TD Economics

Weekly Bottom Line

October 10, 2025

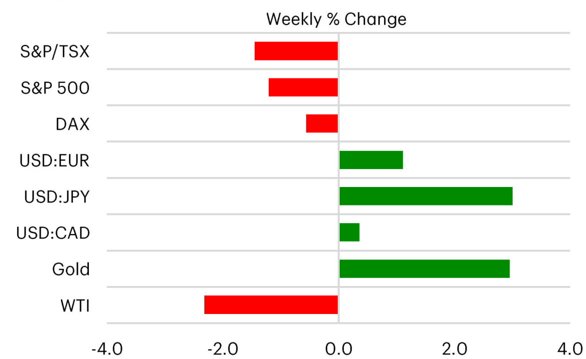
Highlights

- The government shutdown continues through its second week, with no clear end in sight, while trade tensions between the U.S. and China have suddenly heated up.
- Absent official data, the market is turning to imperfect private-sector alternatives, which suggest the labor market continued to cool in September.
- We don't see any developments this week that are likely to cause a big shift in the perception of the economy or the outlook, and so we are still penciling in two more quarter-point rate cuts from the Federal Reserve by year-end.

This Week in the Markets				
	Current*	Week Ago	52-Week High	52-Week Low
Stock Market Indexes				
S&P 500	6639	6716	6754	4983
S&P/TSX Comp.	30038	30472	30532	22507
DAX	24241	24379	24611	19003
FTSE 100	9427	9491	9549	7679
Nikkei	48089	45770	48580	31137
Fixed Income Yields				
U.S. 10-yr Treasury	4.06	4.12	4.79	3.99
Canada 10-yr Bond	3.18	3.19	3.60	2.83
Germany 10-yr Bund	2.64	2.70	2.90	2.03
UK 10-yr Gilt	4.68	4.69	4.89	4.06
Japan 10-yr Bond	1.69	1.66	1.70	0.94
Foreign Exchange Cross Rates				
C$ (USD per CAD)	0.71	0.72	0.74	0.69
Euro (USD per EUR)	1.16	1.17	1.19	1.02
Pound (USD per GBP)	1.33	1.35	1.37	1.22
Yen (JPY per USD)	151.9	147.5	158.4	140.9
Commodity Spot Prices**				
Crude Oil ($US/bbl)	59.5	60.9	80.0	57.1
Natural Gas ($US/MMBtu)	3.25	3.19	9.33	1.22
Copper ($US/met. tonne)	10842.6	10690.3	10842.6	8571.4
Gold ($US/troy oz.)	4001.7	3886.5	4042.0	2563.3

*As of 11:57 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 Fall on Shutdown Concerns, Trade Uncertainty



Note: Data as of 11:57 AM ET, Friday, October 10, 2025.
Source: Bloomberg, TD Economics.

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			
	10/10/25	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	3.53	4.59	4.71	3.66	4.25	3.89	3.72	3.55	3.40	3.30	3.25	3.25	3.25
10-yr Govt. Bond Yield	4.06	4.20	4.36	3.81	4.58	4.23	4.24	4.05	4.05	4.00	4.00	4.00	4.00
30-yr Govt. Bond Yield	4.65	4.34	4.51	4.14	4.78	4.59	4.78	4.67	4.60	4.50	4.50	4.50	4.50

