

Weekly Bottom Line

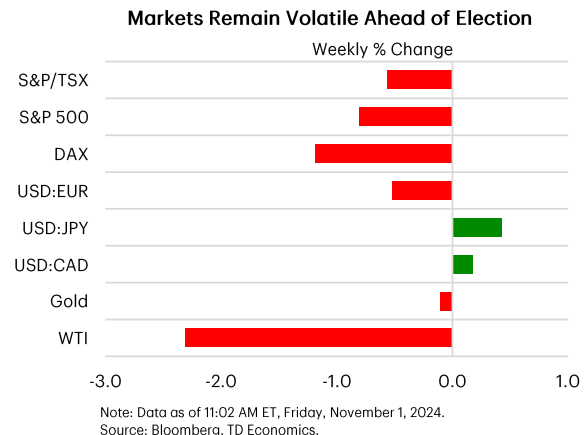
November 1, 2024

Highlights

- The U.S. economy expanded by a robust 2.8% quarter-on-quarter (annualized) in the third quarter, only a touch slower than the 3% pace seen in Q2.
- Growth in both income and consumer spending picked up in September while core PCE inflation held steady at 2.7% y/y.
- Employment was essentially flat in October, with the economy adding a meager 12k jobs – well below the already-low 100k consensus estimate. The ongoing Boeing strike and disruptions related to Hurricanes Helene and Milton both weighed on the headline.

This Week in the Markets				
	Current*	Week Ago	52-Week High	52-Week Low
Stock Market Indexes				
S&P 500	5760	5808	5865	4318
S&P/TSX Comp.	24318	24464	24823	19530
DAX	19239	19464	19657	15136
FTSE 100	8179	8249	8446	7361
Nikkei	38054	37914	42224	31458
Fixed Income Yields				
U.S. 10-yr Treasury	4.34	4.24	4.70	3.62
Canada 10-yr Bond	3.29	3.26	3.87	2.87
Germany 10-yr Bund	2.40	2.29	2.74	1.90
UK 10-yr Gilt	4.45	4.23	4.45	3.44
Japan 10-yr Bond	0.95	0.96	1.10	0.56
Foreign Exchange Cross Rates				
C\$ (USD per CAD)	0.72	0.72	0.76	0.72
Euro (USD per EUR)	1.09	1.08	1.12	1.06
Pound (USD per GBP)	1.30	1.30	1.34	1.22
Yen (JPY per USD)	153.0	152.3	161.7	140.6
Commodity Spot Prices**				
Crude Oil (\$US/bbl)	70.3	71.8	86.9	65.8
Natural Gas (\$US/MMBtu)	1.82	1.94	13.20	1.24
Copper (\$US/met. tonne)	9373.6	9469.4	10800.8	7954.7
Gold (\$US/troy oz.)	2744.2	2747.6	2787.6	1940.2

*As of 11:10 AM on Friday. **Oil-WTI, Cushing, Nat. Gas-Henry Hub, LA (Thursday close price). Copper-LME Grade A. Gold-London Gold Bullion. Source: Bloomberg.



Global Official Policy Rate Targets	
Central Banks	Current Target
Federal Reserve (Fed Funds Rate)	4.75 - 5.00%
Bank of Canada (Overnight Rate)	3.75%
European Central Bank (Refi Rate)	3.40%
Bank of England (Repo Rate)	5.00%
Bank of Japan (Overnight Rate)	0.25%

Source: Bloomberg.

TD Economics Key Financial Forecasts													
	Current Rate 11/1/24	2023				2024				2025			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4F	Q1F	Q2F	Q3F	Q4F
Fed Funds Target Rate	5.00	5.00	5.25	5.50	5.50	5.50	5.50	5.00	4.50	4.00	3.50	3.25	3.00
2-yr Govt. Bond Yield	4.17	4.06	4.87	5.03	4.23	4.59	4.71	3.66	4.05	3.75	3.45	3.15	3.00
10-yr Govt. Bond Yield	4.34	3.48	3.81	4.59	3.88	4.20	4.36	3.81	4.25	3.85	3.65	3.50	3.45
30-yr Govt. Bond Yield	4.54	3.67	3.85	4.73	4.03	4.34	4.51	4.14	4.50	4.15	3.95	3.80	3.75

Forecast by TD Economics as of October 2024; all forecasts are end-of-period. Source: Bloomberg, Federal Reserve Board, TD Economics.

