

## The Weekly Bottom Line

March 10, 2023

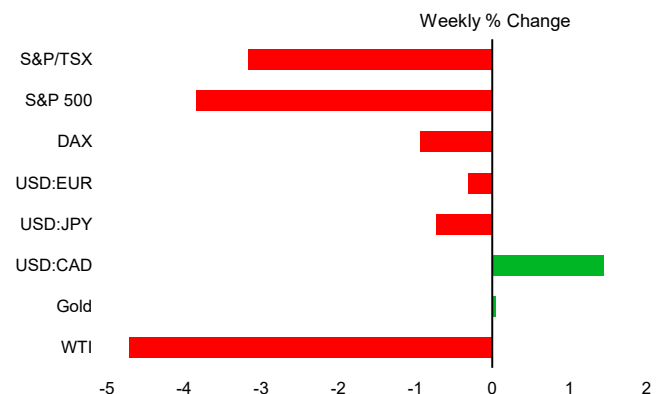
### Highlights

- Chair Powell's testimony threw the market in to risk-off mode with both the Treasury and equity market falling on the week.
- The economy added 311k jobs in February, well ahead of the consensus forecast of 225k, reinforcing the resilience of the job market.
- There's still plenty of data to come in before the Fed's rate decision, with next week's inflation report the most important.

This Week in the Markets				
	Current*	Week Ago	52-Week High	52-Week Low
<b>Stock Market Indexes</b>				
S&P 500	3904	4046	4632	3577
S&P/TSX Comp.	19980	20582	22087	18206
DAX	15351	15578	15654	11976
FTSE 100	7728	7947	8014	6826
Nikkei	28144	27927	29223	25163
<b>Fixed Income Yields</b>				
U.S. 10-yr Treasury	3.71	3.95	4.24	1.99
Canada 10-yr Bond	2.99	3.34	3.68	1.94
Germany 10-yr Bund	2.45	2.72	2.75	0.25
UK 10-yr Gilt	3.58	3.85	4.51	1.49
Japan 10-yr Bond	0.41	0.51	0.53	0.17
<b>Foreign Exchange Cross Rates</b>				
C\$ (USD per CAD)	0.73	0.74	0.80	0.72
Euro (USD per EUR)	1.07	1.06	1.12	0.96
Pound (USD per GBP)	1.21	1.20	1.33	1.07
Yen (JPY per USD)	134.6	135.9	150.2	116.1
<b>Commodity Spot Prices**</b>				
Crude Oil (\$US/bbl)	76.1	79.7	122.1	71.0
Natural Gas (\$US/MMBtu)	2.50	2.66	9.84	2.05
Copper (\$US/met. tonne)	8832.3	8954.5	10451.8	7160.0
Gold (\$US/troy oz.)	1860.4	1856.5	1997.0	1622.4

\*As of 10:08 AM on Friday. \*\*Oil-WTI, Cushing, Nat. Gas-Henry Hub, LA (Thursday close price).  
Copper-LME Grade A. Gold-London Gold Bullion. Source: Bloomberg.

Markets Hit by Higher Rate Expectations in U.S.



Note: Data as of 9:43 AM ET, Friday, March 10, 2023.  
Source: Bloomberg, TD Economics.

Global Official Policy Rate Targets	
Central Banks	Current Target
Federal Reserve (Fed Funds Rate)	4.50 - 4.75%
Bank of Canada (Overnight Rate)	4.50%
European Central Bank (Refi Rate)	3.00%
Bank of England (Repo Rate)	4.00%
Bank of Japan (Overnight Rate)	-0.10%

Source: Bloomberg.

TD Economics Key Financial Forecasts													
	Current Rate 3/10/23	2022				2023				2024			
		Q1	Q2	Q3	Q4	Q1F	Q2F	Q3F	Q4F	Q1F	Q2F	Q3F	Q4F
Fed Funds Target Rate	4.75	0.50	1.75	3.25	4.50	5.00	5.25	5.25	5.00	4.50	4.00	3.50	3.00
2-yr Govt. Bond Yield	4.62	2.28	2.92	4.22	4.41	4.55	4.20	3.80	3.45	3.15	2.85	2.60	2.45
10-yr Govt. Bond Yield	3.71	2.32	2.98	3.83	3.88	3.80	3.75	3.50	3.35	3.20	3.05	2.90	2.80
30-yr Govt. Bond Yield	3.72	2.44	3.14	3.79	3.97	3.85	3.80	3.75	3.65	3.50	3.35	3.20	3.10

Forecast by TD Economics as of February 2023; all forecasts are end-of-period. Source: Bloomberg, Federal Reserve Board, TD Economics.

