

## Weekly Bottom Line

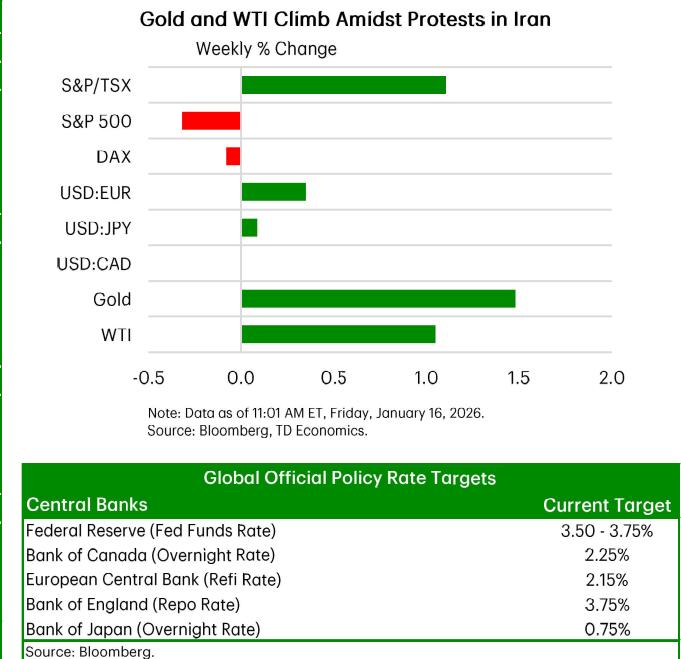
January 16, 2026

### Highlights

- Headline retail sales rebounded in November from October's decline. Sales in the control group rose for the second month in a row, pointing to resilience in consumer spending.
- The housing market finished last year on a firmer footing. Existing home sales have now risen for four consecutive months, reaching the highest since early 2023 in December.
- CPI inflation was steady in December at 2.7% y/y, down from a 3.0% peak in September.

This Week in the Markets				
	Current*	Week Ago	52-Week High	52-Week Low
<b>Stock Market Indexes</b>				
S&P 500	6941	6966	6977	4983
S&P/TSX Comp.	32958	32613	33029	22507
DAX	25240	25262	25421	19671
FTSE 100	10221	10125	10239	7679
Nikkei	53936	51940	54341	31137
<b>Fixed Income Yields</b>				
U.S. 10-yr Treasury	4.21	4.17	4.64	3.95
Canada 10-yr Bond	3.36	3.38	3.60	2.83
Germany 10-yr Bund	2.84	2.86	2.90	2.36
UK 10-yr Gilt	4.41	4.37	4.80	4.34
Japan 10-yr Bond	2.19	2.10	2.19	1.12
<b>Foreign Exchange Cross Rates</b>				
C\$ (USD per CAD)	0.72	0.72	0.74	0.69
Euro (USD per EUR)	1.16	1.16	1.19	1.03
Pound (USD per GBP)	1.34	1.34	1.37	1.22
Yen (JPY per USD)	158.1	157.9	159.1	140.9
<b>Commodity Spot Prices**</b>				
Crude Oil (\$US/bbl)	59.9	59.1	78.7	55.3
Natural Gas (\$US/MMBtu)	2.82	2.89	9.33	2.65
Copper (\$US/met. tonne)	13143.6	13039.9	13273.8	8571.4
Gold (\$US/troy oz.)	4573.8	4509.5	4626.6	2703.3

\*As of 10:59 AM on Friday. \*\*Oil-WTI, Cushing, Nat. Gas-Henry Hub, LA (Thursday close price). Copper-LME Grade A. Gold-London Gold Bullion. Source: Bloomberg.



TD Economics Key Financial Forecasts													
	Current Rate 1/16/26	2025				2026				2027			
		Q1	Q2	Q3	Q4	Q1F	Q2F	Q3F	Q4F	Q1F	Q2F	Q3F	Q4F
Fed Funds Target Rate	3.75	4.50	4.50	4.25	3.75	3.75	3.50	3.25	3.25	3.25	3.25	3.25	
2-yr Govt. Bond Yield	3.59	3.89	3.72	3.60	3.47	3.50	3.35	3.35	3.35	3.35	3.35	3.35	
10-yr Govt. Bond Yield	4.21	4.23	4.24	4.16	4.17	4.05	4.00	4.00	4.00	4.00	4.00	4.00	
30-yr Govt. Bond Yield	4.83	4.59	4.78	4.73	4.84	4.60	4.50	4.50	4.50	4.50	4.50	4.50	

