

Weekly Bottom Line

December 5, 2025

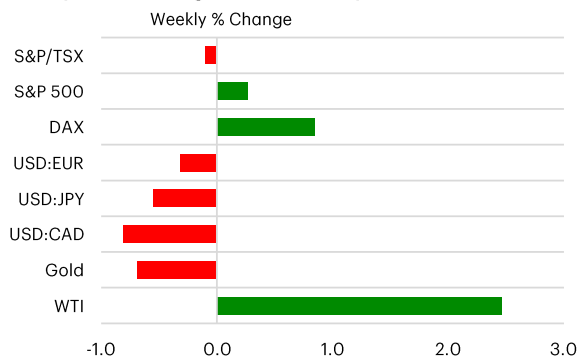
Highlights

- Real consumer spending was flat in September, ending the third quarter on a soft note. Consumption for the third quarter was up 2.7% (q/q annualized).
- The Fed's preferred inflation gauge – the core PCE deflator – rose by 0.2% month-on-month in September, as expected. That is still above the Fed's target at 2.8% year-on-year, but down slightly from 2.9% in August.
- Combined with somewhat soft employment data in November's ADP report, the Fed looks set to check off markets' wish list for a rate cut next week.

This Week in the Markets				
	Current*	Week Ago	52-Week High	52-Week Low
Stock Market Indexes				
S&P 500	6865	6849	6891	4983
S&P/TSX Comp.	31349	31383	31478	22507
DAX	24045	23837	24611	19671
FTSE 100	9676	9721	9911	7679
Nikkei	50492	50254	52411	31137
Fixed Income Yields				
U.S. 10-yr Treasury	4.13	4.01	4.79	3.95
Canada 10-yr Bond	3.42	3.15	3.60	2.83
Germany 10-yr Bund	2.80	2.69	2.90	2.11
UK 10-yr Gilt	4.48	4.44	4.89	4.27
Japan 10-yr Bond	1.95	1.81	1.95	1.04
Foreign Exchange Cross Rates				
C\$ (USD per CAD)	0.72	0.72	0.74	0.69
Euro (USD per EUR)	1.16	1.16	1.19	1.02
Pound (USD per GBP)	1.33	1.32	1.37	1.22
Yen (JPY per USD)	155.3	156.2	158.4	140.9
Commodity Spot Prices**				
Crude Oil (\$US/bbl)	60.0	58.6	80.0	57.1
Natural Gas (\$US/MMBtu)	4.89	4.59	9.33	2.65
Copper (\$US/met. tonne)	11500.4	11233.7	11575.9	8571.4
Gold (\$US/troy oz.)	4213.3	4239.4	4356.3	2585.4

*As of 11:40 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 Trek Higher Ahead of Expected Fed Rate Cut



Global Official Policy Rate Targets

Central Banks	Current Target
Federal Reserve (Fed Funds Rate)	3.75 - 4.00%
Bank of Canada (Overnight Rate)	2.25%
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	2024				2025				2026			
	12/5/25	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4F	Q1F	Q2F	Q3F	Q4F
Fed Funds Target Rate	4.00	5.50	5.50	5.00	4.50	4.50	4.50	4.25	4.00	3.75	3.50	3.25	3.25
2-yr Govt. Bond Yield	3.56	4.59	4.71	3.66	4.25	3.89	3.72	3.60	3.45	3.30	3.25	3.25	3.25
10-yr Govt. Bond Yield	4.13	4.20	4.36	3.81	4.58	4.23	4.24	4.16	4.10	4.05	4.00	4.00	4.00
30-yr Govt. Bond Yield	4.79	4.34	4.51	4.14	4.78	4.59	4.78	4.73	4.65	4.55	4.50	4.50	4.50

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

Fed to Play Santa, Cut Policy Rate

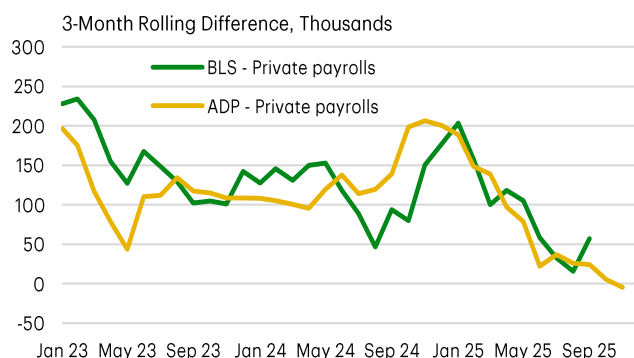
Admir Kolaj, Economist
416-944-6318

Markets are convinced that the Fed will deliver an early holiday gift – a rate cut – next week. Odds of a December cut have hung near 90% ever since shifting up in late November, following support for more easing from Fed Presidents Williams (NY) and Daly (San Fran.). Economic data out this week, while mixed, did not perturb that balance. Equities managed to trek modestly higher, with S&P 500 up 1.1% from last week's close.

