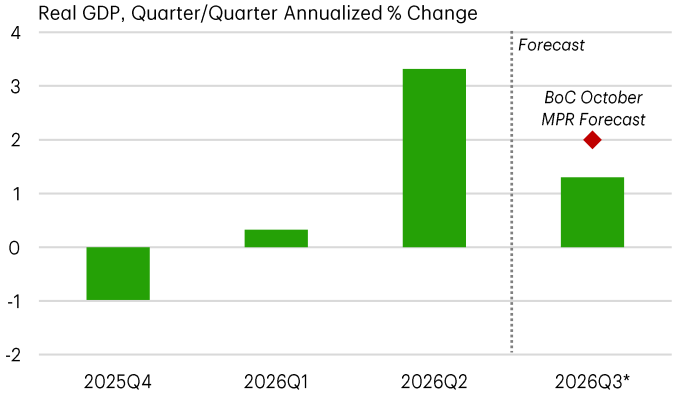
In terms of the near-term outlook, Governor Macklem's speech reinforced the Bank's view that inflation pressures have been in the pipeline for several months, and that historical experience and their business surveys suggest increased pass-through of higher energy costs to consumer prices is coming in the months ahead. The Bank also put out research concluding that during a supply shock that causes inflation (like the spike in oil prices), it's more costly to delay raising rates than to increase rates more than is ultimately needed and have

Chart 1: Oil & Equities Down Since the Last BoC Forecast



*Monetary Policy Report. Source: TSX, EIA, TD Economics

Chart 2: Q3 GDP Will Likely Undershoot the BoC's Forecast



*The 2026Q3 data point represents TD Economics' projection for Q3 growth.
Source: Statistics Canada, TD Economics.

to reverse course later. This stance combined with the overall messaging in Macklem's speech suggests the Bank is likely to hike rates at its next opportunity on Dec. 9th, and markets agree, pricing in more than an 80% chance of a hike.

However, since the BoC's last forecast, equity markets and oil prices are both down (Chart 1). Losses in equity markets sap wealth from Canadian households, potentially risking downward pressure on consumer spending. Lower oil prices should provide relief on the inflation front, and it looks like inflation is likely to undershoot the Bank's forecast in the fourth quarter. Economic data has generally surprised to the downside, although this week's payroll employment report did flag some positives, including a rise in hours worked. Still, payroll employment was up a mere 0.7% year-on-year in September. Next week brings Canada's third quarter GDP and a jobs report for November. For GDP, we're expecting a subdued 1.3% annualized gain (Chart 2) - weaker than the 2% that the Bank is projecting. All of these developments since the Bank's Monetary Policy Report suggest that not much tightening should be required to keep inflation contained in Canada.

A December hike seems like a lock at this point. But, the BoC's near-term forecasts on growth and inflation look likely to be disappointed, lessening the case for further monetary tightening. Therefore, barring a significant upside surprise in economic momentum, we are skeptical that the additional rate hikes markets are expecting will ultimately be required.

U.S. – AI-nxiety Meets a Resilient Economy

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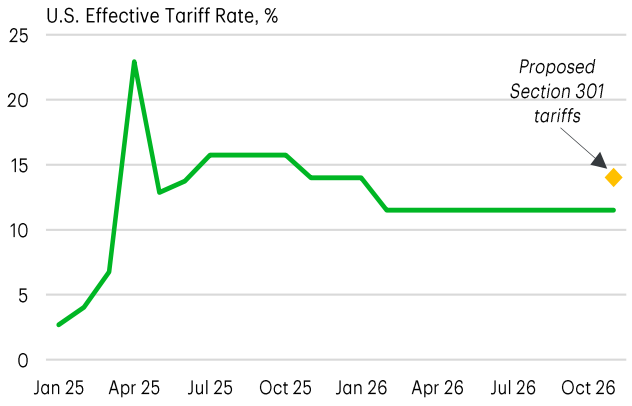
Call it a Huangover, Anthro-panic or simply AI-nxiety, financial markets have been on a bit of a roller coaster this week. After Monday's euphoric rebound gave way to another bout of tech-led selling, investors came back from Thanksgiving in buying mode, with beaten down semiconductor and AI stocks leading the way. But the rebound doesn't yet warrant the "all-clear", as lingering questions regarding the sustainability of AI-valuations, the cost of the investment boom and how much higher rates will need to go, haven't gone away. And, as if markets didn't have enough on their plate, another helping of tariff uncertainty was served up this week. The S&P 500 and Nasdaq were on track to end the week in the black, but remain below their October highs.

