

Weekly Bottom Line

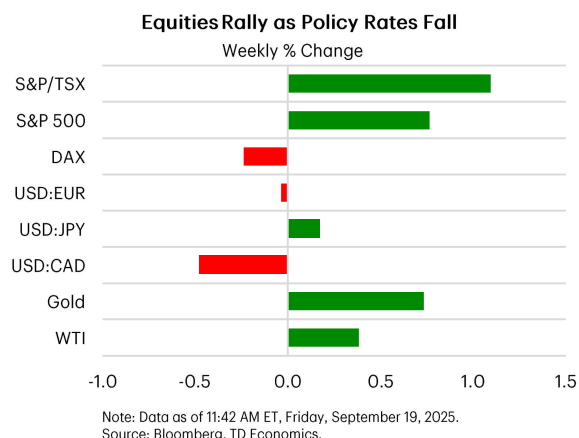
September 19, 2025

Highlights

- The Fed resumed rate cuts at this week's FOMC meeting, lowering the policy rate by 25 basis points to 4.00%-4.25%.
- The Fed's "dot" plot pointed to two more cuts by the end of this year, but it also showed one member who expects a lot more easing.
- Retail sales came in better than expected in August, rising 0.6% on the month. Sales in the control group, which strip out volatile categories, rose an even better 0.7%.

This Week in the Markets				
	Current*	Week Ago	52-Week High	52-Week Low
Stock Market Indexes				
S&P 500	6634	6584	6634	4983
S&P/TSX Comp.	29600	29284	29600	22507
DAX	23642	23698	24550	18720
FTSE 100	9231	9283	9321	7679
Nikkei	45046	44768	45303	31137
Fixed Income Yields				
U.S. 10-yr Treasury	4.14	4.06	4.79	3.71
Canada 10-yr Bond	3.20	3.19	3.60	2.83
Germany 10-yr Bund	2.75	2.72	2.90	2.03
UK 10-yr Gilt	4.71	4.67	4.89	3.89
Japan 10-yr Bond	1.65	1.59	1.65	0.82
Foreign Exchange Cross Rates				
C\$ (USD per CAD)	0.73	0.72	0.74	0.69
Euro (USD per EUR)	1.17	1.17	1.19	1.02
Pound (USD per GBP)	1.35	1.36	1.37	1.22
Yen (JPY per USD)	147.9	147.7	158.4	140.9
Commodity Spot Prices**				
Crude Oil (\$US/bbl)	62.9	62.7	80.0	57.1
Natural Gas (\$US/MMBtu)	3.08	2.86	9.33	1.22
Copper (\$US/met. tonne)	9868.9	9994.1	10219.3	8571.4
Gold (\$US/troy oz.)	3669.2	3643.1	3690.0	2563.3

*As of 11:39 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)	4.00 - 4.25%
Bank of Canada (Overnight Rate)	2.50%
European Central Bank (Refi Rate)	2.15%
Bank of England (Repo Rate)	4.00%
Bank of Japan (Overnight Rate)	0.50%

Source: Bloomberg.

TD Economics Key Financial Forecasts													
	Current Rate	2024				2025				2026			
	9/19/25	Q1	Q2	Q3	Q4	Q1	Q2	Q3F	Q4F	Q1F	Q2F	Q3F	Q4F
Fed Funds Target Rate	4.25	5.50	5.50	5.00	4.50	4.50	4.50	4.25	3.75	3.75	3.25	3.25	3.25
2-yr Govt. Bond Yield	3.57	4.59	4.71	3.66	4.25	3.89	3.72	3.76	3.51	3.30	3.25	3.25	3.25
10-yr Govt. Bond Yield	4.14	4.20	4.36	3.81	4.58	4.23	4.24	4.27	4.10	4.00	4.00	4.00	4.00
30-yr Govt. Bond Yield	4.75	4.34	4.51	4.14	4.78	4.59	4.78	4.85	4.50	4.30	4.30	4.30	4.30

Forecast by TD Economics as of August 2025; all forecasts are end-of-period. Source: Bloomberg, Federal Reserve Board, TD Economics.