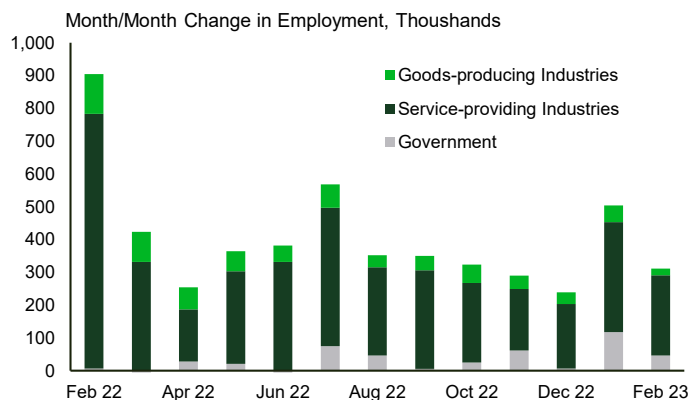
# Jobs Market Stays Strong

Chair Powell’s bi-annual testimony to Congress pushed the market into risk-off mode as his explicit remarks put the half-point rate hike back on the table. In his statement, Powell highlighted the strength of the latest economic data, “which suggests that the ultimate level of interest rates is likely to be higher than previously anticipated”.

Treasuries plunged to fresh lows, with the two-year yield moving briefly above 5% for the first time since July 2007, while keeping the ten-year yield hovering just below 4%. As a result, the spread between the two (one of the strongest market-based [recession indicators](#)) widened to the 100-basis point mark before narrowing back to 90 bps by the end of the week (Chart 1). This is the deepest inversion since 1981. The equity market was as volatile, with the trouble at SVB Financial Group adding to shock. The S&P 500 Index moved below the 4,000-level finishing the week with a 3.4% loss (at the time of writing).

Today’s [payrolls report](#) didn’t help settle the markets. The employment number came in stronger than anticipated (at 311k v. 225k expected), suggesting that there is considerable strength in the jobs market. The unemployment rate returned to 3.6% as the labor force expanded, lifting the participation rate to 62.5%. Notably, the monthly increase in the goods producing sector was the smallest since May 2021, with job gains tilted towards the services sector (Chart 2). The trend pace of average hourly earnings growth over the past three months slipped to the slowest pace of growth in nearly two-years. However, hourly earnings don’t adjust for compositional effects across sectors, and have been running well below other metrics in recent

**Chart 2: Fewer Jobs Created in the Goods Producing Sector in February**



Source: Bureau of Labor Statistics, TD Economics.

months. February’s softness is likely in part due to job gains concentrated in lower-wage sectors and jobs losses in some higher-wage ones.

The tight labor market was also evidenced in January’s Job Openings and Labor Turnover Survey (JOLTS). While job vacancies declined to 10.8 from an upwardly revised 11.2 million in December, they remain high, suggesting that demand for workers exceeds supply – a condition that will continue to support wage growth.

There’s still plenty of data to come before the Fed’s March 21-22 meeting, when the Fed decides on the rate hike and releases updated economic projections. Next week, we’ll have more details on CPI and retail sales for February. The former has more bearing on the rate decision, as it makes up the second half of the Fed’s dual mandate (besides maximum employment), while the latter may contribute to the Fed’s understanding of consumer spending momentum. To convince FOMC members to keep the same pace of rate hikes as in December, price changes would need to provide evidence of a decelerating trend. Today, the probability of a 50-basis points hike settled around 40% - higher than 28% last week but lower than more than 70% earlier this week.

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**Chart 1: Despite Some Giveback, Yield Inversion Remains Disquieting**



Source: Federal Reserve Board, TD Economics.

