

## The Weekly Bottom Line

March 8, 2024

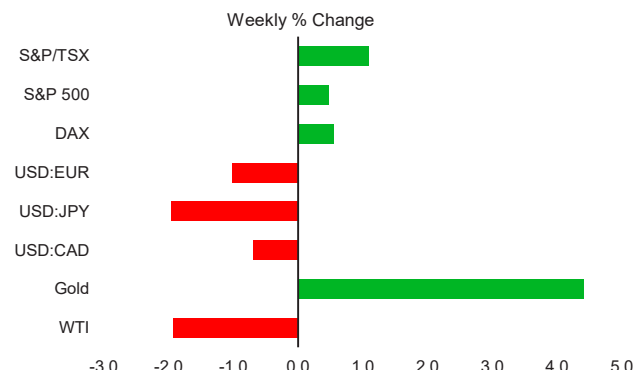
### Highlights

- The U.S. economy added 275k jobs in February, but job gains in the prior two months were revised down significantly and the unemployment rate ticked up to 3.9%.
- In his testimony before Congress this week, Federal Reserve Chair Powell noted that economic resilience gave the FOMC time to assess the sustainability of current disinflation trends.
- Congress is set to pass half of the federal spending bills for the 2024 fiscal year this week, five months and four continuing resolutions after the fiscal year began in October.

This Week in the Markets				
	Current*	Week Ago	52-Week High	52-Week Low
Stock Market Indexes				
S&P 500	5164	5137	5164	3856
S&P/TSX Comp.	21796	21552	21796	18737
DAX	17830	17735	17843	14687
FTSE 100	7666	7683	7914	7257
Nikkei	39689	39911	40109	26946
Fixed Income Yields				
U.S. 10-yr Treasury	4.09	4.18	4.99	3.31
Canada 10-yr Bond	3.35	3.43	4.24	2.73
Germany 10-yr Bund	2.27	2.41	2.97	1.90
UK 10-yr Gilt	3.98	4.11	4.75	3.28
Japan 10-yr Bond	0.74	0.72	0.96	0.25
Foreign Exchange Cross Rates				
C\$ (USD per CAD)	0.74	0.74	0.76	0.72
Euro (USD per EUR)	1.09	1.08	1.12	1.05
Pound (USD per GBP)	1.29	1.27	1.31	1.19
Yen (JPY per USD)	147.2	150.1	151.7	130.7
Commodity Spot Prices**				
Crude Oil (\$US/bbl)	78.9	80.0	93.7	66.7
Natural Gas (\$US/MMBtu)	1.56	1.47	13.20	1.47
Copper (\$US/met. tonne)	8546.5	8416.0	9065.8	7823.8
Gold (\$US/troy oz.)	2174.8	2082.9	2174.8	1820.3

\*As of 11:20 AM on Friday. \*\*Oil-WTI, Cushing, Nat. Gas-Henry Hub, LA (Thursday close price). Copper-LME Grade A. Gold-London Gold Bullion. Source: Bloomberg.

### Equities Rise, Dollar Falls on Renewed Rate Cut Bets



Note: Data as of 11:19 AM ET, Friday, March 8, 2024.  
Source: Bloomberg, TD Economics.

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)	4.50%
Bank of England (Repo Rate)	5.25%
Bank of Japan (Overnight Rate)	-0.10%

Source: Bloomberg.

TD Economics Key Financial Forecasts													
Current Rate		2023				2024				2025			
3/8/24		Q1	Q2	Q3	Q4	Q1F	Q2F	Q3F	Q4F	Q1F	Q2F	Q3F	Q4F
Fed Funds Target Rate	5.50	5.00	5.25	5.50	5.50	5.50	5.50	5.00	4.50	4.00	3.50	3.00	2.75
2-yr Govt. Bond Yield	4.47	4.06	4.87	5.03	4.23	4.65	4.35	4.05	3.75	3.45	3.15	2.75	2.75
10-yr Govt. Bond Yield	4.09	3.48	3.81	4.59	3.88	4.30	4.10	3.90	3.70	3.50	3.30	3.20	3.20
30-yr Govt. Bond Yield	4.26	3.67	3.85	4.73	4.03	4.45	4.40	4.20	4.00	3.80	3.60	3.50	3.50
Forecast by TD Economics as of February 2024; all forecasts are end-of-period. Source: Bloomberg, Federal Reserve Board, TD Economics.													

