

Weekly Bottom Line

October 17, 2025

Highlights

- Alternative data helped fill the void of official releases due to the ongoing government shutdown. The Cleveland Fed's Inflation Nowcasting model estimated core inflation remained around 3% (y/y) in September.
- The Chicago Fed's Advance Retail Trade Summary indicated retail & food services sales excluding autos were healthy in September.
- Fed Chair Powell signaled that the central bank could soon reach a point where it may stop reducing the size of its balance sheet, also known as quantitative tightening.

This Week in the Markets				
	Current*	Week Ago	52-Week High	52-Week Low
Stock Market Indexes				
S&P 500	6632	6553	6754	4983
S&P/TSX Comp.	30135	29851	30637	22507
DAX	23931	24241	24611	19003
FTSE 100	9371	9427	9549	7679
Nikkei	47582	48089	48580	31137
Fixed Income Yields				
U.S. 10-yr Treasury	4.01	4.03	4.79	3.97
Canada 10-yr Bond	3.09	3.17	3.60	2.83
Germany 10-yr Bund	2.58	2.64	2.90	2.03
UK 10-yr Gilt	4.53	4.68	4.89	4.06
Japan 10-yr Bond	1.63	1.69	1.70	0.94
Foreign Exchange Cross Rates				
C\$ (USD per CAD)	0.71	0.71	0.74	0.69
Euro (USD per EUR)	1.17	1.16	1.19	1.02
Pound (USD per GBP)	1.34	1.34	1.37	1.22
Yen (JPY per USD)	150.4	151.2	158.4	140.9
Commodity Spot Prices**				
Crude Oil (\$US/bbl)	57.6	58.9	80.0	57.1
Natural Gas (\$US/MMBtu)	2.81	2.90	9.33	1.22
Copper (\$US/met. tonne)	10635.8	10486.8	11047.3	8571.4
Gold (\$US/troy oz.)	4257.1	4017.8	4326.6	2563.3

*As of 11:04 AM on Friday. **Oil-WTI, Cushing, Nat. Gas-Henry Hub, LA (Thursday close price). Copper-LME Grade A. Gold-London Gold Bullion. Source: Bloomberg.

Gold Jumps Amid Growing Uncertainty and Safe-haven Demand



Note: Data as of 11:05 AM ET, Friday, October 17, 2025.
Source: Bloomberg, TD Economics.

Global Official Policy Rate Targets	
Central Banks	Current Target
Federal Reserve (Fed Funds Rate)	4.00 - 4.25%
Bank of Canada (Overnight Rate)	2.50%
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 10/17/25	2024				2025				2026			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3F	Q4F	Q1F	Q2F	Q3F	Q4F
Fed Funds Target Rate	4.25	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	3.46	4.59	4.71	3.66	4.25	3.89	3.72	3.55	3.40	3.30	3.25	3.25	3.25
10-yr Govt. Bond Yield	4.01	4.20	4.36	3.81	4.58	4.23	4.24	4.05	4.05	4.00	4.00	4.00	4.00
30-yr Govt. Bond Yield	4.60	4.34	4.51	4.14	4.78	4.59	4.78	4.67	4.60	4.50	4.50	4.50	4.50

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

Reading the Tea Leaves Amidst the Data Fog

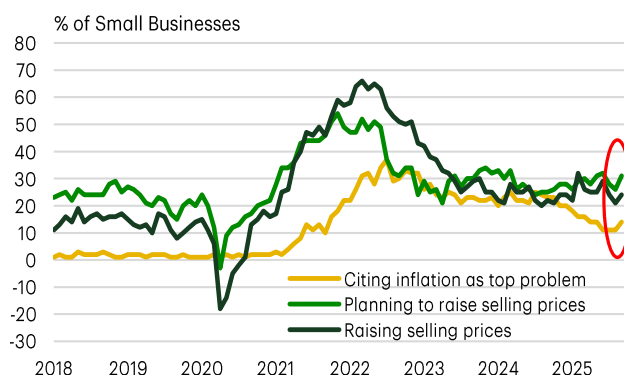
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This week's U.S. economic landscape remained shrouded in fog due to the lack of official data amidst the ongoing government shutdown. If it continues until Monday, it will be the third longest in history. In the official data drought, focus has shifted to alternative indicators, particularly from the Federal Reserve, which is still operating during the shutdown. US-China trade tensions ebbed and flowed, while concerns surrounding regional banks made a comeback, weighing on equity markets. Still, equities managed to eke out some gains, with the S&P 500 up 1% from last Friday's low. Bond yields declined amid uncertainty and expectations of further monetary easing. Notably, the 10-Year Treasury yield fell below 4% and is now hovering near last year's level.

In the absence of the CPI report, alternative inflation indicators are sending conflicting signals. The Cleveland Fed's Inflation Nowcasting model estimated core inflation at 0.26% month-over-month in September, suggesting year-on-year core inflation remained near 3%. The lack of acceleration would support another Fed rate cut amidst a deteriorating labor market. However, the Fed's Beige Book reported further price increases, with several districts noting "faster input cost growth due to higher import prices and rising costs for services like insurance, health care, and technology". The NFIB's small business survey also showed moderate upticks in its price metrics (Chart 1). The CPI report is set to be released next week, which should help clear some of the fog.

