

## Weekly Bottom Line

March 21, 2025

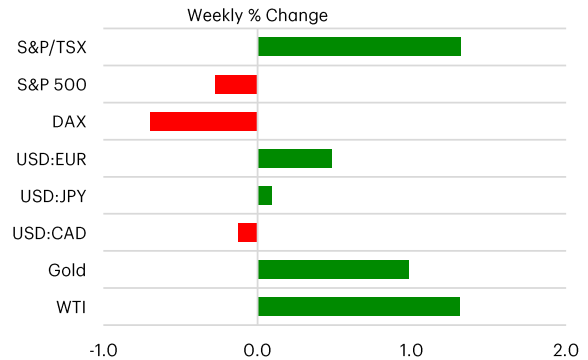
### Highlights

- The FOMC held the policy rate steady at a target range of 4.25%-4.5% for the second consecutive meeting. But, committed to slowing the pace of balance sheet runoff of its U.S. Treasury holdings.
- Revised economic projections showed a small downgrade to the FOMC's growth outlook, but a near-term upgrade to inflation. The median forecast still expects 50bps of rate cuts by year-end.
- February data out this week were mixed. Retail sales underwhelmed, while housing data rebounded from January's weather induced slide.

This Week in the Markets				
	Current*	Week Ago	52-Week High	52-Week Low
<b>Stock Market Indexes</b>				
S&P 500	5629	5639	6144	4967
S&P/TSX Comp.	24895	24553	25808	21517
DAX	22853	22987	23419	17339
FTSE 100	8649	8632	8871	7820
Nikkei	37677	37053	42224	31458
<b>Fixed Income Yields</b>				
U.S. 10-yr Treasury	4.23	4.31	4.79	3.62
Canada 10-yr Bond	3.00	3.07	3.87	2.83
Germany 10-yr Bund	2.77	2.88	2.90	2.03
UK 10-yr Gilt	4.70	4.67	4.89	3.76
Japan 10-yr Bond	1.52	1.52	1.58	0.71
<b>Foreign Exchange Cross Rates</b>				
C\$ (USD per CAD)	0.70	0.70	0.74	0.69
Euro (USD per EUR)	1.08	1.09	1.12	1.02
Pound (USD per GBP)	1.29	1.29	1.34	1.22
Yen (JPY per USD)	148.9	148.6	161.7	140.6
<b>Commodity Spot Prices**</b>				
Crude Oil (\$US/bbl)	68.2	67.2	86.9	65.8
Natural Gas (\$US/MMBtu)	4.23	3.89	9.33	1.22
Copper (\$US/met. tonne)	9885.4	9731.9	10800.8	8640.9
Gold (\$US/troy oz.)	3016.4	2984.2	3047.8	2165.4

\*As of 11:17 AM on Friday. \*\*Oil-WTI, Cushing, Nat. Gas-Henry Hub, LA (Thursday close price). Copper-LME Grade A. Gold-London Gold Bullion. Source: Bloomberg.

### Financial Markets Remain Volatile Following Fed Meeting



### Global Official Policy Rate Targets

Central Banks	Current Target
Federal Reserve (Fed Funds Rate)	4.25 - 4.50%
Bank of Canada (Overnight Rate)	2.75%
European Central Bank (Refi Rate)	2.65%
Bank of England (Repo Rate)	4.50%
Bank of Japan (Overnight Rate)	0.50%

Source: Bloomberg.

### TD Economics Key Financial Forecasts

	Current Rate 3/21/25	2024				2025				2026			
		Q1	Q2	Q3	Q4	Q1F	Q2F	Q3F	Q4F	Q1F	Q2F	Q3F	Q4F
Fed Funds Target Rate	4.50	5.50	5.50	5.00	4.50	4.50	4.25	4.00	4.00	3.50	3.00	3.00	3.00
2-yr Govt. Bond Yield	3.93	4.59	4.71	3.66	4.25	4.00	3.75	3.50	3.25	3.00	3.00	3.00	3.00
10-yr Govt. Bond Yield	4.23	4.20	4.36	3.81	4.58	4.30	4.20	4.00	3.85	3.75	3.75	3.75	3.75
30-yr Govt. Bond Yield	4.58	4.34	4.51	4.14	4.78	4.55	4.50	4.30	4.15	4.05	4.05	4.05	4.05

Forecast by TD Economics as of March 2025; all forecasts are end-of-period. Source: Bloomberg, Federal Reserve Board, TD Economics.