September's personal income and spending report provided a snapshot of spending and inflation trends before the government shutdown. Spending was flat in real terms in September, ending the third quarter on a soft note. Consumption for the quarter was up 2.7% (q/q annualized) – below expectations but still an improvement from 2.5% in the second quarter. September provides a soft handoff to the fourth quarter, which coupled with the government shutdown, slowing job growth, and weak consumer confidence, suggests spending will slow further at the end of the year. Early data from Thanksgiving weekend suggests holiday shopping was healthy but likely grew at a pace slightly below that of last year. Online sales continued to lead the way, with Cyber Week spending up nearly 8% year-over-year (y/y) according to Adobe. In-store gains were softer, with closely watched indicators pointing to growth in the low single-digits. AI tools helped boost retail site traffic, while a growing Buy-Now-Pay-Later (BNPL) trend also played an important role in propping up spending.

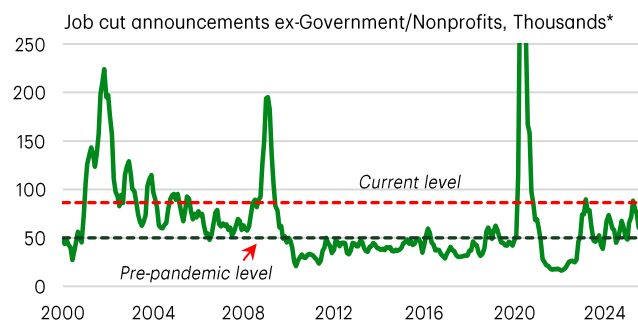
Core PCE inflation rose 0.2% month-over-month (m/m) in September, and 2.8% in y/y terms – a modest easing

Chart 1: ADP Report Suggests U.S. Private Payrolls Growth Has Slowed to a Crawl



Source: ADP, U.S. Bureau of Labor Statistics, TD Economics.

Chart 2: U.S. Job Cut Announcements Pulled Back in November, but Trend Remains Elevated



*3-month moving average.
Source: Challenger, Gray & Christmas, Haver, TD Economics.

from 2.9% in the prior two months. The ISM services price index recorded a notable pullback in November – marking a modest positive post-shutdown signal with respect to inflationary pressures. Nonetheless, Cleveland Fed Inflation Nowcasting puts core PCE at 0.23% (m/m) for both October and November, 2.8% and 2.9% in y/y terms respectively – still well above target.

Employment data was mixed. Initial jobless claims dropped to a three-year low of 191k at November's end. The Thanksgiving holiday may have distorted the data. But even prior to that last week, initial claims were still trending lower. Conversely, the ADP report showed private payrolls fell by 32k in November. Its three-month average, which is more closely aligned with the BLS equivalent, turned slightly negative too (Chart 1). Job cut announcements, meanwhile, also pointed to continued challenges. Layoff announcements in November were cut in half from their October tally, coming in at 71k. But even when looking past the weakness in the government sector, the trend in layoff announcements remains elevated (Chart 2). Overall, markets seemingly expect the Fed to focus on signs of labor market softness and maintain a cautious policy stance.

Our reading is that the Fed won't disappoint market expectations next week. But in the New Year, the bar for additional cuts may be higher. Having delivered some insurance cuts, the Fed will likely take time to digest delayed economic reports and carefully assess post-shutdown data to form a clearer picture of the economy's health.

