

## The Weekly Bottom Line

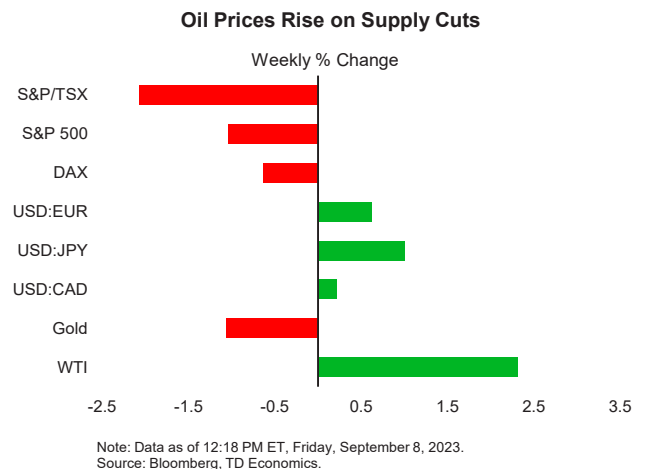
September 8, 2023

### Highlights

- Hard economic data was thin on the ground over the Labor Day shortened week, with survey indicators and Fed speakers grabbing attention.
- A slew of Federal Reserve speakers hint that the central bank may skip a rate hike at the next meeting, as the Beige Book (the Fed's survey of economic conditions) suggests that the economy closed out the summer on a modest note.
- Oil markets were also on the move, after Saudi & Russian supply cuts were extended. Higher energy prices are a challenge to the needed cooling in inflation.

This Week in the Markets				
	Current*	Week Ago	52-Week High	52-Week Low
<b>Stock Market Indexes</b>				
S&P 500	4468	4516	4589	3577
S&P/TSX Comp.	20134	20545	20767	18206
DAX	15727	15840	16470	11976
FTSE 100	7476	7465	8014	6826
Nikkei	32607	32711	33753	25717
<b>Fixed Income Yields</b>				
U.S. 10-yr Treasury	4.23	4.18	4.34	3.31
Canada 10-yr Bond	3.66	3.56	3.82	2.72
Germany 10-yr Bund	2.60	2.55	2.75	1.65
UK 10-yr Gilt	4.42	4.43	4.75	3.01
Japan 10-yr Bond	0.66	0.63	0.67	0.22
<b>Foreign Exchange Cross Rates</b>				
C\$ (USD per CAD)	0.73	0.74	0.77	0.72
Euro (USD per EUR)	1.07	1.08	1.12	0.96
Pound (USD per GBP)	1.25	1.26	1.31	1.07
Yen (JPY per USD)	147.6	146.2	150.2	127.9
<b>Commodity Spot Prices**</b>				
Crude Oil (\$US/bbl)	87.3	85.6	92.6	66.7
Natural Gas (\$US/MMBtu)	2.45	2.71	8.63	1.77
Copper (\$US/met. tonne)	8309.3	8479.3	9330.8	7422.0
Gold (\$US/troy oz.)	1921.1	1940.1	2050.3	1622.4

\*As of 11:27 AM on Friday. \*\*Oil-WTI, Cushing, Nat. Gas-Henry Hub, LA (Thursday close price). Copper-LME Grade A. Gold-London Gold Bullion. Source: Bloomberg.



Global Official Policy Rate Targets	
Central Banks	Current Target
Federal Reserve (Fed Funds Rate)	5.25 - 5.50%
Bank of Canada (Overnight Rate)	5.00%
European Central Bank (Refi Rate)	4.25%
Bank of England (Repo Rate)	5.25%
Bank of Japan (Overnight Rate)	-0.10%

Source: Bloomberg.

TD Economics Key Financial Forecasts													
	Current Rate 9/8/23	2022				2023				2024			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3F	Q4F	Q1F	Q2F	Q3F	Q4F
Fed Funds Target Rate	5.50	0.50	1.75	3.25	4.50	5.00	5.25	5.50	5.50	5.50	5.00	4.50	4.00
2-yr Govt. Bond Yield	4.95	2.28	2.92	4.22	4.41	4.06	4.87	4.90	4.50	4.10	3.70	3.30	3.00
10-yr Govt. Bond Yield	4.23	2.32	2.98	3.83	3.88	3.48	3.81	4.00	3.80	3.55	3.35	3.20	3.05
30-yr Govt. Bond Yield	4.32	2.44	3.14	3.79	3.97	3.67	3.85	4.00	3.95	3.85	3.65	3.50	3.35

