

Weekly Bottom Line

December 19, 2025

Note: The next issue of the Weekly Bottom Line will be published on January 2.

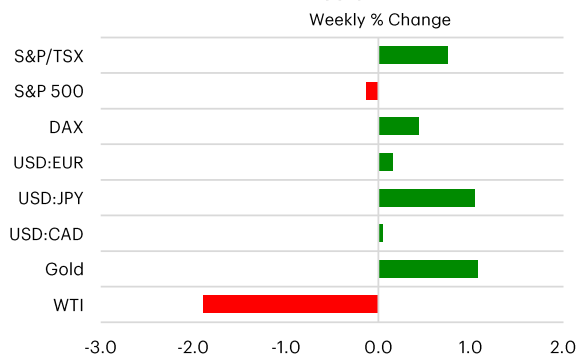
Highlights

- Employment growth slowed in the first two months of the fourth quarter, owing to the impact of deferred resignations on federal government employment.
- Inflation fell sharply in November, but the degree of the descent and the condensed nature of the data collection period warrants caution in interpreting the data.
- Federal Reserve officials continued to voice a spectrum of opinions on the outlook for monetary policy that on aggregate spoke to a cautious approach moving forward.

This Week in the Markets				
	Current*	Week Ago	52-Week High	52-Week Low
Stock Market Indexes				
S&P 500	6818	6827	6901	4983
S&P/TSX Comp.	31769	31527	31769	22507
DAX	24295	24186	24611	19671
FTSE 100	9882	9649	9911	7679
Nikkei	49507	50837	52411	31137
Fixed Income Yields				
U.S. 10-yr Treasury	4.13	4.18	4.79	3.95
Canada 10-yr Bond	3.46	3.44	3.60	2.83
Germany 10-yr Bund	2.89	2.86	2.90	2.29
UK 10-yr Gilt	4.52	4.52	4.89	4.39
Japan 10-yr Bond	2.02	1.95	2.02	1.06
Foreign Exchange Cross Rates				
C\$ (USD per CAD)	0.73	0.73	0.74	0.69
Euro (USD per EUR)	1.17	1.17	1.19	1.02
Pound (USD per GBP)	1.34	1.34	1.37	1.22
Yen (JPY per USD)	157.4	155.8	158.4	140.9
Commodity Spot Prices**				
Crude Oil (\$US/bbl)	56.4	57.4	80.0	55.3
Natural Gas (\$US/MMBtu)	3.86	4.06	9.33	2.65
Copper (\$US/met. tonne)	11764.1	11535.7	11896.8	8571.4
Gold (\$US/troy oz.)	4345.0	4299.6	4356.3	2594.0

*As of 10:52 AM on Friday. **Oil-WTI, Cushing, Nat. Gas-Henry Hub, LA (Thursday close price). Copper-LME Grade A. Gold-London Gold Bullion. Source: Bloomberg.

Oil Slides on Oversupply Concerns



Note: Data as of 10:52 AM ET, Friday, December 19, 2025.
Source: Bloomberg, TD Economics.

Global Official Policy Rate Targets

Central Banks	Current Target
Federal Reserve (Fed Funds Rate)	3.50 - 3.75%
Bank of Canada (Overnight Rate)	2.25%
European Central Bank (Refi Rate)	2.15%
Bank of England (Repo Rate)	3.75%
Bank of Japan (Overnight Rate)	0.75%

Source: Bloomberg.

TD Economics Key Financial Forecasts

	Current Rate 12/19/25	2024				2025				2026			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4F	Q1F	Q2F	Q3F	Q4F
Fed Funds Target Rate	3.75	5.50	5.50	5.00	4.50	4.50	4.50	4.25	3.75	3.75	3.50	3.25	3.25
2-yr Govt. Bond Yield	3.48	4.59	4.71	3.66	4.25	3.89	3.72	3.60	3.60	3.50	3.35	3.35	3.35
10-yr Govt. Bond Yield	4.13	4.20	4.36	3.81	4.58	4.23	4.24	4.16	4.15	4.05	4.00	4.00	4.00
30-yr Govt. Bond Yield	4.81	4.34	4.51	4.14	4.78	4.59	4.78	4.73	4.75	4.60	4.50	4.50	4.50