Recent Key Economic Indicators: Mar 6 - 10, 2023						
Release Date	Economic Indicator/Event	Data for Period	Units	Current	Prior	
<b>United States</b>						
Mar 6	Factory Orders	Jan	M/M % Chg.	-1.6	1.7	
Mar 6	Factory Orders Ex Trans	Jan	M/M % Chg.	1.2	-1.2	
Mar 6	Durable Goods Orders	Jan	M/M % Chg.	-4.5	-4.5	
Mar 6	Cap Goods Orders Nondef Ex Air	Jan	M/M % Chg.	0.8	0.8	
Mar 7	Wholesale Trade Sales	Jan	M/M % Chg.	1.0	-0.2	
Mar 8	ADP Employment Change	Feb	Thsd	242.0	119.0	
Mar 8	Trade Balance	Jan	Blns	-68.30	-67.20	
Mar 9	Initial Jobless Claims	Mar 3	Thsd	211.0	190.0	
Mar 10	Change in Nonfarm Payrolls	Feb	Thsd	311.0	504.0	
Mar 10	Unemployment Rate	Feb	%	3.6	3.4	
Mar 10	Average Hourly Earnings	Feb	M/M % Chg.	0.2	0.3	
<b>Canada</b>						
Mar 8	Int'l Merchandise Trade	Jan	Blns	1.92	1.19	
Mar 8	Bank of Canada Rate Decision	Mar 8	%	4.50	4.50	
Mar 10	Net Change in Employment	Feb	Thsd	21.8	150.0	
Mar 10	Unemployment Rate	Feb	%	5.0	5.0	
<b>International</b>						
Mar 6	EZ Retail Sales	Jan	Y/Y % Chg.	-2.3	-2.8	
Mar 8	EZ Gross Domestic Product SA	4Q	Y/Y % Chg.	1.8	1.9	
Mar 8	EZ Employment	4Q	Y/Y % Chg.	1.5	1.5	
Mar 8	JN Gross Domestic Product Annualized SA	4Q	Q/Q % Chg.	0.1	0.6	
Mar 8	CH Consumer Price Index	Feb	Y/Y % Chg.	1.0	2.1	
Mar 10	JN BOJ Policy Balance Rate	Mar 10	%	-0.10	-0.10	
Mar 10	UK Monthly Gross Domestic Product	Jan	Q/Q % Chg.	0.0	-0.3	

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



Upcoming Economic Releases and Events: Mar 13 - 17, 2023						
Release Date	Time*	Economic Indicator/Event	Data for Period	Units	Consensus Forecast	Last Period
<b>United States</b>						
Mar 14	6:00	NFIB Small Business Optimism	Feb	Index	-	90.3
Mar 14	8:30	Consumer Price Index	Feb	M/M % Chg.	0.4	0.5
Mar 14	8:30	Consumer Price Index	Feb	Y/Y % Chg.	6.0	6.4
Mar 14	8:30	Consumer Price Index Ex Food and Energy	Feb	M/M % Chg.	0.4	0.4
Mar 14	8:30	Consumer Price Index Ex Food and Energy	Feb	Y/Y % Chg.	5.5	5.6
Mar 14	17:20	<i>Fed's Bowman Speaks at Community Bankers Event in Hawaii</i>				
Mar 15	8:30	Empire Manufacturing	Mar	Index	-7.7	-5.8
Mar 15	8:30	PPI Ex Food and Energy	Feb	M/M % Chg.	0.4	0.5
Mar 15	8:30	PPI Final Demand	Feb	M/M % Chg.	0.3	0.7
Mar 15	8:30	Retail Sales Advance	Feb	M/M % Chg.	0.1	3.0
Mar 15	8:30	Retail Sales Ex Auto and Gas	Feb	M/M % Chg.	-	2.6
Mar 15	10:00	Business Inventories	Jan	M/M % Chg.	0.0	0.3
Mar 15	10:00	NAHB Housing Market Index	Mar	Index	41.0	42.0
Mar 16	8:30	Building Permits	Feb	Thsds	1350.0	1339.0
Mar 16	8:30	Housing Starts	Feb	Thsds	1310.0	1309.0
Mar 16	8:30	Initial Jobless Claims	Mar 11	Thsds	-	211.0
Mar 17	9:15	Capacity Utilization	Feb	%	78.5	78.3
Mar 17	9:15	Industrial Production	Feb	M/M % Chg.	0.5	0.0
Mar 17	9:15	Manufacturing (SIC) Production	Feb	Index	-	1.0
<b>Canada</b>						
Mar 14	8:30	Manufacturing Sales	Jan	M/M % Chg.	-	-1.5
Mar 15	8:15	Housing Starts	Feb	Thsds	-	215.4
Mar 15	9:00	Existing Home Sales	Feb	M/M % Chg.	-	-3.0
Mar 16	8:30	Wholesale Trade Sales	Jan	M/M % Chg.	-	-0.8
Mar 17	8:30	Industrial Product Price	Feb	M/M % Chg.	-	0.4
<b>International</b>						
Mar 14	3:00	UK ILO Unemployment Rate 3-Months	Jan	M/M % Chg.	3.8	3.7
Mar 14	22:00	CH Surveyed Jobless Rate	Feb	%	5.3	5.5
Mar 16	9:15	EZ ECB Main Refinancing Rate	Mar 16	%	3.50	3.00
Mar 17	6:00	EZ Consumer Price Index	Feb	Y/Y % Chg.	8.5	8.6

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

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