Powell's 'Risk Management' Cut

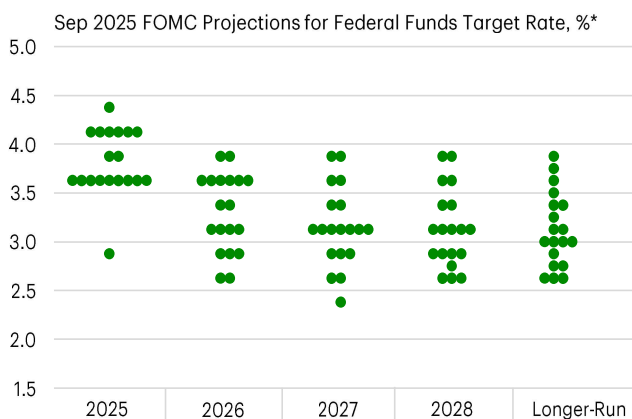
Admir Kolaj, Economist
416-944-6318

The Federal Reserve resumed its easing cycle after a nine-month pause, cutting the policy rate by 25 basis points at this week's FOMC meeting. The move was widely anticipated, and while bond yields initially dipped, they ultimately rose as markets digested the broader implications. Equities, however, rallied, with the S&P 500 climbing another 1% on the week at time of writing.

The FOMC statement signaled a shift in emphasis from the 'price stability' mandate toward 'full employment', noting that "downside risks to employment have risen". This echoed Fed Chair Powell's remarks at Jackson Hole last month and set the tone for what he later described as a "risk management cut". In essence, while inflation remains elevated, the Fed deemed it prudent to begin easing the policy rate to help guard against further labor market deterioration.

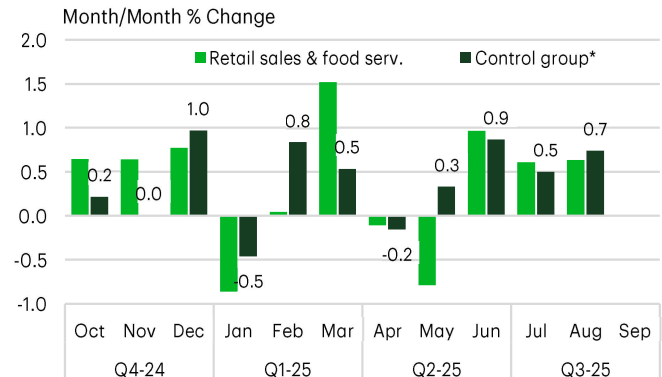
The decision was accompanied by the latest Summary of Economic Projections (SEP), which offered a mixed picture. Unemployment rate forecasts were largely unchanged, while growth projections for 2025 and 2026 were nudged up 20 basis points (bps) to 1.6% and 1.8%, respectively. Core inflation expectations for next year were also bumped up by 20 bps to 2.6%, with this measure now projected to return to target only by 2028 – which would mark seven consecutive years above the Fed's 2% goal. The median forecast now calls for three cuts by year-end (including this week's) up from two,

Chart 1: Fed's Dot Plot Points to Two More Cuts This Year



*Midpoint of Target Range. Source: Federal Reserve Board, TD Economics.

Chart 2: Retail Sales Showed Decent Momentum Through August



Source: BEA, TD Economics. *Excludes volatile categories.

and is in tune with our expectations. But one member projected the equivalent of three jumbo 50 bps cuts total (Chart 1). Stephen Miran, President Trump's newly appointed Fed governor, is likely the one projecting more aggressive cuts as he was the lone dissent at this week's meeting, favoring a larger 50 bps cut.

Economic data released this week did little to bolster the case for continued easing. Initial jobless claims fell back last week, following a surge in the week prior. And while housing remained a soft spot, with homebuilding pulling back in August, consumption-related data came in better than anticipated. August retail sales and food services rose 0.6% on the month, matching July's gain. Sales in the 'control group' – which strip out volatile components – rose a solid 0.7%, building on gains in the prior two months (Chart 2). While tariffs are still expected to chip away at spending power and weigh on consumption, this recent data suggests consumers may still have some gas in the tank.