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

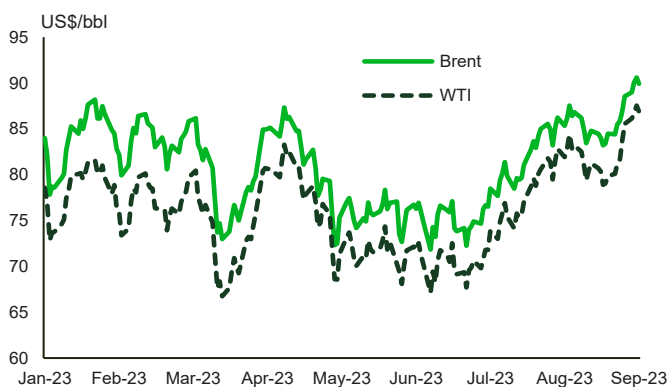
# Higher for Longer Seems Surer

Hard economic data was thin on the ground over the Labor Day shortened week, with survey indicators and Fed speakers the main highlights on the calendar. Crude oil markets were also a bit livelier after Saudi Arabia and Russia both announced extensions to their supply cuts through to the end of the year.

Since July, Saudi Arabia has voluntarily removed 1 million barrels per day (b/d) of crude from global oil markets. While the measure was cited to be temporary, it was already extended to September, with this week’s announcement extending it once again. Russia added their own export reduction of 300,000 b/d. On the day of the announcement, Brent crude, the international benchmark, rose 1.2% to close at \$90.04 – exceeding \$90 a barrel for the first time this year (Chart 1). Prices have since given back some of the gain, but the general move higher in oil prices over the past few weeks is likely to threaten efforts to tame inflation.

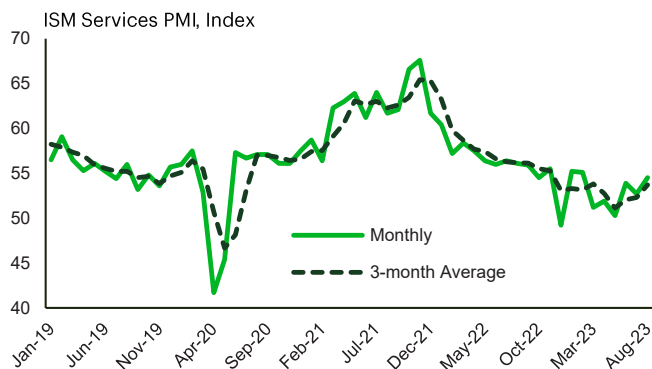
On that front, this week featured a full roster of Fed speakers. Governor Waller was also in the news making more dovish than usual statements. He noted that data showing a cooling job market meant the Fed should “proceed carefully”, and does not necessitate an imminent rate hike. Bostic echoed these sentiments. Logan noted that it could be appropriate to skip an interest-rate increase in September. Williams left whether the Fed would hike again as an open question, while Goolsbee, hinting at a higher for longer stance, sees a “golden opportunity” for the Fed to tame inflation without triggering a recession. All speakers emphasized that the Fed will be paying close attention to the data.

**Chart 1: Crude Oil Prices Rise on Extended Supply Cuts**



Source: ICE, CME, TD Economics. Last observation: September 7, 2023.

**Chart 2: U.S. Service Sector Expands for the Eight Consecutive Month**



Note: Readings above (below) 50 indicate expansion (contraction). Source: Institute of Supply Management, TD Economics.

The Fed’s latest survey of economic conditions, the Beige Book, noted that the U.S. economy grew at a modest pace during July and August, relative to slight growth in the previous report. This was bolstered by a final bout of pent-up demand for leisure activities. Outside of leisure travel and a rise in auto sales due to better inventory, nonessential retail sales slowed. Job growth was generally subdued nationwide with wage growth elevated but expected to moderate in the months ahead. Prices for consumer goods fell faster than in many other categories. Demand for manufactured goods waned while the supply constrained single-family housing market continued to be challenged by higher financing costs and rising insurance premiums.

The [ISM services index](#) surprised to the upside this week, reaching a six-month high of 54.5 in August (Chart 2). The survey continued to highlight a service sector that is still in expansion mode, with survey respondents expressing positive sentiments about business and economic conditions. Beneath the headline, the positive details were an increase in business activity (+0.2 pts), new orders (+2.5 pts), and employment (+4.0 pts).

The tone of the economic news this week is likely to keep policymakers in a wait and see mode. Consumers are keeping the service sector humming along, even as the labor market cools. All good news for the Fed, but higher energy prices remain a wildcard that will require close monitoring so as not to undo the progress on inflation thus far.