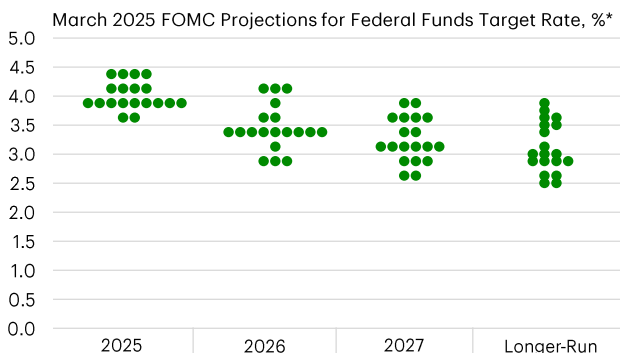
# Uncertainty Clouding the Outlook

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With no new tariff announcements, trade tensions were temporarily moved to the backburner this week, allowing investors to shift the focus to the economic data calendar. February data readings out this week were mixed. Retail sales underwhelmed expectations, but both housing starts, and existing home sales largely recovered from January’s weather induced slide. Meanwhile, the Federal Reserve held the policy rate steady at a target range of 4.25%-4.5% but signaled an intention to slow the pace of balance sheet runoff for U.S. Treasury holdings starting in April. While investors were braced for a more downbeat messaging on the outlook, the Fed’s statement and Chair Powell’s press conference struck a more balanced tone. This helped to temporarily soothe unnerved financial markets, but growth fears re-emerged by late-week, fueling a further sell-off. At time of writing, the S&P 500 was down 0.5%, while term yields traded lower by about 10bps, with the 10-year Treasury currently sitting at 4.22%.

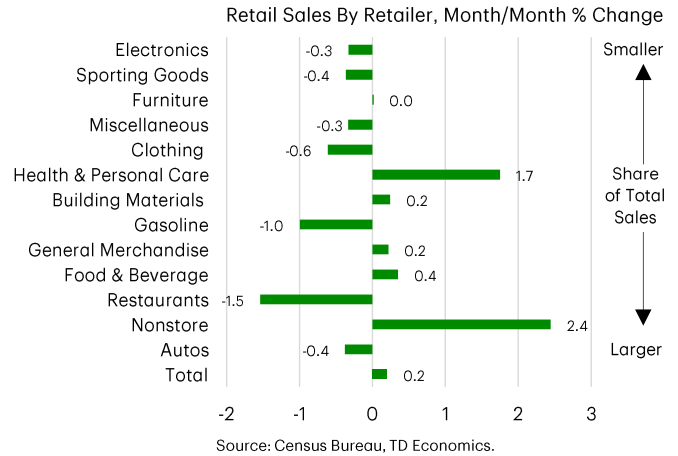
The Fed’s statement included updated economic projections from FOMC members. The median GDP forecast was revised lower over the forecast, with a below-trend pace of economic growth expected in 2025 (1.7% from 2.1%), before steadying at 1.8% in 2026 (previously 2.0%) and 2027 (previously 1.9%). The unemployment rate was nudged higher by a tick this year to 4.4% but remained unchanged at 4.3% in 2026 and 2027. Core PCE inflation was also revised higher for 2025 (2.8% from 2.5%), which Chair Powell largely attributed to tariff impacts. Importantly, the revised “dot plot” still showed two 25bps rate cuts for this year. But a closer inspection of the dots shows that committee members see the balance of risks

**Chart 1: FOMC’s Median Projection Shows Two Rate Cuts By Year-End**



\*Midpoint of Target Range. Source: Federal Reserve Board, TD Economics.

