

## Weekly Bottom Line

January 23, 2026

### Highlights

- Financial markets declined sharply on rising trade and geopolitical tensions but clawed earlier losses as cooler heads prevailed at the World Economic Forum in Davos.
- Consumer resilience carried into the fourth quarter, despite around 650,000 federal workers being furloughed without pay throughout the six-week long government shutdown.
- Core PCE inflation rose to 2.8% year-over-year in November, a slight acceleration from 2.7% in October.

This Week in the Markets				
	Current*	Week Ago	52-Week High	52-Week Low
<b>Stock Market Indexes</b>				
S&P 500	6920	6940	6977	4983
S&P/TSX Comp.	33092	33041	33092	22507
DAX	24883	25297	25421	19671
FTSE 100	10147	10235	10239	7679
Nikkei	53847	53936	54341	31137
<b>Fixed Income Yields</b>				
U.S. 10-yr Treasury	4.24	4.22	4.64	3.95
Canada 10-yr Bond	3.42	3.37	3.60	2.83
Germany 10-yr Bond	2.89	2.84	2.90	2.36
UK 10-yr Gilt	4.49	4.40	4.80	4.34
Japan 10-yr Bond	2.26	2.19	2.36	1.12
<b>Foreign Exchange Cross Rates</b>				
C\$ (USD per CAD)	0.73	0.72	0.74	0.69
Euro (USD per EUR)	1.18	1.16	1.19	1.03
Pound (USD per GBP)	1.36	1.34	1.37	1.24
Yen (JPY per USD)	158.2	158.1	159.1	140.9
<b>Commodity Spot Prices**</b>				
Crude Oil (\$US/bbl)	61.0	59.4	75.1	55.3
Natural Gas (\$US/MMBtu)	8.42	3.09	8.42	2.65
Copper (\$US/met. tonne)	12672.7	12864.5	13273.8	8571.4
Gold (\$US/troy oz.)	4958.7	4596.1	4958.7	2740.8

\*As of 10:49 AM on Friday. \*\*Oil-WTI, Cushing, Nat. Gas-Henry Hub, LA (Thursday close price). Copper-LME Grade A. Gold-London Gold Bullion. Source: Bloomberg.

TD Economics Key Financial Forecasts													
	Current Rate 1/23/26	2025				2026				2027			
		Q1	Q2	Q3	Q4	Q1F	Q2F	Q3F	Q4F	Q1F	Q2F	Q3F	Q4F
Fed Funds Target Rate	3.75	4.50	4.50	4.25	3.75	3.75	3.50	3.25	3.25	3.25	3.25	3.25	3.25
2-yr Govt. Bond Yield	3.61	3.89	3.72	3.60	3.47	3.50	3.35	3.35	3.35	3.35	3.35	3.35	3.35
10-yr Govt. Bond Yield	4.24	4.23	4.24	4.16	4.17	4.05	4.00	4.00	4.00	4.00	4.00	4.00	4.00
30-yr Govt. Bond Yield	4.83	4.59	4.78	4.73	4.84	4.60	4.50	4.50	4.50	4.50	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.

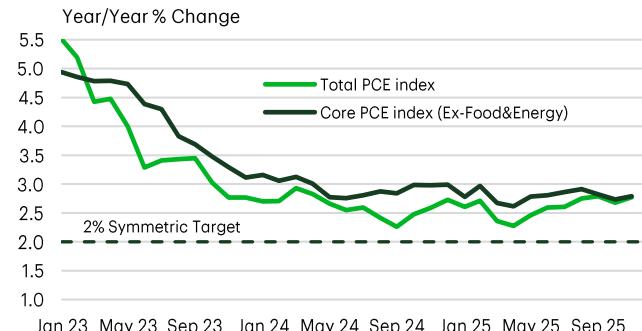
## U.S. – Davos De-escalation Supports Market Recovery

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Financial markets experienced considerable volatility this week amid resurgent geopolitical and trade frictions. President Trump ramped up the pressure to 'acquire' Greenland ahead of the annual World Economic Forum in Davos. He announced tariffs on eight European countries that resisted these efforts. This set into motion retaliatory efforts, with the EU suspending the ratification of the U.S.-EU trade agreement. Global financial markets fell sharply, as did the trade-weighted U.S. dollar and Treasury prices. Relief emerged during the Davos meetings. During his speech, President Trump ruled out military action on Greenland. He subsequently announced that a "framework on a future deal" had been reached and dropped earlier tariff threats. Markets responded strongly, with the S&P 500 recovering nearly all its intra-week declines.