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

# Economic Resilience Amid Uncertainty

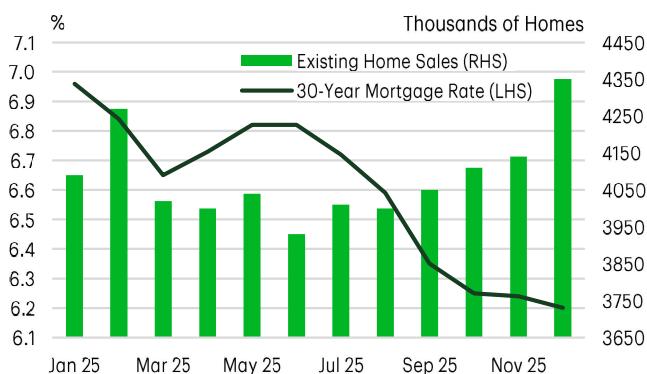
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A full economic calendar this week built on last week's payroll report in underscoring the economy's resilience through a turbulent fourth quarter marked by the government shutdown. Geopolitical risks escalated amid violent protests in Iran and the prospect of U.S. involvement, sending the VIX index, gold, and oil prices higher mid-week—WTI briefly exceeded \$60 per barrel—though prices retreated by week's end as the threat of direct confrontation diminished. Surprisingly, Fed Chair Powell's statement Sunday night where he spoke out on threats to the Fed's ability to set interest rates free from political interference for the first time garnered little reaction from bond markets.

Resilience was evident in the [retail sales](#) report, as consumers appeared to have largely shrugged off the effects of the government shutdown. Headline sales rebounded by in November after a flat October, while sales in the control group—used in GDP calculations—were up 1% through the first two months of the quarter. This suggests Q4 2025 consumer spending growth was likely stronger than our earlier 1.1% (annualized) estimate. Next week's personal income and spending data will provide more detail on households' November income and spending, especially on services.

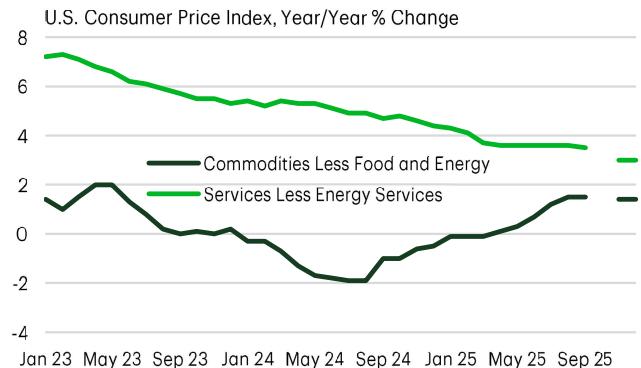
The housing market also finished last year on a firmer footing, with lower mortgage rates drawing more homebuyers off the sidelines (Chart 1). [Existing home sales](#) have now risen for four consecutive months, surging 5.1% in December to 4.35 million units—the highest since early 2023. We believe sales will continue

Chart 1: U.S. Home Sales Move Higher As  
Borrowing Costs Decline



Source: WSJ, NAR, TD Economics.

Chart 2: Inflationary Pressures Remained  
Steady



Source: BLS, TD Economics.

to trend gradually higher this year; however, unless addressed, limited supply will continue to impede a stronger rebound.

Inflationary pressures remained steady in December. The [headline CPI](#) was up 2.7% year-over-year, maintaining its deceleration from the recent high of 3.0% in September. Core goods prices were stable after five consecutive monthly increases (Chart 2). Food prices were somewhat elevated, rising 0.7% month-over-month (up 3.1% year-over-year), remaining a pressure point in households' budgets.

Although inflation steadied in December, we still expect knock-on effects from tariffs to push it higher in the coming months. FOMC member Williams (voter) expects inflation to "peak at around 2-3/4 to 3 percent during the first half of this year," but anticipates these will be "one-off" effects. Aside from tariffs, Williams noted that underlying inflation trends have been favourable, supply chain bottlenecks are absent, and the labour market is cooling gradually.

The latest [Beige Book](#) also reported both inflation and the labour market as broadly stable, with increased economic activity following the shutdown, and more Fed Districts seeing growth. Overall, recent data gives policymakers more reassurance that the economy stabilized at year-end while price pressures remained contained. This supports a "pause" on rate cuts for a few months, when tariff impacts are more clearly in the rear-view mirror.