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

No Data, No Problem

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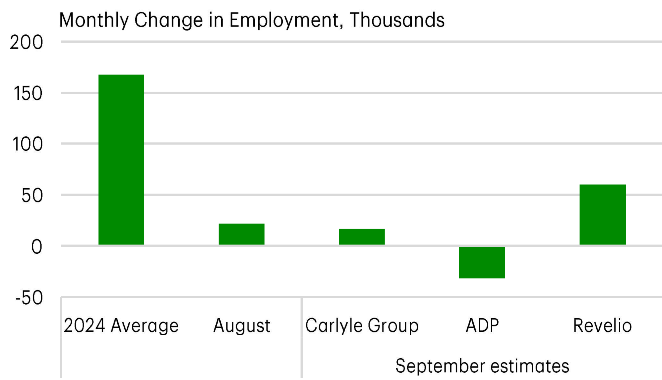
Up until Friday, markets had been relatively calm amid the ongoing government shutdown, which has entered its 10th day. President Trump's threat to increase tariffs on China this morning, in response to China's export controls on rare-earth metals, has upended that. President Trump has gone so far as to declare he is not interested in meeting President Xi in person as previously scheduled for the end of the month, leading to a sharp sell-off in US equities and pushing Treasury yields lower. Markets stoically withstood the failure of seven separate proposals to re-open the government, but the possible breakdown of U.S.-China trade negotiations may be too much to bear. If that wasn't enough, the end of the shutdown is not clearly in sight. The Senate is now adjourned until October 14, which all but guarantees that military members will miss a full pay cycle, an unprecedented development.

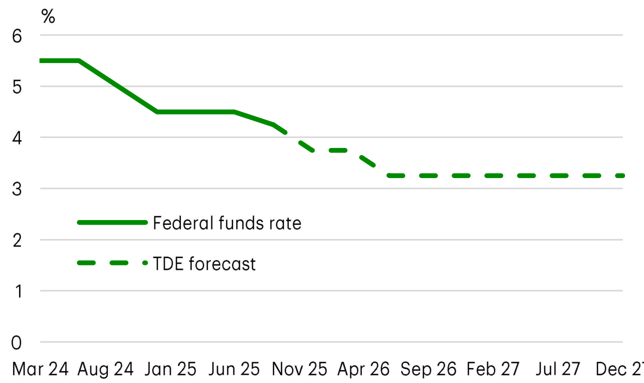
The outlook for the shutdown is not the only thing that is cloudy. The government shutdown means that official economic data are not being published, and policymakers, businesses, and households are unable to see new data on the state of the economy. Various private-sector groups have produced estimates of what happened to employment in September, shown in Chart 1. This was the key piece of data which was due to be published last Friday. While these alternative estimates generally suggest the labor market continued to cool through September, these measures are at best imperfect proxies for the official data. As for what data we do have this week, the preliminary reading of the University of Michigan's consumer confidence ticked a touch higher in October. However, expectations on the future outlook continued to slide for a third consecutive month, likely driven by the softening labor market and still elevated uncertainty on trade policy.

Chart 1: Private-sector Estimates of September Payrolls



Source TD Economics. BLS, Haver Analytics.

Chart 2: We Expect Two Additional Rate Cuts From the Federal Reserve This Year



Source: TD Economics.

Several members of the FOMC spoke this week, offering some insight into their thinking amidst the shutdown. New York Fed President Williams indicated that the lapse in government data would not deter him from further easing the policy rate at the Fed's coming meetings. Meanwhile, other speakers continued to reiterate prior views. Kansas City Fed President Schmid voiced concern about inflation, while Miran, the only FOMC member to vote for a larger 50 basis point rate-cut at the last meeting, again indicated how he expected inflation to moderate. It is little surprise that market pricing at the next Fed meeting has remained relatively unchanged through the government shutdown. Expectations for further easing at a moderate pace are in line with the general view we observed in the FOMC minutes released this week, that interest rates are currently moderately restrictive and risks have shifted somewhat to the downside.

Normally, we would be looking ahead to next week's release of CPI for more information on how prices are reacting to tariffs, but we are following the shutdown. We will also be closely watching trade negotiations between the U.S. and China to see what comes of today's escalation.

Exhibits

Recent Key Economic Indicators: Oct 06 - 10, 2025						
Release Date		Economic Indicator/Event	Data for Period	Units	Current	Prior
United States						
Oct 06 - Oct 10		*List of US Economic Indicators Delayed by Government Shutdown*				
Canada						
Oct 07		Int'l Merchandise Trade	Aug	Blns	-6.32	-3.82
Oct 10		Net Change in Employment	Sep	Thsd	60.4	-65.5
Oct 10		Unemployment Rate	Sep	%	7.1	7.1
International						
Oct 06	EZ	Retail Sales	Aug	Y/Y % Chg.	1.0	2.1

Source: Bloomberg, TD Economics.