**Chart 2: U.S. Retail Spending Underwhelms in February**



skewed towards fewer cuts, as eight officials now expect one or no cuts this year (up from four in December) (Chart 1).

During the press conference, Chair Powell characterized the economy as “strong”, but emphasized that any point forecasts remain “highly uncertain” in light of recent policy changes under the new administration. When asked about the recent pullback in business and consumer sentiment measures, Powell reiterated that the “hard data” are still showing an economy that is “solid”. He also downplayed the recent jump in inflation expectations shown in the University of Michigan survey, characterizing it as an outlier relative to most other measures.

But this week’s retail sales data suggests otherwise. Retail sales rose by just 0.2% m/m in February, after declining 1.2% in January. Only 5 of the 13 major categories (Chart 2) saw gains last month while revisions to January showed an even weaker pace of retail spending than previously reported. Moreover, spending at bars & restaurants – the only services-based metric included in the retail report – plunged by 1.5% or the largest monthly pullback in two-years. This bears close watching, as discretionary services spending has been a key driver underpinning the strength of the consumer in past years.

For now, the Fed appears comfortable to sit tight and wait for more clarity on both the policy and data front. This will not come from any one policy announcement or data reading, suggesting policymakers will remain on the sidelines for at least another few months before making their next move.

## Exhibits

## Recent Key Economic Indicators: Mar 17 - 21, 2025

Release Date	Economic Indicator/Event	Data for Period	Units	Current	Prior
<b>United States</b>					
Mar 17	Empire Manufacturing	Mar	Index	-20.0	5.7
Mar 17	Retail Sales Advance	Feb	M/M % Chg.	0.2	-1.2
Mar 17	Retail Sales Ex Auto and Gas	Feb	M/M % Chg.	0.5	-0.8
Mar 17	Business Inventories	Jan	M/M % Chg.	0.3	-0.2
Mar 17	NAHB Housing Market Index	Mar	Index	39.0	42.0
Mar 18	Housing Starts	Feb	Thsd	1501.0	1350.0
Mar 18	Building Permits	Feb	Thsd	1456.0	1473.0
Mar 18	Industrial Production	Feb	M/M % Chg.	0.7	0.3
Mar 18	Capacity Utilization	Feb	%	78.2	77.7
Mar 18	Manufacturing (SIC) Production	Feb	M/M % Chg.	0.9	0.1
Mar 19	FOMC Rate Decision (Upper Bound)	Mar 19	%	4.50	4.50
Mar 20	Initial Jobless Claims	Mar 15	Thsd	223.0	220.0
Mar 20	Existing Home Sales	Feb	Mlns	4.3	4.1
<b>Canada</b>					
Mar 17	Housing Starts	Feb	Thsd	229.0	239.3
Mar 17	Existing Home Sales	Feb	Mlns	-9.8	-3.3
Mar 18	Consumer Price Index NSA	Feb	M/M % Chg.	1.1	0.1
Mar 18	Consumer Price Index	Feb	Y/Y % Chg.	2.6	1.9
Mar 20	Industrial Product Price	Feb	M/M % Chg.	0.4	1.4
Mar 21	Retail Sales	Jan	Y/Y % Chg.	-0.6	2.6
Mar 21	Retail Sales Ex Auto	Jan	M/M % Chg.	0.2	2.9
<b>International</b>					
Mar 19	EZ Consumer Price Index	Feb	Y/Y % Chg.	2.3	2.4
Mar 20	UK Bank of England Bank Rate	Mar 20	%	4.5	4.5
Mar 20	JN Natl Consumer Price Index	Feb	Y/Y % Chg.	3.7	4.0

Source: Bloomberg, TD Economics.

