

Weekly Bottom Line

February 13, 2026

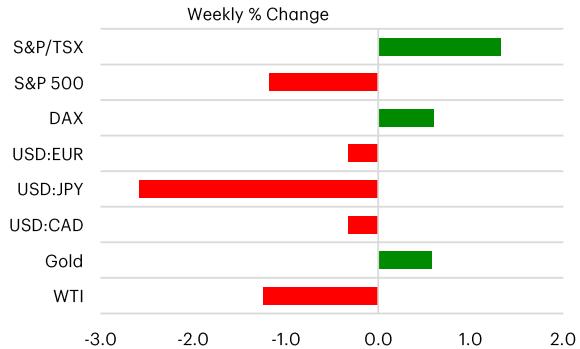
Highlights

- Financial markets sold off this week as developments in AI and tech raised doubts about future earnings.
- January's employment report delivered a clear upside surprise, easing concerns that the labor market was rolling over after last year's slowdown.
- In other important data releases, there were softer signals from consumer spending and housing. Inflation had a softer-than-expected headline number, but some cautionary signs of inflation pressures in the core.

This Week in the Markets				
	Current*	Week Ago	52-Week High	52-Week Low
Stock Market Indexes				
S&P 500	6853	6932	6979	4983
S&P/TSX Comp.	32919	32471	33257	22507
DAX	24896	24721	25421	19671
FTSE 100	10443	10370	10472	7679
Nikkei	56942	54254	57651	31137
Fixed Income Yields				
U.S. 10-yr Treasury	4.06	4.21	4.60	3.95
Canada 10-yr Bond	3.25	3.40	3.60	2.83
Germany 10-yr Bund	2.75	2.84	2.91	2.41
UK 10-yr Gilt	4.42	4.51	4.80	4.34
Japan 10-yr Bond	2.23	2.23	2.36	1.12
Foreign Exchange Cross Rates				
C\$ (USD per CAD)	0.73	0.73	0.74	0.69
Euro (USD per EUR)	1.19	1.18	1.20	1.04
Pound (USD per GBP)	1.36	1.36	1.38	1.26
Yen (JPY per USD)	153.2	157.2	159.1	140.9
Commodity Spot Prices**				
Crude Oil (\$US/bbl)	62.8	63.6	75.1	55.3
Natural Gas (\$US/MMBtu)	3.43	4.37	30.72	2.65
Copper (\$US/met. tonne)	12780.8	12923.1	13524.2	8571.4
Gold (\$US/troy oz.)	4989.0	4964.4	5417.2	2857.8

*As of 11:06 AM on Friday. **Oil-WTI, Cushing, Nat. Gas-Henry Hub, LA (Thursday close price). Copper-LME Grade A. Gold-London Gold Bullion. Source: Bloomberg.

US Equities Diverge From Peers Amid AI Fears



Note: Data as of 11:04 AM ET, Friday, February 13, 2026.
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 2/13/26	2025				2026				2027		
		Q1	Q2	Q3	Q4	Q1F	Q2F	Q3F	Q4F	Q1F	Q2F	Q3F
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
2-yr Govt. Bond Yield	3.42	3.89	3.72	3.60	3.47	3.50	3.35	3.35	3.35	3.35	3.35	3.35
10-yr Govt. Bond Yield	4.06	4.23	4.24	4.16	4.17	4.05	4.00	4.00	4.00	4.00	4.00	4.00
30-yr Govt. Bond Yield	4.70	4.59	4.78	4.73	4.84	4.60	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.

Markets Blink, Jobs Hold Firm

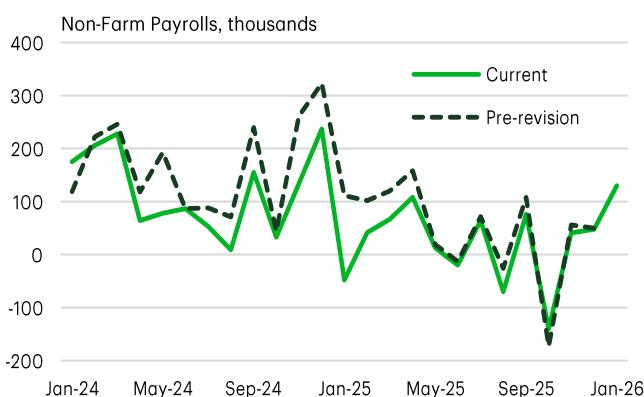
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Financial markets endured a rough patch this week, with a broad sell off across equities reflecting anxiety about the threat AI could pose to earnings and employment, the path of interest rates, and the durability of the ongoing expansion. That market reaction stood in contrast to the message from the January employment report. Payrolls growth came in well ahead of expectations, accompanied by a further dip in the unemployment rate. While revisions did reveal that job growth over much of 2025 was weaker than previously thought, the January rebound suggests that labor demand remains intact (Chart 1).