The U.S. GDP data delivers treats, but the payrolls report plays tricks

Ksenia Bushmeneva, Economist
416-308-7392

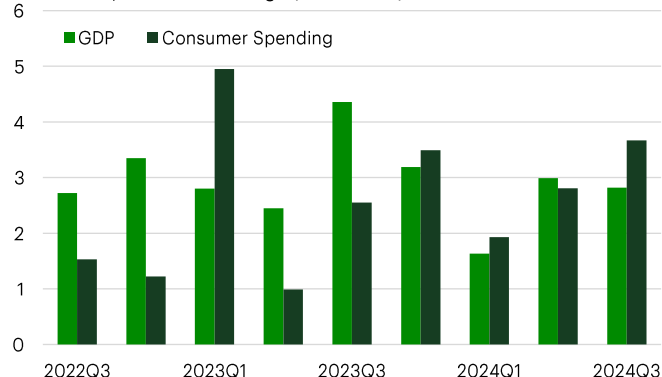
Next week all eyes will be on the U.S. elections and the Federal Reserve meeting. However, this week the focus has been on the health of the U.S. economy – an important reference point for both presidential candidates and the Fed.

Wednesday's advanced [GDP report](#) showed that the U.S. economy is alive and well. Coming on the heels of the solid 3% gain in Q2, the economy expanded by 2.8% (quarter-over-quarter annualized) in Q3. Consumers were the belle of the ball, with spending accelerating to 3.7%, or the fastest pace since Q1 2023 (Chart 1).

This ongoing resilience was further echoed in September's [personal income and spending report](#). It showed that spending increased by 0.5% m/m in September, outpacing income and indicating that consumers kept their purse strings open as Q3 wrapped up. Lower prices at the pump in recent weeks may have boosted confidence, giving consumers some reprieve from the ever-rising prices elsewhere. On that front, core PCE deflator – which excludes food and energy – rose 0.3% m/m in September. This held the twelve-month change steady at 2.7% for the third consecutive month, but this was largely due to “base effects”. Importantly, the 3-and-6-month annualized rates of change sit just above the Fed's 2% inflation target, suggesting we're likely to see more downward pressure on the year-ago measure in the months ahead.

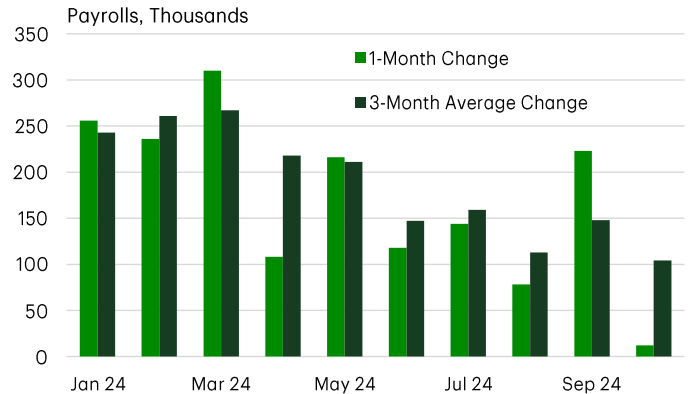
As we noted in a recent [report](#), there are several reasons consumers may have more momentum than previously anticipated, such as a notable upgrade to

Chart 1: U.S. Consumers Keep the Economy Cruising Along
Quarter/Quarter % Change (Annualized)



Source: Bureau of Economic Analysis, TD Economics.

Chart 2: Strike, Hurricanes Keep U.S. Employment Flat in October



Source: Bureau of Labor Statistics, TD Economics. Last Observation: Oct 2024.

personal income in first half of 2024 and a larger buffer of savings. However, the savings cushion is quickly dwindling, with the personal saving rate having now declined for three consecutive months. This suggests we're likely to see some moderation in consumer spending to something more consistent with a trend-like pace of around 2% in the months ahead.

On that note, October's [payroll report](#) was expected to be a weak one, but still surprised to the downside. The economy added just 12k jobs in October, well below the expectation for a 100k gain, while. Adding to the disappointment, downward revisions shaved 112k from the two prior months' gains. The ongoing Boeing strike helped to cut over 40k from the headline number in October, while Hurricanes Helene and Milton also likely had a heavy hand weighing down the payrolls figure.

As a result, the Fed will likely look through October's noisy employment data, and instead focus more on the broader trends showing that the labor market is decelerating but not necessarily deteriorating. Moreover, with the Fed's preferred wage metric – the Employment Cost Index – showing wage pressures now growing at a pace roughly consistent with 2% inflation, the FOMC should have all the confidence they need to continue to gradually reduce the policy rate. We expect the Fed to cut by 25 basis-points at next week's meeting. While this decision seems almost certain, the U.S. elections remain a wild card, promising to keep everyone on edge until the final votes are tallied.