Exhibits

Recent Key Economic Indicators: Dec 01 - 05, 2025					
Release Date	Economic Indicator/Event	Data for Period	Units	Current	Prior
United States					
Dec 01	S&P Global US Manufacturing PMI	Nov	Index	52.2	51.9
Dec 01	ISM Manufacturing	Nov	Index	48.2	48.7
Dec 02	Wards Total Vehicle Sales	Nov	MIns	15.6	15.3
Dec 03	ADP Employment Change	Nov	Thsd	-32.0	47.0
Dec 03	Capacity Utilization	Sep	%	75.9	75.9
Dec 03	Manufacturing (SIC) Production	Sep	M/M % Chg.	0.0	0.1
Dec 03	Industrial Production	Sep	M/M % Chg.	0.1	-0.3
Dec 03	S&P Global US Services PMI	Nov	Index	54.1	55.0
Dec 03	S&P Global US Composite PMI	Nov	Index	54.2	54.8
Dec 03	ISM Services Index	Nov	Index	52.6	52.4
Dec 04	Initial Jobless Claims	Nov 29	Thsd	191.0	218.0
Dec 05	Personal Income	Sep	M/M % Chg.	0.4	0.4
Dec 05	Real Personal Spending	Sep	M/M % Chg.	0.3	0.5
Canada					
Dec 01	S&P Global Canada Manufacturing PMI	Nov	Index	48.4	49.6
Dec 03	Labour Productivity QoQ	3Q	Q/Q % Chg.	0.9	-1.0
Dec 05	Net Change in Employment	Nov	Thsd	53.6	66.6
Dec 05	Unemployment Rate	Nov	%	6.5	6.9
International					
Dec 02	EZ Unemployment Rate	Oct	%	6.4	6.4
Dec 02	EZ Consumer Price Index Estimate	Nov	Y/Y % Chg.	2.2	2.1
Dec 04	EZ Retail Sales	Oct	Y/Y % Chg.	1.5	1.2
Dec 04	BZ Gross Domestic Product	3Q	Q/Q % Chg.	0.1	0.3
Dec 05	EZ Gross Domestic Product SA	3Q	Y/Y % Chg.	1.4	1.4
Dec 05	EZ Employment	3Q	Y/Y % Chg.	0.6	0.5

Source: Bloomberg, TD Economics.

Upcoming Economic Releases and Events: Dec 08 - 12, 2025						
Release Date	Time**	Economic Indicator/Event	Data for Period	Units	Consensus Forecast	Last Period
United States						
Dec 09	6:00	NFIB Small Business Optimism	Nov	Index	98.2	98.2
Dec 10	8:30	Employment Cost Index	3Q	Index	0.9	0.9
Dec 10	14:00	FOMC Rate Decision (Upper Bound)	Dec 10	%	3.8	4.0
Dec 11	8:30	Initial Jobless Claims	Dec 06	Thsd	-	191.0
Dec 11	8:30	Trade Balance	Sep	Blns	-66.6	-59.6
Dec 11	8:30	PPI Final Demand*	Oct	M/M % Chg.	0.2	0.3
Dec 11	8:30	PPI Ex Food and Energy*	Oct	M/M % Chg.	0.2	0.1
Dec 11	10:00	Wholesale Trade Sales	Sep	M/M % Chg.	-	0.1
Dec 11	10:00	Housing Starts*	Sep	Thsd	1329.0	1307.0
Dec 11	10:00	Building Permits*	Sep	Thsd	1350.0	1330.0
Dec 12	8:00	<i>Fed's Paulson Speaks on Economic Outlook in Delaware</i>				
Dec 12	8:00	<i>Fed's Hammack Speaks at Real Estate Roundtable Series</i>				
Canada						
Dec 10	9:45	Bank of Canada Rate Decision	Dec 10	%	2.25	2.25
Dec 11	8:30	Int'l Merchandise Trade	Sep	Blns	-5.25	-6.32
International						
Dec 09	20:30	CH Consumer Price Index	Nov	Y/Y % Chg.	0.7	0.2
Dec 12	2:00	UK Gross Domestic Product	Oct	Q/Q % Chg.	0.0	0.3

*May be delayed due to recently-ended Government shutdown. **Eastern Standard Time. Source: Bloomberg, TD Economics.

Disclaimer

This report is provided by TD Economics. It is for informational and educational purposes only as of the date of writing, and may not be appropriate for other purposes. The views and opinions expressed may change at any time based on market or other conditions and may not come to pass. This material is not intended to be relied upon as investment advice or recommendations, does not constitute a solicitation to buy or sell securities and should not be considered specific legal, investment or tax advice. The report does not provide material information about the business and affairs of TD Bank Group and the members of TD Economics are not spokespersons for TD Bank Group with respect to its business and affairs. The information contained in this report has been drawn from sources believed to be reliable, but is not guaranteed to be accurate or complete. This report contains economic analysis and views, including about future economic and financial markets performance. These are based on certain assumptions and other factors, and are subject to inherent risks and uncertainties. The actual outcome may be materially different. The Toronto-Dominion Bank and its affiliates and related entities that comprise the TD Bank Group are not liable for any errors or omissions in the information, analysis or views contained in this report, or for any loss or damage suffered.