The rest of the data flow painted a more mixed picture of the economy. Headline CPI inflation came in softer than expected this morning, but core CPI picked up the most since August. Services inflation heated up while core goods inflation (excluding used vehicles) rose at its fastest monthly pace in nearly a year. The inflation report comes at a pivotal moment, as reports that the Trump administration may scale back its steel and aluminum tariffs suggest the administration is conscious of inflation risks.

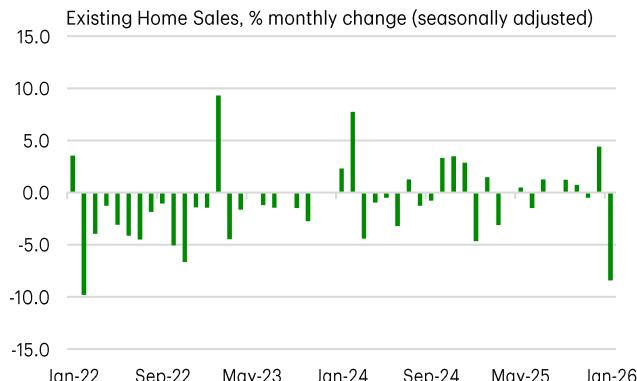
Retail sales ended 2025 on a soft note. December sales were flat after a solid November, and downward revisions tempered the momentum implied by earlier releases. Housing data were also notably weak. Existing home sales posted their largest monthly decline in nearly four years in January, reflecting a combination of affordability constraints and bad weather (Chart 2).

Chart 1: 2025 Downward Revisions Concentrated in H1



Source: Bureau of Labor Statistics, TD Economics.

Chart 2: Home Sales Drop Sharply in January



Source: National Association of Realtors, TD Economics.

Markets, meanwhile, struggled to reconcile the week's macro data with a less accommodating policy backdrop. The equity sell off reflected concerns about growth-sensitive sectors and fear that advancements in AI may dislodge large incumbents across a wide swath of the economy, and a reassessment of the path for interest rates following a string of Fed communications. Market pricing for the Federal Reserve to reduce rates in its June meeting have fallen from 60% to around 50% over the course of this week. Speeches this week from Federal Reserve officials revealed a balance of opinion. More hawkish voices stressed that inflation remains above target and warned against premature easing, while others acknowledged that, even with a strong jobs report, there is still an argument for rate cuts later this year if disinflation continues. On balance, we read the prevailing sentiment from Fed officials as one of patience rather than urgency, but still hold on to our call for a rate cut in June. This morning's softer CPI release may help move the Fed's perceived balance of risks slightly towards easing, particularly if the disinflationary pressure were to persist over the coming months.

Looking ahead, our eyes will be on next week's release of the FOMC meeting minutes, which should provide additional insight into how policymakers have been weighing inflation risks against signs of labor market stabilization. And next Friday's PCE inflation and consumer spending data will be helpful in assessing the durability of consumer spending and the extent of momentum in recent inflation data.

Exhibits

Recent Key Economic Indicators: February 9 - 13, 2026						
Release Date	Economic Indicator/Event	Data for Period	Units	Current	Prior	
United States						
Feb 9	NY Fed 1-Yr Inflation Expectations	Jan	%	3.1	3.4	
Feb 10	NFIB Small Business Optimism	Jan	Index	99.3	99.5	
Feb 10	Retail Sales Advance	Dec	M/M % Chg.	0.0	0.6	
Feb 10	Retail Sales Ex Auto and Gas	Dec	M/M % Chg.	0.0	0.3	
Feb 10	Business Inventories	Nov	M/M % Chg.	0.1	0.2	
Feb 11	Change in Nonfarm Payrolls	Jan	Thsd	130.0	48.0	
Feb 11	Average Hourly Earnings	Jan	M/M % Chg.	0.4	0.1	
Feb 11	Unemployment Rate	Jan	%	4.3	4.4	
Feb 12	Initial Jobless Claims	Feb 7	Thsd	227.0	232.0	
Feb 12	Existing Home Sales	Jan	Mlns	3.91	4.27	
Feb 13	Consumer Price Index	Jan	M/M % Chg.	0.2	0.3	
Feb 13	Consumer Price Index	Jan	Y/Y % Chg.	2.4	2.7	
International						
Feb 10	CH Consumer Price Index	Jan	Y/Y % Chg.	0.2	0.8	
Feb 12	UK Gross Domestic Product	4Q	Y/Y % Chg.	1.0	1.2	
Feb 13	EZ Gross Domestic Product SA	4Q	Q/Q % Chg.	0.3	0.3	
Feb 13	EZ Gross Domestic Product SA	4Q	Y/Y % Chg.	1.3	1.3	
Feb 13	EZ Employment	4Q	Y/Y % Chg.	0.6	0.6	

Source: Bloomberg, TD Economics.