Upcoming Economic Releases and Events: Oct 13 - 17, 2025							
Release Date	Time*		Economic Indicator/Event	Data for Period	Units	Consensus Forecast	Last Period
United States							
Oct 13	12:55		*Fed's Paulson Speaks at NABE*				
Oct 14	6:00		NFIB Small Business Optimism	Sep	Index	100.5	100.8
Oct 14	8:45		*Fed's Bowman in Moderated Conversation at IIF*				
Oct 14	12:20		*Fed's Powell Speaks on Economic Outlook and Monetary Policy*				
Oct 14	15:25		*Fed's Waller on Payments Panel at IIF*				
Oct 14	15:30		*Fed's Collins Speaks to the Greater Boston Chamber of Commerc*				
Oct 15	8:30		Empire Manufacturing	Oct	Index	0.0	-8.7
Oct 15	8:30		Consumer Price Index	Sep	M/M % Chg.	0.40	0.40
Oct 15	8:30		Consumer Price Index	Sep	Y/Y % Chg.	3.10	2.90
Oct 15	12:30		*Fed's Miran at Nomura Research Forum*				
Oct 15	13:00		*Fed's Waller Speaks on Artificial Intelligence*				
Oct 15	14:00		*Fed Releases Beige Book*				
Oct 16	8:30		Retail Sales Advance	Sep	M/M % Chg.	0.40	0.60
Oct 16	8:30		Retail Sales Ex Auto and Gas	Sep	M/M % Chg.	0.40	0.70
Oct 16	8:30		PPI Final Demand	Sep	M/M % Chg.	0.30	-0.10
Oct 16	8:30		PPI Ex Food and Energy	Sep	M/M % Chg.	0.20	-0.10
Oct 16	8:30		Initial Jobless Claims	Oct 11	Thsd	229.0	-
Oct 16	9:00		*Fed's Waller Speaks at Council on Foreign Relations*				
Oct 16	9:00		*Fed's Barr Speaks on Stablecoins*				
Oct 16	9:00		*Fed's Miran in Moderated Conversation*				
Oct 16	10:00		*Fed's Bowman Speaks at Stress Testing Research Conference*				
Oct 16	10:00		Business Inventories	Aug	M/M % Chg.	0.1	0.2
Oct 16	10:00		NAHB Housing Market Index	Oct	Index	33.0	32.0
Oct 16	16:15		*Fed Governor Stephen Miran in Moderated Conversation*				
Oct 17	8:30		Housing Starts	Sep	Thsd	1320.0	1307.0
Oct 17	8:30		Building Permits	Sep	Thsd	1347.0	1330.0
Oct 17	9:15		Industrial Production	Sep	M/M % Chg.	0.0	0.1
Oct 17	9:15		Manufacturing (SIC) Production	Sep	M/M % Chg.	0.0	0.2
Oct 17	9:15		Capacity Utilization	Sep	%	77.3	77.4
Oct 17	12:15		*Fed's Musalem in Fireside Chat at IIF*				
Canada							
Oct 14	12:10		*Fireside Chat: Carolyn Rogers, Senior Deputy Governor*				
Oct 15	8:30		Manufacturing Sales	Aug	M/M % Chg.	-1.5	2.5
Oct 16	5:00		Existing Home Sales	Sep	M/M % Chg.	-	1.1
Oct 16	7:00		CFIB Business Barometer	Oct	Index	-	50.2
Oct 16	8:15		Housing Starts	Sep	Thsd	255.0	245.8
Oct 16	13:30		*Fireside Chat: Tiff Macklem, Governor*				
International							
Oct 14	2:00	UK	ILO Unemployment Rate	Aug	%	4.7	4.7
Oct 14	21:30	CH	Consumer Price Index	Sep	Y/Y % Chg.	-0.2	-0.4
Oct 16	2:00	UK	Gross Domestic Product	Aug	3M/3M % Chg.	0.3	0.2
Oct 17	5:00	EZ	Consumer Price Index	Sep	Y/Y % Chg.	2.2	2.2

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

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