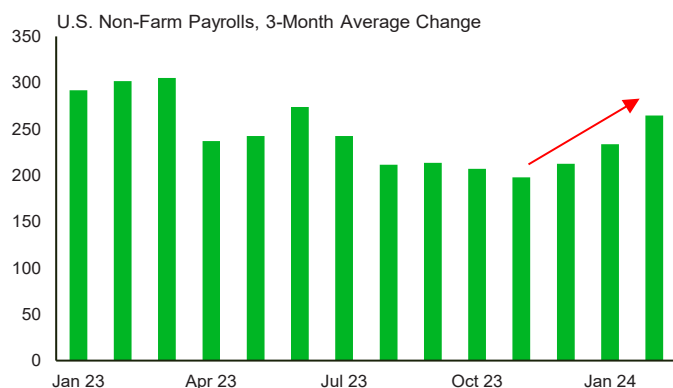
## A Busy Week in Washington

With the first quarter entering its final weeks, we received a host of important economic data this week that will help form expectations for the year ahead. This included a labor market pulse check in addition to Federal Reserve Chair Powell's semi-annual testimony before Congress. Equity markets continued to notch record highs, with the S&P 500 rising 0.8% on the week, while Treasury yields fell by roughly 10 basis-points as of the time of writing.

The headline release for this week was Friday's employment report, which showed that 275k jobs had been added in February. While job gains in the prior two months were revised down by a considerable 167k jobs, the economy still saw solid and accelerating job growth moving into 2024 (Chart 1). However, the unemployment rate ticked up by 0.2 percentage-points to 3.9%, in part due to a return of positive labor force growth. On aggregate, the labor market remains healthy but is continuing to moderate towards a more balanced state. This will be welcome news for the Federal Reserve as they target their dual mandate of maximum sustainable employment and price stability.

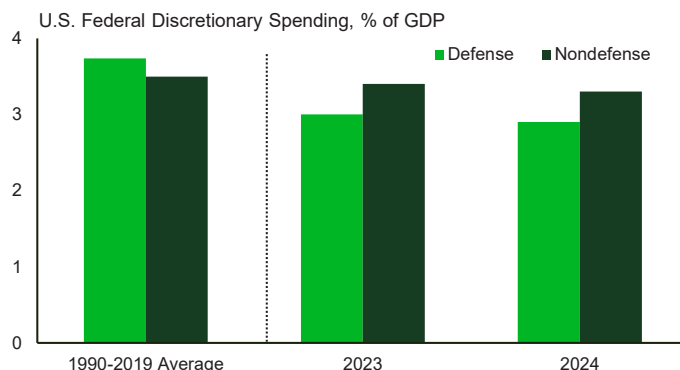
The shift towards a more balanced risk outlook was also noted in Chair Powell's testimony to Congressional committees this week. In his remarks he stated that the resilience of the economy and the labor market gave the FOMC time to assess the sustainability of current disinflation trends. While Powell did note that it would likely be necessary to implement less restrictive policy this year, he cautioned against the risk of easing pre-maturely. Solid job growth and an economy that continues to exhibit above-trend growth support Chair Powell's assessment and our

**Chart 1: Employment Gains Accelerate To Start 2024**



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

**Chart 2: Discretionary Spending Declines Modestly Under FY2024 Budget**



Note: Estimates include effects of continuing resolution funding through first five months of fiscal year. Source: Congressional Budget Office, TD Economics.

expectation that the FOMC will hold off until July to begin lowering interest rates.

Also on Capitol Hill this week, Congress passed half of the federal spending bills for fiscal year 2024. With funding for six federal departments set to expire on Friday – legislated by the fourth continuing resolution of this cycle passed last week – the House passed a package of appropriation bills on Wednesday for the departments subject to the deadline. Senate approval and the President's signature is expected ahead of the midnight deadline on Friday. The other six appropriations bills will need to be passed ahead of their March 22nd deadline, but aggregate spending levels are expected to be consistent with the limits previously agreed to by Congress (Chart 2). Removing the near-term risk of a government shutdown is undoubtedly positive, but ongoing structural deficits leave the sustainability of the national debt a long-term risk, which was also noted by Chair Powell in Congress this week.

In the near-term, markets will be closely watching the February CPI inflation data release next week, which is expected to show a deceleration from January's unexpected uptick. Further progress on disinflation will be required before the Federal Reserve considers shifting its current policy stance.