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Recent Key Economic Indicators: Sep 04 - 08, 2023					
Release Date	Economic Indicator/Event	Data for Period	Units	Current	Prior
<b>United States</b>					
Sep 05	Cap Goods Orders Nondef Ex Air	Jul	M/M % Chg.	0.1	0.1
Sep 05	Durable Goods Orders	Jul	M/M % Chg.	-5.2	-5.2
Sep 05	Factory Orders	Jul	M/M % Chg.	-2.1	2.3
Sep 05	Factory Orders Ex Trans	Jul	M/M % Chg.	0.8	0.3
Sep 06	Trade Balance	Jul	Blns	-65.0	-63.7
Sep 06	S&P Global US Composite PMI	Aug	Index	50.2	50.4
Sep 06	S&P Global US Services PMI	Aug	Index	50.5	51.0
Sep 06	ISM Services Index	Aug	Index	54.5	52.7
Sep 07	Initial Jobless Claims	Sep 02	Thsd	216.0	229.0
Sep 07	Unit Labor Costs	2Q	Q/Q % Chg.	2.2	1.6
Sep 08	Wholesale Trade Sales	Jul	M/M % Chg.	0.8	-0.8
<b>Canada</b>					
Sep 06	Int'l Merchandise Trade	Jul	Blns	-1.0	-4.9
Sep 06	Bank of Canada Rate Decision	Sep 06	%	5.0	5.0
Sep 08	Net Change in Employment	Aug	Thsd	39.9	-6.4
Sep 08	Unemployment Rate	Aug	%	5.5	5.5
<b>International</b>					
Sep 06	EZ Retail Sales	Jul	Y/Y % Chg.	-1.0	-1.0
Sep 07	EZ Employment	2Q	Y/Y % Chg.	1.3	1.5
Sep 07	EZ Gross Domestic Product SA	2Q	Y/Y % Chg.	0.5	0.6
Sep 07	JN Gross Domestic Product Annualized SA	2Q	Q/Q % Chg.	4.8	6.0

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

Upcoming Economic Releases and Events: Sep 11 - 15, 2023							
Release Date	Time*		Economic Indicator/Event	Data for Period	Units	Consensus Forecast	Last Period
<b>United States</b>							
Sep 11	11:00	US	NY Fed 1-Yr Inflation Expectations	Aug	%	-	3.6
Sep 12	6:00	US	NFIB Small Business Optimism	Aug	Index	91.3	91.9
Sep 13	8:30	US	Consumer Price Index	Aug	M/M % Chg.	0.6	0.2
Sep 13	8:30	US	Consumer Price Index	Aug	Y/Y % Chg.	3.6	3.2
Sep 13	8:30	US	Consumer Price Index Ex Food and Energy	Aug	M/M % Chg.	0.2	0.2
Sep 13	8:30	US	Consumer Price Index Ex Food and Energy	Aug	Y/Y % Chg.	4.3	4.7
Sep 14	8:30	US	Initial Jobless Claims	Sep 9	Thsd	-	216.0
Sep 14	8:30	US	Producer Price Index Ex Food and Energy	Aug	M/M % Chg.	0.2	0.3
Sep 14	8:30	US	Producer Price Index Final Demand	Aug	M/M % Chg.	0.4	0.3
Sep 14	8:30	US	Retail Sales Advance	Aug	M/M % Chg.	0.1	0.7
Sep 14	8:30	US	Retail Sales Ex Auto and Gas	Aug	M/M % Chg.	0.1	1.0
Sep 14	10:00	US	Business Inventories	Jul	M/M % Chg.	0.1	0.0
Sep 15	8:30	US	Empire Manufacturing	Sep	Index	-10.4	-19.0
Sep 15	9:15	US	Capacity Utilization	Aug	%	79.3	79.3
Sep 15	9:15	US	Industrial Production	Aug	M/M % Chg.	0.1	1.0
Sep 15	9:15	US	Manufacturing (SIC) Production	Aug	M/M % Chg.	0.1	0.5
<b>Canada</b>							
Sep 14	8:30	CA	Wholesale Sales ex Petroleum	Jul	M/M % Chg.	-	-2.8
Sep 15	8:30	CA	Manufacturing Sales	Jul	M/M % Chg.	-	-1.7
Sep 15	9:00	CA	Existing Home Sales	Aug	M/M % Chg.	-	-0.7
<b>International</b>							
Sep 12	2:00	UK	ILO Unemployment Rate 3Mths	Jul	%	4.3	4.2
Sep 13	2:00	UK	Monthly GDP (3M/3M)	Jul	M/M % Chg.	0.3	-
Sep 14	8:15	EZ	ECB Main Refinancing Rate	Sep 14	%	4.25	4.25
Sep 14	22:00	CH	Retail Sales	Aug	Y/Y % Chg.	3.0	2.5
Sep 14	22:00	CH	Surveyed Jobless Rate	Aug	%	5.3	5.3

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

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