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

Data with A Grain of Salt

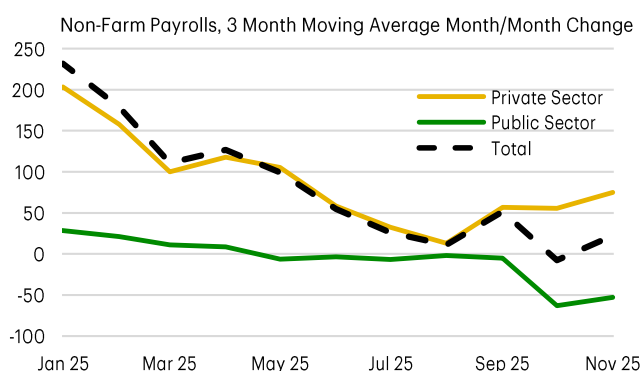
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This was arguably the biggest week for U.S. economic data in several months, as highly anticipated employment and inflation data delayed by the government shutdown was finally released. Financial markets largely took the data in stride, with U.S. Treasury yields falling slightly on the week, while equity markets were roughly unchanged as of the time of writing.

On the data front, the employment report showed that the economy continued to add jobs in the fourth quarter. However, headline job growth was weighed down by a large decrease in federal government jobs in October (Chart 1) - a byproduct of the deferred resignation offers sent out earlier in the year. Despite the near-term distortions, job growth has decelerated through the second half of the year, which has led to an uptick in the unemployment rate and motivated the 75 basis-point reduction in interest rates implemented by the Federal Reserve since September.

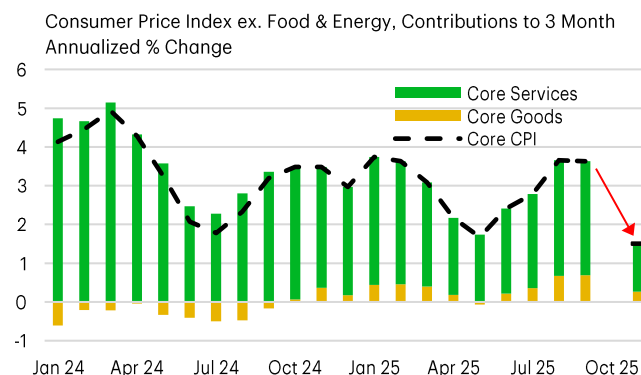
The pace of monetary policy easing has been deliberately gradual though, as inflation risks have been rising at the same time. However, November CPI data showed that there may have been a break in this trend in recent months, with the annual percentage change in core inflation falling to 2.6% - the lowest level since March 2021. Given the shorter collection period for this data owing to the government shutdown and the sharp drops recorded in several index categories (Chart 2), this data should be taken with a grain of salt. Market

Chart 1: Federal Government Resignations Weighed on Recent Job Growth



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

Chart 2: Core Inflation Appeared to Fall Sharply in November



Note: Data for October 2025 was not collected. Source: U.S. Bureau of Labor Statistics, TD Economics.

pricing for the Federal Reserve's January meeting was largely unchanged, with only a 25% chance for a fourth consecutive cut.

The handful of Federal Reserve officials we heard from this week offered notably different assessments on the policy rate outlook. Miran made the case for aggressive rate cuts, positing that inflation metrics were anomalously high, while Waller also took a dovish tone but noted a gradual pace of rate cuts would be warranted going forward. On the other end of the spectrum was Bostic, who voiced greater concern for inflation risks and stated he did not currently see the need for rate cuts in 2026. Other speakers, including Vice Chair Williams, echoed Powell's comments from his press conference last month that monetary policy was in a good place heading into 2026. Despite growing dissent among FOMC members, the balance of opinion is one of relative caution heading into the new year. Market pricing has followed suit, with another rate cut not expected until the Fed's meeting in late April next year at the earliest.

Looking ahead to next week, there will be few items on the economic agenda during the holiday shortened week, but the preliminary estimate for third quarter GDP on Tuesday will be a highlight. A strong reading for annualized growth of roughly 3% is expected, which will likely be followed by a deceleration in the fourth quarter owing to the government shutdown. Nevertheless, we expect the economy to grow by 2.2% in 2026, aided by fiscal and monetary policy support.

