

## Weekly Bottom Line

August 22, 2025

### Highlights

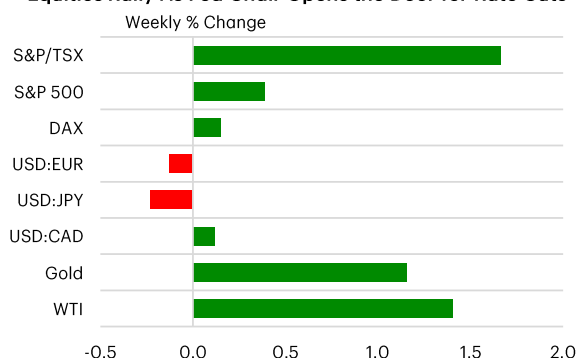
- In his Jackson Hole speech, Fed Chair Powell highlighted that the downside risks to employment have risen. This shifts the balance of risks on employment and inflation, and opens the door for a September rate cut more widely.
- Odds of a September rate cut rose after his speech, boosting stock markets.
- Also this week, July housing data improved but did not change the overall slow market trend.

#### This Week in the Markets

	Current*	Week Ago	52-Week High	52-Week Low
<b>Stock Market Indexes</b>				
S&P 500	6474	6450	6474	4983
S&P/TSX Comp.	28368	27905	28368	22507
DAX	24402	24359	24550	18266
FTSE 100	9341	9139	9341	7679
Nikkei	42633	43378	43714	31137
<b>Fixed Income Yields</b>				
U.S. 10-yr Treasury	4.26	4.32	4.79	3.62
Canada 10-yr Bond	3.43	3.45	3.60	2.83
Germany 10-yr Bund	2.73	2.79	2.90	2.03
UK 10-yr Gilt	4.70	4.70	4.89	3.76
Japan 10-yr Bond	1.63	1.57	1.63	0.82
<b>Foreign Exchange Cross Rates</b>				
C\$ (USD per CAD)	0.72	0.72	0.74	0.69
Euro (USD per EUR)	1.17	1.17	1.18	1.02
Pound (USD per GBP)	1.35	1.36	1.37	1.22
Yen (JPY per USD)	146.8	147.2	158.4	140.6
<b>Commodity Spot Prices**</b>				
Crude Oil (\$US/bbl)	63.7	62.8	80.0	57.1
Natural Gas (\$US/MMBtu)	2.88	2.97	9.33	1.22
Copper (\$US/met. tonne)	9643.5	9679.8	10219.3	8571.4
Gold (\$US/troy oz.)	3374.2	3336.2	3432.3	2484.8

\*As of 11:02 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 Rally As Fed Chair Opens the Door for Rate Cuts



Note: Data as of 11:01 AM ET, Friday, August 22, 2025.  
Source: Bloomberg, TD Economics.

#### 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)	2.15%
Bank of England (Repo Rate)	4.00%
Bank of Japan (Overnight Rate)	0.50%

Source: Bloomberg.

#### TD Economics Key Financial Forecasts

	Current Rate 8/22/25	2024				2025				2026			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3F	Q4F	Q1F	Q2F	Q3F	Q4F
Fed Funds Target Rate	4.50	5.50	5.50	5.00	4.50	4.50	4.50	4.25	3.75	3.75	3.25	3.25	3.25
2-yr Govt. Bond Yield	3.69	4.59	4.71	3.66	4.25	3.89	3.72	3.76	3.51	3.30	3.25	3.25	3.25
10-yr Govt. Bond Yield	4.26	4.20	4.36	3.81	4.58	4.23	4.24	4.27	4.10	4.00	4.00	4.00	4.00
30-yr Govt. Bond Yield	4.88	4.34	4.51	4.14	4.78	4.59	4.78	4.85	4.50	4.30	4.30	4.30	4.30