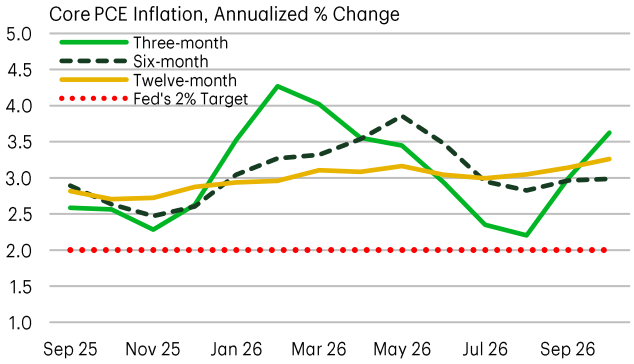
This week's tariff proposal came as little surprise after the U.S. Trade Representative's March announcement of a Section 301 investigation into "structural excess capacity" across 16 economies. Wednesday's announcement advances efforts to rebuild the IEEPA tariff regime struck down by the Supreme Court last February. The proposal targets 14 economies with tariffs generally ranging from 15% to 20%, and higher rates for Singapore, India and Vietnam—the only three without reciprocal trade deals with the U.S. Tariffs would take effect sometime after the January 25, 2027 public hearing. Crucially, most would top up existing rates rather than stack on top. China is the exception: its 20% Section 301 tariff would generally add to its existing 25% rate, bringing the total close to 45%. The incremental increase is modest despite headline rates, as most tariffs replace, formalize or top up existing arrangements. If implemented, the overall U.S. effective tariff rate would rise by 2.5 percentage points to 14% (Chart 1), limiting the growth and inflation impacts.

Chart 1: Effective Tariff Rate to Edge Higher Under New Section 301 Proposal



Source: Yale Budget Lab, TD Economics.

Chart 2: Core Inflation Drifts Further From Target in October



Source: U.S. Bureau of Economic Analysis, TD Economics.

Even still, the optics of imposing further tariffs at a time when measures of inflation are drifting further from the Fed's 2% target (Chart 2) aren't great – especially when underlying demand remains robust. The second revision to third quarter GDP showed that the economy expanded at its fastest pace in three years, with most of the strength coming from household spending and business investment. While spending softened in October, the broader backdrop heading into the holiday shopping season remains encouraging (see report). Solid income growth and a sharp rebound in consumer sentiment in November suggest households retain both the capacity and willingness to spend, supporting a reasonably healthy holiday shopping season.

For the Federal Reserve, the combination of resilient demand and still elevated price pressures supports the case for tighter monetary policy. Exactly how much will depend on both the flow of economic data and broader financial conditions. While the recent equity selloff has resulted in a modest tightening in financial conditions, they remain far from stressful levels. Even so, financial conditions will remain a key watchpoint, alongside next week's employment report. Another month of firm hiring and wage growth would reinforce the message that labor demand remains resilient and could push markets to price in a greater risk of additional Fed tightening.