Exhibits

Recent Key Economic Indicators: Dec 15 - 19, 2025					
Release Date	Economic Indicator/Event	Data for Period	Units	Current	Prior
United States					
Dec 15	Empire Manufacturing	Dec	Index	-3.9	18.7
Dec 15	NAHB Housing Market Index	Dec	Index	39.0	38.0
Dec 16	Change in Nonfarm Payrolls	Nov	Thsd	-105.0	108.0
Dec 16	Average Hourly Earnings	Nov	M/M % Chg.	0.4	0.2
Dec 16	Unemployment Rate	Nov	%	4.6	-
Dec 16	Retail Sales Advance	Oct	M/M % Chg.	0.0	0.1
Dec 16	Retail Sales Ex Auto and Gas	Oct	M/M % Chg.	0.5	0.0
Dec 16	S&P Global US Manufacturing PMI	Dec	Index	51.8	52.2
Dec 16	S&P Global US Services PMI	Dec	Index	52.9	54.1
Dec 16	S&P Global US Composite PMI	Dec	Index	53.0	54.2
Dec 16	Business Inventories	Sep	M/M % Chg.	0.2	0.0
Dec 18	Initial Jobless Claims	Dec 13	Thsd	224.0	237.0
Dec 18	Consumer Price Index	Nov	Y/Y % Chg.	2.6	-
Dec 19	Existing Home Sales	Nov	Mlns	4.13	4.11
Canada					
Dec 15	Existing Home Sales	Nov	M/M % Chg.	-0.60	0.9
Dec 15	Housing Starts	Nov	Thsd	254.1	232.2
Dec 15	Manufacturing Sales	Oct	M/M % Chg.	-1.0	3.6
Dec 15	Consumer Price Index NSA	Nov	M/M % Chg.	0.1	0.2
Dec 15	Consumer Price Index	Nov	Y/Y % Chg.	2.2	2.2
Dec 18	CFIB Business Barometer	Dec	Index	59.9	55.8
Dec 18	Payroll Employment Change - SEPH	Oct	Thsd	21.2	-24.3
Dec 19	Retail Sales	Oct	M/M % Chg.	-0.2	-0.9
Dec 19	Retail Sales Ex Auto	Oct	M/M % Chg.	-0.6	-0.1
International					
Dec 16	UK ILO Unemployment Rate	Oct	%	5.1	5.0
Dec 17	UK Consumer Price Index	Nov	Y/Y % Chg.	3.2	3.6
Dec 17	EC Consumer Price Index	Nov	Y/Y % Chg.	2.1	2.2
Dec 18	UK Bank of England Bank Rate	Dec 18	%	3.75	4.00
Dec 18	EC ECB Main Refinancing Rate	Dec 18	%	2.15	2.15
Dec 18	JN Natl Consumer Price Index	Nov	Y/Y % Chg.	2.9	3.0
Dec 19	UK Retail Sales Ex Auto Fuel	Nov	Y/Y % Chg.	1.2	1.6

Source: Bloomberg, TD Economics.

Upcoming Economic Releases and Events: Dec 22 - 26, 2025						
Release Date	Time*	Economic Indicator/Event	Data for Period	Units	Consensus Forecast	Last Period
United States						
Dec 23	8:30	Gross Domestic Product Annualized	3Q	Q/Q % Chg.	3.2	-
Dec 23	8:30	Personal Consumption	3Q	Q/Q % Chg.	-	-
Dec 23	8:30	Durable Goods Orders	Oct	M/M % Chg.	-1.5	0.5
Dec 23	8:30	Cap Goods Orders Nondef Ex Air	Oct	M/M % Chg.	0.4	0.9
Dec 23	9:15	Industrial Production	Nov	M/M % Chg.	0.1	0.1
Dec 23	9:15	Manufacturing (SIC) Production	Nov	M/M % Chg.	-	0.0
Dec 23	9:15	Capacity Utilization	Nov	%	75.9	75.9
Dec 23	10:00	Conf. Board Consumer Confidence	Dec	Index	91.7	88.7
Dec 24	8:30	Initial Jobless Claims	Dec 20	Thsd	-	224.0
Canada						
Dec 22	8:30	Industrial Product Price	Nov	M/M % Chg.	-	1.50
Dec 23	8:30	Gross Domestic Product	Oct	M/M % Chg.	-0.3	0.2
Dec 23	13:30	Bank of Canada Publishes Summary of Deliberations				
International						
Dec 22	2:00	UK Gross Domestic Product	3Q	M/M % Chg.	1.3	1.3
Dec 25	18:30	JN Tokyo Consumer Price Index	Dec	Y/Y % Chg.	2.3	2.7
Dec 25	18:30	JN Jobless Rate	Nov	%	2.6	2.6
Dec 25	18:50	JN Retail Sales	Nov	Y/Y % Chg.	1.0	1.7
*Eastern Standard Time. Source: Bloomberg, TD Economics.						

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