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

## Fed Chair Powell Opens Door for Rate Cuts

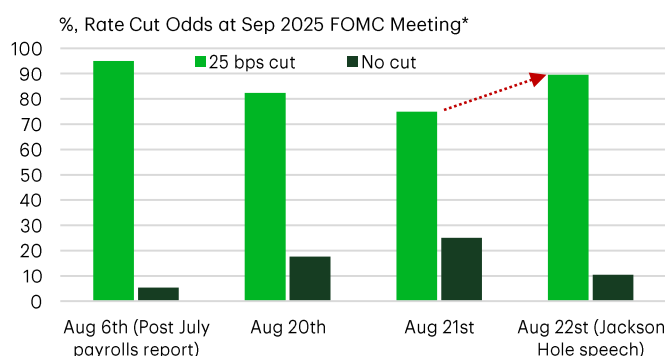
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Financial markets appeared set to finish slightly lower for the week. However, following Chair Powell's keynote speech on Friday morning at the Federal Reserve's annual symposium in Jackson Hole, Wyoming—where he indicated the possibility of rate cuts—equities rallied. The 10-year yield declined from around 4.33% earlier in the day to 4.26%, while the S&P 500 rose by 1.4% at the time of writing, surpassing last week's close.

With few major data releases during the week (only two main housing reports), attention was focused on developments related to the central bank. The FOMC minutes provided additional context regarding the July decision not to cut rates. Participants highlighted risks associated with both sides of the Committee's dual mandate, referencing "upside risk to inflation and downside risk to employment." In July, most participants considered the inflation risk to be more significant, citing uncertain tariff effects and concerns about inflation expectations.

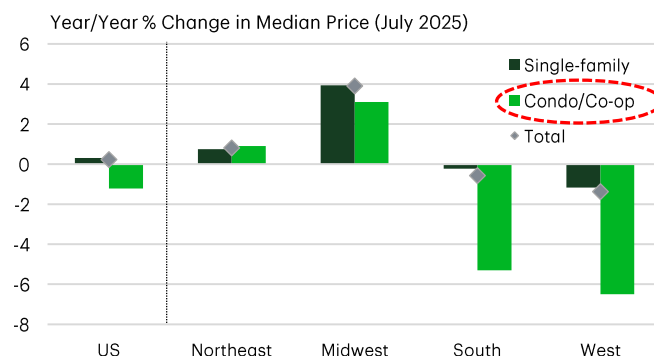
In his Jackson Hole speech this Friday morning, Chair Powell suggested a change in the Fed's position. He noted that with policy currently restrictive, adjustments may be warranted given the outlook and balance of risks (see [commentary](#)). The key shift in Powell's messaging relative to July reflects the recent jobs data and acknowledges that downside risks to employment are rising. This both tips the balance on the Fed's dual mandate to greater concern about fostering maximum employment, and reduces the risks that tariff-driven

**Chart 1: Powell's Speech Raises Odds for September Cut**



Source: CME Group, TD Economics. \*Probability at select periods.

**Chart 2: U.S. House Prices Falling in South and West Census Regions**



Source: Moody's, NAR, TD Economics.

inflation leads to a wage-price spiral. By emphasizing downside risks to employment and reduced risks of persistent inflation, Chair Powell has opened the door for a rate cut in September. There is still an employment and an inflation report for the Fed to parse before deciding whether to walk through the door. This is a key shift from Chair Powell, and not surprisingly market odds of a September rate cut jumped back up following his speech (Chart 1).

Lower rates can't come fast enough for the housing market. Existing home sales increased moderately in July (up 2% month-over-month), but overall activity remained subdued, with sales levels near those seen during the Global Financial Crisis. Soft demand and some inventory growth have contributed to slower home price appreciation, particularly in the West and South Census regions (Chart 2). There was a notable rise in multifamily starts in July, primarily in the South, though this series is volatile and permitting data suggest a weaker outlook. Single-family starts showed little change from subdued levels, in tune with looser conditions in the new home market. Should the Federal Reserve lower rates later in the year as expected, mortgage rates should decline further, supporting housing activity in the future.

All told, barring any major surprises in payroll and inflation data, it is widely expected that the Federal Reserve will resume rate cuts in mid-September.