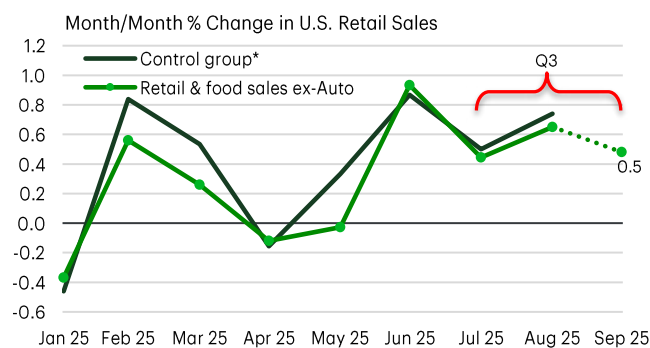
The September retail sales report is also delayed, but the Chicago Fed's Advance Retail Trade Summary (CARTS),

**Chart 1: U.S. Small Business Price Metrics
Recorded an Uptick in September**



Source: NFIB, TD Economics.

Chart 2: Advance Retail Trade Summary Suggests Retail Sales Ended Q3 on Solid Footing



Source: Chicago Fed Advance Retail Trade Summary (CARTS), TD Economics.
*Excludes volatile categories, used in calculating GDP.

which tracks weekly sales, offers some insight. CARTS indicates that retail & food services sales excluding autos rose by 0.5% in September, suggesting a solid finish to the third quarter (Chart 2). However, given ongoing uncertainty and other consumer challenges, momentum is expected to ease in the fourth quarter. The Beige Book echoed this, noting that overall consumer spending, especially on retail goods, trended down in recent weeks, with auto sales being the main exception.

On the employment front, the Beige Book described labor demand as "subdued" and employment levels as "largely unchanged". More employers reported lowering headcount through layoffs and attrition, citing weak demand, high uncertainty, and, in some cases, increased investment in AI. Layoffs were mentioned 14 times, up from 6 previously. NFIB employment metrics also pointed to a weak hiring trend among small businesses in September.

Fed Chair Powell reiterated recent messaging and placed more emphasis on labor market risks in a speech this week, supporting additional easing. Powell also signaled the central bank could soon stop reducing the size of its balance sheet. While he provided no set timeline for the end of quantitative tightening (QT), he stated "we may approach that point in the coming months," noting early signs that liquidity conditions are gradually tightening.

Reading the tea leaves, labor market risks remain the key focus. As such, the Fed is likely to deliver another rate cut at the end of this month. The signal that QT may soon end further reinforces the Fed's dovish stance.

Exhibits

Recent Key Economic Indicators: Oct 13 - 17, 2025							
Release Date		Economic Indicator/Event		Data for Period	Units	Current	Prior
United States							
Oct 14		NFIB Small Business Optimism		Sep	Index	98.8	100.8
Oct 15		Empire Manufacturing		Oct	Index	10.7	-8.7
Oct 16		NAHB Housing Market Index		Oct	Index	37.0	32.0
Canada							
Oct 15		Manufacturing Sales		Aug	M/M % Chg.	-1.0	2.2
Oct 16		Existing Home Sales		Sep	M/M % Chg.	-1.7	1.1
Oct 16		CFIB Business Barometer		Oct	Index	46.3	50.3
Oct 16		Housing Starts		Sep	Thsd	279.2	244.5
International							
Oct 14	UK	ILO Unemployment Rate		Aug	%	4.8	4.7
Oct 14	CH	Consumer Price Index		Sep	Y/Y % Chg.	-0.3	-0.4
Oct 16	UK	Gross Domestic Product		Aug	3M/3M % Chg.	0.3	0.2
Oct 17	EZ	Consumer Price Index		Sep	Y/Y % Chg.	2.2	2.2
Source: Bloomberg, TD Economics.							

Upcoming Economic Releases and Events: Oct 20 - 24, 2025						
Release Date	Time*	Economic Indicator/Event	Data for Period	Units	Consensus Forecast	Last Period
United States						
Oct 23	8:30	Initial Jobless Claims	Oct 18	Thsd	230.0	219.0
Oct 23	10:00	Existing Home Sales	Sep	Mlns	4.1	4.0
Oct 24	8:30	Consumer Price Index	Sep	M/M % Chg.	0.4	0.4
Oct 24	8:30	Consumer Price Index	Sep	Y/Y % Chg.	3.1	2.9
Oct 24	9:45	S&P Global US Manufacturing PMI	Oct	Index	51.8	52.0
Oct 24	9:45	S&P Global US Services PMI	Oct	Index	53.5	54.2
Oct 24	9:45	S&P Global US Composite PMI	Oct	Index	-	53.9
Oct 24	8:00	Building Permits	Sep	Thsd	-	-
Oct 24	10:00	New Home Sales	Sep	Thsd	710.0	800.0
Canada						
Oct 20	8:30	Industrial Product Price	Sep	M/M % Chg.	-	0.5
Oct 20	10:30	BoC Business Outlook Future Sales	3Q	Q/Q % Chg.	-	6.0
Oct 20	10:30	BoC Overall Business Outlook Survey	3Q	Q/Q % Chg.	-	-2.4
Oct 21	8:30	Consumer Price Index NSA	Sep	M/M % Chg.	-0.1	-0.1
Oct 21	8:30	Consumer Price Index	Sep	Y/Y % Chg.	2.2	1.9
Oct 23	8:30	Retail Sales	Aug	M/M % Chg.	1.0	-0.8
Oct 23	8:30	Retail Sales Ex Auto	Aug	M/M % Chg.	1.5	-1.2
International						
Oct 22	2:00	UK Consumer Price Index	Sep	Y/Y % Chg.	4.0	3.8
Oct 23	19:30	JN Natl Consumer Price Index	Sep	Y/Y % Chg.	2.9	2.7
Oct 24	2:00	UK Retail Sales Ex Auto Fuel	Sep	Y/Y % Chg.	0.6	1.2

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

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