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Recent Key Economic Indicators: Mar 04 - 08, 2024					
Release Date	Economic Indicator/Event	Data for Period	Units	Current	Prior
United States					
Mar 5	S&P Global US Composite PMI	Feb	Index	52.5	51.4
Mar 5	S&P Global US Services PMI	Feb	Index	52.3	51.3
Mar 5	Cap Goods Orders Nondef Ex Air	Jan	M/M % Chg.	0.0	0.1
Mar 5	Durable Goods Orders	Jan	M/M % Chg.	-6.2	-6.1
Mar 5	Factory Orders	Jan	M/M % Chg.	-3.6	-0.3
Mar 5	Factory Orders Ex Trans	Jan	M/M % Chg.	-0.8	-0.3
Mar 5	ISM Services	Feb	Index	52.6	53.4
Mar 6	ADP Employment Change	Feb	Thsd	140.0	111.0
Mar 6	Job Openings	Jan	Mlns	8.86	8.89
Mar 6	Wholesale Trade Sales	Jan	M/M % Chg.	-1.7	0.3
Mar 7	Initial Jobless Claims	Mar 02	Thsd	217.0	217.0
Mar 7	Trade Balance	Jan	Blns	-67.40	-64.20
Mar 7	Unit Labor Costs	Q4	Q/Q % Chg.	0.4	0.5
Mar 8	Average Hourly Earnings	Feb	M/M % Chg.	0.1	0.5
Mar 8	Change in Nonfarm Payrolls	Feb	Thsd	275.0	229.0
Mar 8	Unemployment Rate	Feb	%	3.9	3.7
Canada					
Mar 6	Bank of Canada Rate Decision	Mar 06	%	5.00	5.00
Mar 6	Ivey Purchasing Managers Index SA	Feb	Index	53.9	56.5
Mar 7	Int'l Merchandise Trade	Jan	Blns	0.50	-0.86
Mar 8	Net Change in Employment	Feb	Thsd	40.7	37.3
Mar 8	Unemployment Rate	Feb	%	5.8	5.7
International					
Mar 4	JN Tokyo Consumer Price Index	Feb	Y/Y % Chg.	2.6	1.8
Mar 4	JN Jibun Bank Japan PMI Services	Feb	Index	52.9	52.5
Mar 6	EZ Retail Sales	Jan	Y/Y % Chg.	-1.0	-0.5
Mar 7	EZ ECB Main Refinancing Rate	Mar 07	%	4.50	4.50
Mar 8	EZ Employment	Q4	Y/Y % Chg.	1.2	1.3
Mar 8	EZ Gross Domestic Product SA	Q4	Y/Y % Chg.	0.1	0.1

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

Upcoming Economic Releases and Events: Mar 11 - 15, 2024						
Release Date	Time*	Economic Indicator/Event	Data for Period	Units	Consensus Forecast	Last Period
United States						
Mar 12	6:00	NFIB Small Business Optimism	Feb	Index	90.6	89.9
Mar 12	8:30	Consumer Price Index	Feb	M/M % Chg.	0.4	0.3
Mar 12	8:30	Consumer Price Index Ex Food and Energy	Feb	M/M % Chg.	0.3	0.4
Mar 12	8:30	Consumer Price Index	Feb	Y/Y % Chg.	3.1	3.1
Mar 12	8:30	Consumer Price Index Ex Food and Energy	Feb	Y/Y % Chg.	3.7	3.9
Mar 14	8:30	Retail Sales Advance	Feb	M/M % Chg.	0.7	-0.8
Mar 14	8:30	Retail Sales Ex Auto and Gas	Feb	M/M % Chg.	0.2	-0.5
Mar 14	8:30	PPI Final Demand	Feb	M/M % Chg.	0.3	0.3
Mar 14	8:30	PPI Ex Food and Energy	Feb	M/M % Chg.	0.2	0.5
Mar 14	8:30	Initial Jobless Claims	Mar 09	Thsd	-	217.0
Mar 14	10:00	Business Inventories	Jan	M/M % Chg.	0.3	0.4
Mar 15	8:30	Empire Manufacturing	Mar	Index	-7.0	-2.4
Mar 15	9:15	Industrial Production	Feb	M/M % Chg.	0.0	-0.1
Mar 15	9:15	Capacity Utilization	Feb	%	78.4	78.5
Mar 15	9:15	Manufacturing (SIC) Production	Feb	M/M % Chg.	0.3	-0.5
Canada						
Mar 14	8:30	Manufacturing Sales	Jan	M/M % Chg.	0.4	-0.70
Mar 15	8:15	Housing Starts	Feb	Thsd	217.5	223.60
International						
Mar 12	3:00	UK ILO Unemployment Rate	Jan	Q/Q % Chg.	3.8	3.8
Mar 13	3:00	UK Gross Domestic Product	Jan	Q/Q % Chg.	-0.1	-0.3

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

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