## Upcoming Economic Releases and Events: Mar 24 - 28, 2024

Release Date	Time*	Economic Indicator/Event	Data for Period	Units	Consensus Forecast	Last Period
<b>United States</b>						
Mar 24	9:45	S&P Global US Composite PMI	Mar	Index	-	51.6
Mar 24	9:45	S&P Global US Manufacturing PMI	Mar	Index	51.7	52.7
Mar 24	9:45	S&P Global US Services PMI	Mar	Index	50.9	51.0
Mar 24	13:45	<i>Fed's Bostic on Bloomberg TV</i>				
Mar 24	15:10	<i>Fed's Barr Speaks on Small Business Lending</i>				
Mar 25	8:00	Building Permits	Feb	Thsd	-	1456.0
Mar 25	8:40	<i>Fed's Kugler Gives Speech on Economy, Entrepreneurship</i>				
Mar 25	9:00	S&P CoreLogic CS 20-City NSA	Jan	Y/Y % Chg.	-	4.5
Mar 25	9:00	S&P CoreLogic CS US HPI NSA	Jan	Y/Y % Chg.	-	3.9
Mar 25	9:05	<i>Fed's Williams Gives Opening Remarks</i>				
Mar 25	10:00	Conf. Board Consumer Confidence	Mar	Index	94.0	98.3
Mar 26	8:30	Cap Goods Orders Nondef Ex Air	Feb	M/M % Chg.	0.2	0.8
Mar 26	8:30	Durable Goods Orders	Feb	M/M % Chg.	-1.0	3.2
Mar 26	10:00	<i>Fed's Kashkari Hosts Fed Listens, conversation</i>				
Mar 26	13:10	<i>Fed's Musalem Speaks on Economy, Monetary Policy</i>				
Mar 27	8:30	Advance Goods Trade Balance	Feb	Blns	-135.0	-155.6
Mar 27	8:30	Gross Domestic Product (Annualized)	Q4	Q/Q % Chg.	2.4	2.3
Mar 27	8:30	Personal Consumption	Q4	Q/Q % Chg.	4.2	4.2
Mar 27	8:30	Initial Jobless Claims	Mar 22	Thsd	225.0	223.0
Mar 27	10:00	Pending Home Sales	Feb	M/M % Chg.	-	-4.6
Mar 27	16:30	<i>Fed's Barkin Gives Speech, Q&amp;A</i>				
Mar 28	8:30	PCE Price Index	Feb	M/M % Chg.	0.3	0.3
Mar 28	8:30	PCE Price Index	Feb	Y/Y % Chg.	2.5	2.5
Mar 28	8:30	Core PCE Price Index	Feb	M/M % Chg.	0.3	0.3
Mar 28	8:30	Core PCE Price Index	Feb	Y/Y % Chg.	2.7	2.6
Mar 28	8:30	Personal Income	Feb	M/M % Chg.	0.4	0.9
Mar 28	8:30	Real Personal Spending	Feb	M/M % Chg.	-	-0.5
Mar 28	12:15	<i>Fed's Barr Gives Speech on Banking Policy</i>				
Mar 28	15:30	<i>Fed's Bostic Moderates Panel on Housing Finance</i>				
<b>Canada</b>						
Mar 26	13:30	<i>BoC Releases Summary of Deliberations</i>				
Mar 27	8:30	Payroll Employment Change (SEPH)	Jan	Thsd	-	25.3
Mar 28	8:30	Gross Domestic Product	Jan	M/M % Chg.	0.3	0.2
<b>International</b>						
Mar 26	3:00	UK Consumer Price Index	Feb	Y/Y % Chg.	2.9	3.0
Mar 27	19:30	JN Tokyo Consumer Price Index	Mar	Y/Y % Chg.	2.8	2.8
Mar 28	3:00	UK Gross Domestic Product	Q4	Y/Y % Chg.	1.4	1.4
Mar 28	3:00	UK Retail Sales Ex Auto Fuel	Feb	Y/Y % Chg.	0.4	1.2

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

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