Stepping back from market swings, the episode reveals deeper geopolitical and economic implications. While tensions have eased, significant uncertainties remain. Details on the proposed framework on Greenland are limited, appearing to center on mineral rights extraction and potential integration into the planned Golden Dome missile defense system. Denmark and its allies firmly oppose any outcome that compromises territorial sovereignty, raising the risk of future bouts of escalation. Additionally, this week's events bring into question the stability of the trade deals that have been negotiated thus far. The sudden announcement of tariff threats undermined recently negotiated agreements with the U.K. and the EU, chipping away at the

### Chart 2: U.S. Core PCE Inflation Remains Above Target



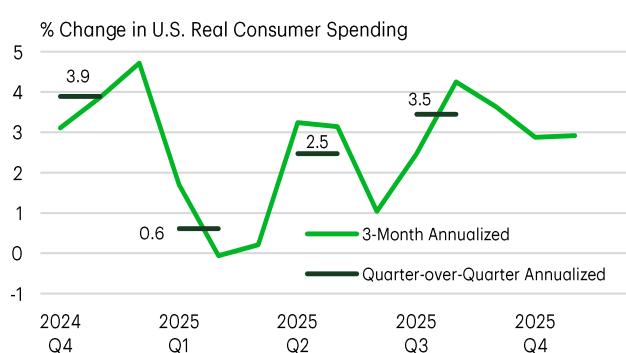
Source: U.S. Bureau of Economic Analysis, TD Economics.

predictability these pacts were meant to secure. Such policy volatility undermines business and investor confidence, which underpins forecasts for improved U.S. growth in 2026.

A light U.S. economic data calendar took a backseat to Greenland developments, yet the released figures highlighted resilience. The first revision to third-quarter GDP lifted annualized growth to 4.4% from 4.3%, reflecting upward adjustments in exports and business fixed investment. Consumer spending remained unchanged at 3.5%, but the trend in the fourth quarter appeared to remain healthy. The delayed October and November PCE reports pointed to greater household endurance through the extended government shutdown than initially anticipated (Chart 1). This recent data brings our tracking for consumption in the fourth quarter to 3% – stronger than previously expected. Inflation, however, tempered the positive tone. Core PCE inflation – the Fed's preferred inflation gauge – rose to 2.8% year-over-year in November from 2.7% in October, remaining firmly above the 2% target (Chart 2).

Overall, the U.S. economy enters 2026 on firmer ground than previously expected, bolstered by upward growth revisions and a resilient consumer. Yet this week's swift escalation and de-escalation raise a fundamental question: can trade agreements be considered truly settled when they remain vulnerable to unilateral changes? Trade frictions – previously expected to fade and support growth – may persist longer than anticipated, with this week's events a clear reminder of that.

### Chart 1: Consumer Spending Trend Showed Resilience in Q4



Source: U.S. Bureau of Economic Analysis, TD Economics.  
\*Last monthly data point is November.