## Exhibits

Recent Key Economic Indicators: Jan 12 - 16, 2026						
Release Date	Economic Indicator/Event		Data for Period	Units	Current	Prior
<b>United States</b>						
Jan 13	NFIB Small Business Optimism		Dec	Index	99.5	99.0
Jan 13	Consumer Price Index		Dec	M/M % Chg.	0.3	0.3
Jan 13	Consumer Price Index		Dec	Y/Y % Chg.	2.7	2.7
Jan 13	New Home Sales		Oct	Thsd	737.0	738.0
Jan 14	PPI Final Demand		Nov	M/M % Chg.	0.1	0.6
Jan 14	PPI Ex Food and Energy		Nov	M/M % Chg.	0.3	0.4
Jan 14	Retail Sales Advance		Nov	M/M % Chg.	0.6	-0.1
Jan 14	Retail Sales Ex Auto and Gas		Nov	M/M % Chg.	0.4	0.4
Jan 14	Existing Home Sales		Dec	Mlns	4.35	4.14
Jan 14	Business Inventories		Oct	M/M % Chg.	0.3	0.3
Jan 15	Initial Jobless Claims		Jan 10	Thsd	198.0	207.0
Jan 15	Empire Manufacturing		Jan	Index	7.7	-3.7
Jan 16	Industrial Production		Dec	M/M % Chg.	0.4	0.4
Jan 16	Manufacturing (SIC) Production		Dec	M/M % Chg.	0.2	0.3
Jan 16	Capacity Utilization		Dec	%	76.3	76.1
Jan 16	NAHB Housing Market Index		Jan	Index	37.0	39.0
<b>Canada</b>						
Jan 15	Existing Home Sales		Dec	M/M % Chg.	-2.7	-0.6
Jan 15	Manufacturing Sales		Nov	M/M % Chg.	-1.2	-1.0
Jan 16	Housing Starts		Dec	Thsd	282.4	254.6
<b>International</b>						
Jan 15	UK Gross Domestic Product		Nov	M/M % Chg.	0.3	-0.1

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

Upcoming Economic Releases and Events: Jan 19 - 23, 2025							
Release Date	Time*	Economic Indicator/Event	Data for Period	Units	Consensus Forecast	Last Period	
<b>United States</b>							
Jan 21	10:00	Construction Spending	Oct	M/M % Chg.	-	0.2	
Jan 21	10:00	Pending Home Sales	Dec	M/M % Chg.	-	3.3	
Jan 22	8:30	Gross Domestic Product Annualized	3Q	Q/Q % Chg.	4.3	4.3	
Jan 22	8:30	Personal Consumption	3Q	Q/Q % Chg.	-	3.5	
Jan 22	8:30	Initial Jobless Claims	Jan 17	Thsd	-	198.0	
Jan 22	8:30	Personal Income	Nov	M/M % Chg.	0.4	-	
Jan 22	8:30	Real Personal Spending	Nov	M/M % Chg.	-	-	
Jan 23	9:45	S&P Global US Manufacturing PMI	Jan	Index	52.0	51.8	
Jan 23	9:45	S&P Global US Services PMI	Jan	Index	52.8	52.5	
Jan 23	9:45	S&P Global US Composite PMI	Jan	Index	-	52.7	
<b>Canada</b>							
Jan 19	8:30	Consumer Price Index NSA	Dec	M/M % Chg.	-0.4	0.1	
Jan 19	8:30	Consumer Price Index	Dec	Y/Y % Chg.	2.2	2.2	
Jan 19	10:30	BoC Business Outlook Survey	4Q				
Jan 19	10:30	BoC Canadian Survey of Consumer Expectations	4Q				
Jan 21	8:30	Industrial Product Price	Dec	M/M % Chg.	-	0.9	
Jan 23	8:30	Retail Sales	Nov	Y/Y % Chg.	1.2	-0.2	
Jan 23	8:30	Retail Sales Ex Auto	Nov	M/M % Chg.	1.2	-0.6	
<b>International</b>							
Jan 19	5:00	EZ Consumer Price Index	Dec	Y/Y % Chg.	2.0	2.0	
Jan 20	2:00	UK ILO Unemployment Rate	Nov	Q/Q % Chg.	5.0	5.1	
Jan 21	2:00	UK Consumer Price Index	Dec	Y/Y % Chg.	3.3	3.2	
Jan 22	18:30	JN Natl Consumer Price Index	Dec	Y/Y % Chg.	2.1	2.9	
Jan 23	2:00	UK Retail Sales Ex Auto Fuel	Dec	Y/Y % Chg.	1.7	1.2	

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

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