Exhibits

Recent Key Economic Indicators: Nov 23 - 27, 2026						
Release Date		Economic Indicator/Event	Data for Period	Units	Current	Prior
United States						
Nov 23		S&P Global US Manufacturing PMI	Nov	Index	54.5	54.9
Nov 23		S&P Global US Services PMI	Nov	Index	54.7	56.1
Nov 23		S&P Global US Composite PMI	Nov	Index	54.6	55.9
Nov 24		Conf. Board Consumer Confidence	Nov	Index	103.3	91.9
Nov 25		Personal Income	Oct	M/M % Chg.	0.7	0.3
Nov 25		Real Personal Spending	Oct	M/M % Chg.	0.0	0.1
Nov 25		Gross Domestic Product Annualized	3Q	Q/Q % Chg.	4.3	3.4
Nov 25		Personal Consumption	3Q	Q/Q % Chg.	4.2	3.8
Nov 25		Initial Jobless Claims	Nov 21	Thsd	189.0	202.0
Nov 25		Durable Goods Orders	Oct	M/M % Chg.	0.2	2.0
Nov 25		Cap Goods Orders Nondef Ex Air	Oct	M/M % Chg.	1.2	0.8
Nov 27		Advance Goods Trade Balance	Oct	Blns	-149.5	-135.1
Canada						
Nov 26		Payroll Employment Change (SEPH)	Sep	Thsd	9.7	-15.7
International						
Nov 26	JN	Tokyo Consumer Price Index	Nov	Y/Y % Chg.	2.8	2.7

Source: Bloomberg, TD Economics.

Upcoming Economic Releases and Events: Nov 30 - Dec 04, 2026							
Release Date	Time*		Economic Indicator/Event	Data for Period	Units	Consensus Forecast	Last Period
United States							
Dec 1	9:45		S&P Global US Manufacturing PMI	Nov	Index	-	54.5
Dec 1	10:00		ISM Manufacturing	Nov	Index	55.0	55.5
Dec 1	10:00		Job Openings	Oct	Mlns	7.45	7.52
Dec 2	8:15		ADP Employment Change	Nov	Thsd	80.0	86.0
Dec 3	8:30		Initial Jobless Claims	Nov 28	Thsd	193.0	189.0
Dec 3	9:45		S&P Global US Composite PMI	Nov	Index	-	54.6
Dec 3	9:45		S&P Global US Services PMI	Nov	Index	-	54.7
Dec 3	10:00		Cap Goods Orders Nondef Ex Air	Oct	M/M % Chg.	-	1.2
Dec 3	10:00		Durable Goods Orders	Oct	M/M % Chg.	-	0.2
Dec 3	10:00		Factory Orders	Oct	M/M % Chg.	0.4	1.8
Dec 3	10:00		Factory Orders Ex Trans	Oct	M/M % Chg.	-	1.3
Dec 3	10:00		ISM Services	Nov	Index	54.5	54.5
Dec 4	8:30		Average Hourly Earnings	Nov	M/M % Chg.	0.3	0.4
Dec 4	8:30		Change in Nonfarm Payrolls	Nov	Thsd	90.0	165.0
Dec 4	8:30		Unemployment Rate	Nov	%	4.1	4.1
Canada							
Nov 30	8:30		Gross Domestic Product	Sep	M/M % Chg.	-0.1	0.0
Nov 30	8:30		Gross Domestic Product (Annualized)	Q3	Q/Q % Chg.	1.5	3.3
Dec 4	8:30		Net Change in Employment	Nov	Thsd	20.0	-4.7
Dec 4	8:30		Unemployment Rate	Nov	%	6.6	6.7
International							
Nov 30	18:30	JN	Jobless Rate	Oct	%	2.4	2.4
Nov 30	20:45	CH	RatingDog China PMI Mfg	Nov	Index	51.5	52.0
Dec 1	5:00	EZ	Consumer Price Index	Nov	Y/Y % Chg.	3.8	4.0
Dec 2	5:00	EZ	Unemployment Rate	Oct	%	6.5	6.5
Dec 2	19:30	JN	S&P Global Japan Composite PMI	Nov	Index	-	53.7
Dec 3	4:30	UK	S&P Global UK Composite PMI	Nov	Index	52.3	52.3
Dec 4	5:00	EZ	Retail Sales	Oct	Y/Y % Chg.	0.4	0.4

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

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