## Exhibits

Recent Key Economic Indicators: Jan 19 - 23, 2026						
Release Date	Economic Indicator/Event		Data for Period	Units	Current	Prior
<b>United States</b>						
Jan 21	Construction Spending		Oct	M/M % Chg.	-0.6	0.4
Jan 21	Pending Home Sales		Dec	M/M % Chg.	-9.3	3.3
Jan 22	Gross Domestic Product Annualized		3Q	Q/Q % Chg.	4.4	4.3
Jan 22	Personal Consumption		3Q	Q/Q % Chg.	3.5	3.5
Jan 22	Initial Jobless Claims		Jan 17	Thsd	200.0	199.0
Jan 22	Personal Income		Nov	M/M % Chg.	0.3	0.1
Jan 22	Real Personal Spending		Nov	M/M % Chg.	0.3	0.1
Jan 23	S&P Global US Manufacturing PMI		Jan	Index	51.9	51.8
Jan 23	S&P Global US Services PMI		Jan	Index	52.5	52.5
Jan 23	S&P Global US Composite PMI		Jan	Index	52.8	52.7
<b>Canada</b>						
Jan 19	Consumer Price Index NSA		Dec	M/M % Chg.	-0.2	0.1
Jan 19	Consumer Price Index		Dec	Y/Y % Chg.	2.4	2.2
Jan 21	Industrial Product Price		Dec	M/M % Chg.	-0.6	1.1
Jan 23	Retail Sales		Nov	Y/Y % Chg.	1.3	-0.3
Jan 23	Retail Sales Ex Auto		Nov	M/M % Chg.	1.7	-0.6
<b>International</b>						
Jan 19	EZ Consumer Price Index		Dec	Y/Y % Chg.	1.9	2.0
Jan 20	UK ILO Unemployment Rate		Nov	%	5.1	5.1
Jan 21	UK Consumer Price Index		Dec	Y/Y % Chg.	3.4	3.2
Jan 22	JN Natl Consumer Price Index		Dec	Y/Y % Chg.	2.1	2.9
Jan 23	UK Retail Sales Ex Auto Fuel		Dec	Y/Y % Chg.	3.1	2.6

Source: Bloomberg, TD Economics.

Upcoming Economic Releases and Events: Jan 26 - 30, 2026						
Release Date	Time*	Economic Indicator/Event	Data for Period	Units	Consensus Forecast	Last Period
<b>United States</b>						
Jan 26	8:30	Durable Goods Orders	Nov	M/M % Chg.	3.0	-2.2
Jan 26	8:30	Cap Goods Orders Nondef Ex Air	Nov	M/M % Chg.	0.3	0.5
Jan 27	10:00	Conf. Board Consumer Confidence	Jan	Index	90.0	89.1
Jan 28	14:00	FOMC Rate Decision (Upper Bound)	Jan 28	%	3.75	3.75
Jan 29	8:30	Unit Labor Costs	3Q	Q/Q % Chg.	-1.9	-1.9
Jan 29	8:30	Initial Jobless Claims	Jan 24	Thsd	-	200.0
Jan 29	8:30	Trade Balance	Nov	Blns	-45.0	-29.4
Jan 29	10:00	Factory Orders	Nov	M/M % Chg.	0.5	-1.3
Jan 29	10:00	Factory Orders Ex Trans	Nov	M/M % Chg.	-	-0.2
Jan 29	10:00	Durable Goods Orders	Nov	M/M % Chg.	-	-
Jan 29	10:00	Cap Goods Orders Nondef Ex Air	Nov	M/M % Chg.	-	-
Jan 29	10:00	Wholesale Trade Sales	Nov	M/M % Chg.	-	-0.4
Jan 30	8:30	PPI Final Demand	Dec	M/M % Chg.	0.3	0.2
Jan 30	8:30	PPI Ex Food and Energy	Dec	M/M % Chg.	0.3	0.0
Jan 30	13:30	<i>Fed's Musalem Speaks on Economy and Policy</i>				
<b>Canada</b>						
Jan 28	9:45	Bank of Canada Rate Decision	Jan 28	%	2.25	2.25
Jan 29	8:30	Payroll Employment Change - SEPH	Nov	Thsd	-	21.2
Jan 29	8:30	Int'l Merchandise Trade	Nov	Blns	-	-0.6
Jan 30	8:30	Gross Domestic Product	Nov	M/M % Chg.	0.1	-0.3
<b>International</b>						
Jan 29	18:30	JN Tokyo Consumer Price Index	Jan	Y/Y % Chg.	1.7	2.0
Jan 29	18:30	JN Jobless Rate	Dec	%	2.6	2.6
Jan 29	18:50	JN Retail Sales	Dec	Y/Y % Chg.	0.8	1.0
Jan 30	5:00	EZ Gross Domestic Product SA	4Q	Y/Y % Chg.	1.3	1.4
Jan 30	5:00	EZ Unemployment Rate	Dec	%	6.3	6.3
Jan 30	20:30	CH Manufacturing PMI	Jan	Index	50.2	50.1

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

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