The bottom line is that while the Fed has resumed rate cuts to guard against further labor market weakness, its "risk management" approach means future moves will remain highly data dependent. The Fed will continue to have a hard time balancing the risks with respect to its dual mandate. But ultimately, we believe that the tariff impact on inflation will be temporary, and we expect the central bank to continue to cut rates to support the economy (see our latest Quarterly Economic Forecast [here](#)).

Exhibits

Recent Key Economic Indicators: Sep 15 - 19, 2025					
Release Date	Economic Indicator/Event	Data for Period	Units	Current	Prior
United States					
Sep 15	Empire Manufacturing	Sep	Index	-8.7	11.9
Sep 16	Retail Sales Advance	Aug	M/M % Chg.	0.6	0.6
Sep 16	Retail Sales Ex Auto and Gas	Aug	M/M % Chg.	0.7	0.3
Sep 16	Industrial Production	Aug	M/M % Chg.	0.1	-0.4
Sep 16	Manufacturing (SIC) Production	Aug	M/M % Chg.	0.2	-0.1
Sep 16	Capacity Utilization	Aug	%	77.4	77.4
Sep 16	Business Inventories	Jul	M/M % Chg.	0.2	0.2
Sep 16	NAHB Housing Market Index	Sep	Index	32.0	32.0
Sep 17	Housing Starts	Aug	Thsd	1307.0	1429.0
Sep 17	Building Permits	Aug	Thsd	1312.0	1362.0
Sep 17	FOMC Rate Decision (Upper Bound)	Sep 17	%	4.3	4.5
Sep 18	Initial Jobless Claims	Sep 13	Thsd	231.0	264.0
Canada					
Sep 15	Manufacturing Sales	Jul	M/M % Chg.	2.5	0.3
Sep 15	Existing Home Sales	Aug	Mlns	1.1	3.8
Sep 16	Housing Starts	Aug	Thsd	245.8	293.5
Sep 16	Consumer Price Index NSA	Aug	M/M % Chg.	-0.1	0.3
Sep 16	Consumer Price Index	Aug	Y/Y % Chg.	1.9	1.7
Sep 17	Bank of Canada Rate Decision	Sep 17	%	2.5	2.8
Sep 18	CFIB Business Barometer	Sep	Index	50.2	48.3
Sep 19	Retail Sales	Jul	M/M % Chg.	-0.8	1.6
Sep 19	Retail Sales Ex Auto	Jul	M/M % Chg.	-1.2	2.2
International					
Sep 16	UK ILO Unemployment Rate	Jul	Q/Q % Chg.	4.7	4.7
Sep 17	UK Consumer Price Index	Aug	Y/Y % Chg.	3.8	3.8
Sep 17	EZ Consumer Price Index	Aug	Y/Y % Chg.	2.0	2.1
Sep 18	UK Bank of England Bank Rate	Sep 18	%	4.0	4.0
Sep 18	JN Natl Consumer Price Index	Aug	Y/Y % Chg.	2.8	3.1
Sep 19	UK Retail Sales Ex Auto Fuel	Aug	Y/Y % Chg.	1.2	1.0

Source: Bloomberg, TD Economics.