Upcoming Economic Releases and Events: February 16 - 20, 2026						
Release Date	Time*	Economic Indicator/Event	Data for Period	Units	Consensus Forecast	Last Period
United States						
Feb 16	8:25	Fed's Bowman Speaks at ABA Conference				
Feb 17	8:30	Empire Manufacturing	Feb	Index	8.7	7.7
Feb 17	10:00	NAHB Housing Market Index	Feb	Index	-	37.0
Feb 17	12:45	Fed's Barr Speaks on AI and the Labor Market				
Feb 17	14:30	Fed's Daly Speaks on AI and the Economy				
Feb 18	8:30	Durable Goods Orders	Dec	M/M % Chg.	-1.7	5.3
Feb 18	8:30	Cap Goods Orders Nondef Ex Air	Dec	M/M % Chg.	-	0.4
Feb 18	8:30	Housing Starts	Dec	Thsd	1325.0	-
Feb 18	8:30	Building Permits	Dec	Thsd	1420.0	-
Feb 18	9:15	Industrial Production	Jan	M/M % Chg.	0.4	0.4
Feb 18	9:15	Manufacturing (SIC) Production	Jan	M/M % Chg.	-	0.2
Feb 18	9:15	Capacity Utilization	Jan	%	76.5	76.3
Feb 18	13:00	Fed's Bowman Speaks in Washington				
Feb 18	14:00	FOMC Meeting Minutes	Jan 28			
Feb 19	8:20	Fed's Bostic Gives Opening Remarks at the Banking Outlook Conf				
Feb 19	8:30	Fed's Bowman Speaks at Banking Conference				
Feb 19	8:30	Advance Goods Trade Balance	Dec	Blns	-85.1	-84.7
Feb 19	8:30	Initial Jobless Claims	Feb 14	Thsd	-	227.0
Feb 19	8:30	Trade Balance	Dec	Blns	-55.5	-56.8
Feb 19	9:00	Fed's Kashkari in Fireside Chat on Economic Outlook				
Feb 19	10:00	Pending Home Sales	Jan	M/M % Chg.	2.5	-9.3
Feb 19	10:30	Fed's Goolsbee Gives Opening Remarks				
Feb 20	8:30	Personal Income	Dec	M/M % Chg.	0.3	0.3
Feb 20	8:30	Real Personal Spending	Dec	M/M % Chg.	-	0.3
Feb 20	8:30	Gross Domestic Product (Annualized)	4Q	Q/Q % Chg.	2.8	4.4
Feb 20	8:30	Personal Consumption	4Q	Q/Q % Chg.	-	3.5
Feb 20	9:45	S&P Global US Manufacturing PMI	Feb	Index	-	52.4
Feb 20	9:45	S&P Global US Services PMI	Feb	Index	-	52.7
Feb 20	9:45	S&P Global US Composite PMI	Feb	Index	-	53.0
Feb 20	9:45	Fed's Bostic in Moderated Conversation				
Feb 20	13:15	Fed's Logan Speaks at Bank Regulation Conference				
Feb 20		Building Permits	Dec	Thsd	-	-
Canada						
Feb 16	8:15	Housing Starts	Jan	Thsd	265.0	282.4
Feb 16	8:30	Manufacturing Sales	Dec	M/M % Chg.	0.5	-1.2
Feb 17	8:30	Wholesale Sales ex Petroleum	Dec	M/M % Chg.	2.0	-1.8
Feb 17	8:30	Consumer Price Index NSA	Jan	M/M % Chg.	0.1	-0.2
Feb 17	8:30	Consumer Price Index	Jan	Y/Y % Chg.	2.4	2.4
Feb 17	8:30	CPI-Median	Jan	Y/Y % Chg.	2.5	2.5
Feb 17	8:30	CPI-Trim	Jan	Y/Y % Chg.	2.6	2.7
Feb 18	5:00	Existing Home Sales	Jan	M/M % Chg.	-	-2.7
Feb 19	7:00	CFIB Business Barometer	Feb	Index	-	59.5
Feb 19	8:30	Int'l Merchandise Trade	Dec	Blns	-2.0	-2.2
Feb 20	8:30	Retail Sales	Dec	M/M % Chg.	-0.5	1.3
Feb 20	8:30	Retail Sales Ex Auto	Dec	M/M % Chg.	0.1	1.7
Feb 20	8:30	Industrial Product Price	Jan	M/M % Chg.	0.2	-0.6
Feb 20	10:30	Release: Senior Loan Officer Survey				
International						
Feb 19	18:30	JN National Consumer Price Index	Jan	Y/Y % Chg.	1.6	2.1
Feb 17	2:00	UK ILO Unemployment Rate (3 Mths.)	Dec	%	5.2	5.1
Feb 18	2:00	UK Consumer Price Index	Jan	Y/Y % Chg.	3.1	3.4
Feb 20	2:00	UK Retail Sales Ex Auto Fuel	Jan	Y/Y % Chg.	3.6	3.1

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

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