## Exhibits

Recent Key Economic Indicators: Aug 18 - 22, 2025					
Release Date	Economic Indicator/Event	Data for Period	Units	Current	Prior
United States					
Aug 18	NAHB Housing Market Index	Aug	Index	32.0	33.0
Aug 19	Housing Starts	Jul	Thsd	1428.0	1358.0
Aug 19	Building Permits	Jul	Thsd	1354.0	1393.0
Aug 21	Initial Jobless Claims	Aug 16	Thsd	235.0	224.0
Aug 21	S&P Global US Manufacturing PMI	Aug	Index	53.3	49.8
Aug 21	S&P Global US Services PMI	Aug	Index	55.4	55.7
Aug 21	S&P Global US Composite PMI	Aug	Index	55.4	55.1
Aug 21	Existing Home Sales	Jul	Mlns	4.0	3.9
Canada					
Aug 18	Housing Starts	Jul	Thsd	294.1	283.5
Aug 19	Consumer Price Index NSA	Jul	M/M % Chg.	0.3	0.1
Aug 19	Consumer Price Index	Jul	Y/Y % Chg.	1.7	1.9
Aug 21	CFIB Business Barometer	Aug	Index	47.8	51.5
Aug 21	Industrial Product Price	Jul	M/M % Chg.	0.7	0.5
Aug 22	Retail Sales	Jun	M/M % Chg.	1.5	-1.2
Aug 22	Retail Sales Ex Auto	Jun	M/M % Chg.	1.9	-0.3
International					
Aug 20	UK Consumer Price Index	Jul	Y/Y % Chg.	3.8	3.6
Aug 20	EZ Consumer Price Index	Jul	Y/Y % Chg.	2.0	2.0
Aug 21	JN Natl Consumer Price Index	Jul	Y/Y % Chg.	3.1	3.3
*Eastern Standard Time. Source: Bloomberg, TD Economics.					

Upcoming Economic Releases and Events: Aug 25 - 29, 2025						
Release Date	Time*	Economic Indicator/Event	Data for Period	Units	Consensus Forecast	Last Period
United States						
Aug 25	0:00	Building Permits	Jul	Thsd	-	1354.0
Aug 28	8:30	Initial Jobless Claims	Aug 23	Thsd	-	235.0
Aug 25	10:00	New Home Sales	Jul	Thsd	628.0	627.0
Aug 25	15:15	<i>Fed's Logan Speaks at Bank of Mexico Centennial Conference</i>				
Aug 25	19:15	<i>Fed's Williams Gives Keynote Remarks</i>				
Aug 26	8:30	Durable Goods Orders	Jul	M/M % Chg.	-4.0	-9.4
Aug 26	8:30	Cap Goods Orders Nondef Ex Air	Jul	M/M % Chg.	0.3	-0.8
Aug 26	9:00	S&P CoreLogic CS 20-City NSA	Jun	Y/Y % Chg.	-	2.8
Aug 26	9:00	S&P CoreLogic CS US HPI NSA	Jun	Y/Y % Chg.	-	2.3
Aug 26	10:00	Conf. Board Consumer Confidence	Aug	Index	96.4	97.2
Aug 28	8:30	Gross Domestic Product Annualized	2Q	Q/Q % Chg.	3.1	3.0
Aug 28	8:30	Personal Consumption	2Q	Q/Q % Chg.	-	1.4
Aug 28	18:00	<i>Fed's Waller Speaks on Monetary Policy</i>				
Aug 29	8:30	Personal Income	Jul	M/M % Chg.	0.5	0.3
Aug 29	8:30	Real Personal Spending	Jul	M/M % Chg.	0.3	0.1
Aug 29	8:30	Advance Goods Trade Balance	Jul	Blns	-87.7	-86.0
Canada						
Aug 26	14:45	<i>Governor Tiff Macklem Speech</i>				
Aug 28	8:30	Payroll Employment Change - SEPH	Jun	Thsd	-	15.3
Aug 29	8:30	Quarterly Gross Domestic Product Annualized	2Q	Q/Q % Chg.	-0.3	2.2
Aug 29	8:30	Gross Domestic Product	Jun	M/M % Chg.	0.2	-0.1
International						
Aug 28	19:30	JN Jobless Rate	Jul	%	2.5	2.5
Aug 28	19:30	JN Tokyo Consumer Price Index	Aug	Y/Y % Chg.	2.6	2.9
Aug 28	19:50	JN Retail Sales	Jul	Y/Y % Chg.	1.6	2.0
Aug 29	6:30	IN Gross Domestic Product	2Q	Y/Y % Chg.	6.6	7.4

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

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