Exhibits

Recent Key Economic Indicators: Oct 28 - Nov 01, 2024					
Release Date	Economic Indicator/Event	Data for Period	Units	Current	Prior
United States					
Oct 29	Advance Goods Trade Balance	Sep	Blns	-108.2	-94.2
Oct 29	S&P CoreLogic CS 20-City NSA	Aug	Y/Y % Chg.	5.2	5.9
Oct 29	S&P CoreLogic CS US HPI NSA	Aug	Y/Y % Chg.	4.3	4.9
Oct 29	Conf. Board Consumer Confidence	Oct	Index	108.7	99.2
Oct 29	Job Openings	Sep	Mlns	7.44	7.86
Oct 30	ADP Employment Change	Oct	Thsd	233.0	159.0
Oct 30	Gross Domestic Product (Annualized)	Q3	Q/Q % Chg.	2.8	3.0
Oct 30	Personal Consumption	Q3	Q/Q % Chg.	3.7	2.8
Oct 30	Pending Home Sales	Sep	M/M % Chg.	7.4	0.6
Oct 31	Core PCE Price Index	Sep	M/M % Chg.	0.3	0.2
Oct 31	Core PCE Price Index	Sep	Y/Y % Chg.	2.7	2.7
Oct 31	PCE Price Index	Sep	M/M % Chg.	0.2	0.1
Oct 31	PCE Price Index	Sep	Y/Y % Chg.	2.1	2.3
Oct 31	Initial Jobless Claims	Oct 26	Thsd	216.0	228.0
Oct 31	Personal Income	Sep	M/M % Chg.	0.3	0.2
Oct 31	Real Personal Spending	Sep	M/M % Chg.	0.4	0.2
Nov 1	Average Hourly Earnings	Oct	M/M % Chg.	0.4	0.3
Nov 1	Change in Nonfarm Payrolls	Oct	Thsd	12.0	223.0
Nov 1	Unemployment Rate	Oct	%	4.1	4.1
Nov 1	S&P Global US Manufacturing PMI	Oct	Index	48.5	47.8
Nov 1	ISM Manufacturing	Oct	Index	46.5	47.2
Canada					
Oct 31	CFIB Business Barometer	Oct	Index	55.8	55.1
Oct 31	Gross Domestic Product	Aug	M/M % Chg.	0.0	0.1
Oct 31	Payroll Employment Change (SEPH)	Aug	Thsd	13.5	39.5
International					
Oct 28	JN Jobless Rate	Sep	%	2.4	2.5
Oct 30	EZ Gross Domestic Product SA	Q3	Y/Y % Chg.	0.9	0.6
Oct 30	JN Retail Sales	Sep	Y/Y % Chg.	0.5	3.1
Oct 30	CH Manufacturing PMI	Oct	Index	50.1	49.8
Oct 31	EZ Consumer Price Index Estimate	Oct	Y/Y % Chg.	2.0	1.7
Oct 31	EZ Unemployment Rate	Sep	%	6.3	6.3
Oct 31	JN Jibun Bank Japan PMI Mfg	Oct	Index	49.2	49.0
Oct 31	CH Caixin China PMI Mfg	Oct	Index	50.3	49.3

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

Upcoming Economic Releases and Events: November 04 - 08, 2024						
Release Date	Time*	Economic Indicator/Event	Data for Period	Units	Consensus Forecast	Last Period
United States						
Nov 04	10:00	Factory Orders	Sep	M/M % Chg.	-0.4	-0.2
Nov 04	10:00	Factory Orders Ex Trans	Sep	M/M % Chg.	-	-0.1
Nov 04	10:00	Durable Goods Orders	Sep	M/M % Chg.	-	-0.8
Nov 04	10:00	Cap Goods Orders Nondef Ex Air	Sep	M/M % Chg.	-	0.5
Nov 05	8:30	Trade Balance	Sep	Blns	-74.5	-70.4
Nov 05	10:00	ISM Services Index	Oct	Index	53.5	54.9
Nov 06	9:45	S&P Global US Services PMI	Oct	Index	55.3	55.3
Nov 06	9:45	S&P Global US Composite PMI	Oct	Index	-	54.3
Nov 07	8:30	Unit Labor Costs	3Q	Q/Q % Chg.	0.8	0.4
Nov 07	8:30	Initial Jobless Claims	Nov 02	Thsd	-	216.0
Nov 07	10:00	Wholesale Trade Sales	Sep	M/M % Chg.	-	-0.1
Nov 07	14:00	FOMC Rate Decision (Upper Bound)	Nov 07	%	4.75	5.00
Nov 08	11:00	<i>Fed's Bowman Speaks on Banking Topics</i>				
Canada						
Nov 04	10:30	<i>Bank of Canada releases Market Participants Survey</i>				
Nov 05	8:30	Int'l Merchandise Trade	Sep	Blns	-	-1.1
Nov 05	13:30	<i>Bank of Canada releases Summary of Deliberations</i>				
Nov 06	12:40	<i>Senior Deputy Governor speaks at Economic Club of Canada</i>				
Nov 08	8:30	Net Change in Employment	Oct	Thsd	39.0	46.7
Nov 08	8:30	Unemployment Rate	Oct	%	6.50	6.5
Nov 08	10:30	<i>Deputy Governor speaks at European Central Bank</i>				
International						
Nov 07	5:00	EZ Retail Sales	Sep	Y/Y % Chg.	1.3	0.8
Nov 07	7:00	UK Bank of England Bank Rate	Nov 07	%	4.8	5.0
Nov 08	20:30	CH Consumer Price Index	Oct	Y/Y % Chg.	0.3	0.4

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

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