Upcoming Economic Releases and Events: Sep 22 - 26, 2025						
Release Date	Time*	Economic Indicator/Event	Data for Period	Units	Consensus Forecast	Last Period
United States						
Sep 22	9:45	<i>Fed's Williams Speaks on Monetary Policy Panel</i>				
Sep 22	10:00	<i>Fed's Musalem Speaks of Economic Outlook and Monetary Policy</i>				
Sep 22	12:00	<i>Fed's Hammack Speaks on Reserve Banks and the Economy</i>				
Sep 22	12:00	<i>Fed's Barkin Speaks at Howard Co Chamber</i>				
Sep 22	12:00	<i>Fed's Miran Speaks at The Economic Club of NY</i>				
Sep 23	9:00	<i>Fed's Bowman Speaks on Economic Outlook</i>				
Sep 23	9:45	S&P Global US Manufacturing PMI	Sep	Index	51.8	53.0
Sep 23	9:45	S&P Global US Services PMI	Sep	Index	53.8	54.5
Sep 23	9:45	S&P Global US Composite PMI	Sep	Index	-	54.6
Sep 23	10:00	<i>Fed's Bostic Participates in Live Podcast Interview</i>				
Sep 23	12:35	<i>Fed's Powell Speaks on Economic Outlook</i>				
Sep 24	10:00	New Home Sales	Aug	Thsd	650.0	652.0
Sep 24	16:10	<i>Fed's Daly Gives Keynote Remarks on Monetary Policy</i>				
Sep 24	0:00	Building Permits	Aug	Thsd	-	1312.0
Sep 25	8:20	<i>Fed's Goolsbee Speaks on Trends for West Michigan</i>				
Sep 25	8:30	Advance Goods Trade Balance	Aug	Blns	-95.6	-103.6
Sep 25	8:30	Gross Domestic Product Annualized	2Q	Q/Q % Chg.	3.3	3.3
Sep 25	8:30	Personal Consumption	2Q	Q/Q % Chg.	1.9	1.6
Sep 25	8:30	Durable Goods Orders	Aug	M/M % Chg.	-0.5	-2.8
Sep 25	8:30	Cap Goods Orders Nondef Ex Air	Aug	M/M % Chg.	-0.2	1.1
Sep 25	8:30	Initial Jobless Claims	Sep 20	Thsd	236.0	231.0
Sep 25	9:00	<i>Fed's Williams Gives Welcoming Remarks at US Dollar Conference</i>				
Sep 25	10:00	Existing Home Sales	Aug	Mlns	4.0	4.0
Sep 25	10:00	<i>Fed's Bowman in Moderated Discussion</i>				
Sep 25	13:00	<i>Fed's Barr Speaks on Bank Stress Testing</i>				
Sep 25	13:40	<i>Fed's Logan Speaks in a Panel</i>				
Sep 25	15:30	<i>Fed's Daly Conversation with Mark Packard</i>				
Sep 26	8:30	Personal Income	Aug	M/M % Chg.	0.3	0.4
Sep 26	8:30	Real Personal Spending	Aug	M/M % Chg.	0.2	0.3
Sep 26	9:00	<i>Fed's Barkin Conversation at the PIIIE</i>				
Sep 26	13:00	<i>Fed's Bowman Speaks on Monetary Policy</i>				
Canada						
Sep 22	8:30	Industrial Product Price	Aug	M/M % Chg.	-	0.7
Sep 22	9:45	<i>Panel: BoC Sharon Kozicki</i>				
Sep 22	13:15	<i>Panel: BoC Carolyn Rogers</i>				
Sep 23	14:30	<i>Speech: Tiff Macklem</i>				
Sep 25	8:30	Payroll Employment Change - SEPH	Jul	Thsd	-	-32.9
Sep 26	8:30	Gross Domestic Product	Jul	M/M % Chg.	0.1	-0.1
Sep 26	12:00	Bloomberg Sept. Canada Economic Survey	Sep			
International						
Sep 25	19:30 JN	Tokyo Consumer Price Index	Sep	Y/Y % Chg.	2.8	2.6

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

Disclaimer

This report is provided by TD Economics. It is for informational and educational purposes only as of the date of writing, and may not be appropriate for other purposes. The views and opinions expressed may change at any time based on market or other conditions and may not come to pass. This material is not intended to be relied upon as investment advice or recommendations, does not constitute a solicitation to buy or sell securities and should not be considered specific legal, investment or tax advice. The report does not provide material information about the business and affairs of TD Bank Group and the members of TD Economics are not spokespersons for TD Bank Group with respect to its business and affairs. The information contained in this report has been drawn from sources believed to be reliable, but is not guaranteed to be accurate or complete. This report contains economic analysis and views, including about future economic and financial markets performance. These are based on certain assumptions and other factors, and are subject to inherent risks and uncertainties. The actual outcome may be materially different. The Toronto-Dominion Bank and its affiliates and related entities that comprise the TD Bank Group are not liable for any errors or omissions in the information, analysis or views contained in this report, or for any loss or damage suffered.