

Weekly Bottom Line

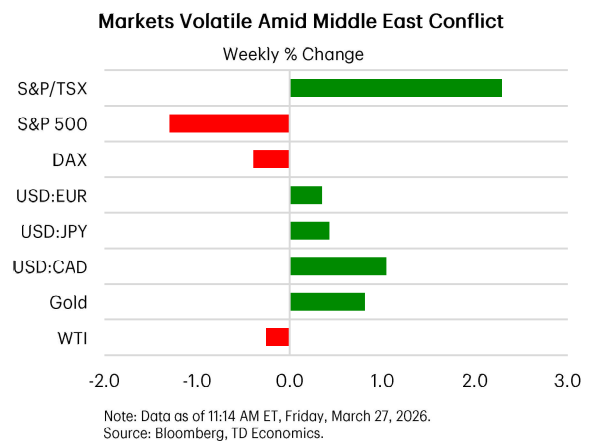
March 27, 2026

Highlights

- Middle East tensions continue to drive market volatility, with energy prices remaining highly sensitive to tentative signs of de-escalation.
- Markets have sharply repriced Fed expectations. Odds remain in favor of no Fed action this year, though odds of a hike have also picked up.

This Week in the Markets				
	Current*	Week Ago	52-Week High	52-Week Low
Stock Market Indexes				
S&P 500	6425	6506	6979	4983
S&P/TSX Comp.	32047	31317	34541	22507
DAX	22296	22380	25421	19671
FTSE 100	9960	9918	10911	7679
Nikkei	53373	53373	58850	31137
Fixed Income Yields				
U.S. 10-yr Treasury	4.42	4.38	4.60	3.94
Canada 10-yr Bond	3.59	3.56	3.60	2.88
Germany 10-yr Bund	3.10	3.04	3.10	2.44
UK 10-yr Gilt	5.02	4.99	5.02	4.23
Japan 10-yr Bond	2.39	2.28	2.39	1.12
Foreign Exchange Cross Rates				
C\$ (USD per CAD)	0.72	0.73	0.74	0.70
Euro (USD per EUR)	1.15	1.16	1.20	1.08
Pound (USD per GBP)	1.33	1.33	1.38	1.27
Yen (JPY per USD)	159.9	159.2	159.9	140.9
Commodity Spot Prices**				
Crude Oil (\$US/bbl)	98.0	98.3	98.7	55.3
Natural Gas (\$US/MMBtu)	2.91	3.03	30.78	2.64
Copper (\$US/met. tonne)	12076.8	11834.7	13524.2	8571.4
Gold (\$US/troy oz.)	4531.4	4492.4	5417.2	2983.3

*As of 11:14 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)	3.50 - 3.75%
Bank of Canada (Overnight Rate)	2.25%
European Central Bank (Refi Rate)	2.15%
Bank of England (Repo Rate)	3.75%
Bank of Japan (Overnight Rate)	0.75%

Source: Bloomberg.

TD Economics Key Financial Forecasts													
	Current Rate 3-27-26	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	3.75	3.50	3.25	3.25	3.25	3.25	3.25
2-yr Govt. Bond Yield	3.93	3.89	3.72	3.60	3.47	3.70	3.45	3.35	3.35	3.35	3.35	3.35	3.35
10-yr Govt. Bond Yield	4.42	4.23	4.24	4.16	4.17	4.25	4.20	4.15	4.10	4.10	4.10	4.10	4.10
30-yr Govt. Bond Yield	4.96	4.59	4.78	4.73	4.84	4.90	4.75	4.65	4.60	4.60	4.60	4.60	4.60

Forecast by TD Economics as of March 2026; all forecasts are end-of-period. Source: Bloomberg, Federal Reserve Board, TD Economics.

Middle East Conflict Keeps Volatility Elevated as Fed Signals Watchful Waiting

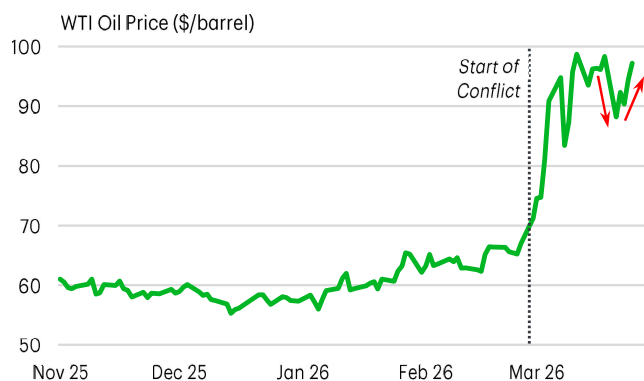
Admir Kolaj, Economist
416-944-6318

Financial markets remained focused on geopolitical developments in the Middle East this week, with little economic data to digest. Signs that tensions might ease – most notably President Trump’s decision to postpone strikes on Iran’s power plants – provided temporary relief to oil prices early in the week. Planned strikes have now been delayed for a second time, to April 6th. Additionally, President Trump’s trip to China has reportedly been rescheduled for mid-May, fueling speculation that the administration may seek to de-escalate the conflict and pivot back toward major trade negotiations. Despite tentative signs of optimism, the broader geopolitical backdrop remains highly volatile. Peace proposals from Washington and Tehran remain far apart, hostilities continue, and additional U.S. forces are moving into the region. Energy markets have remained acutely sensitive to these developments (Chart 1).

The conflict has exposed vulnerabilities in the global energy supply system, particularly across parts of Asia that rely heavily on Middle Eastern oil and shipping routes. Fuel rationing remains the exception rather than the rule thus far, so the immediate economic impact has come through higher energy prices. In the U.S., average gasoline prices are hovering near \$4 per gallon, while diesel prices have moved above that mark.

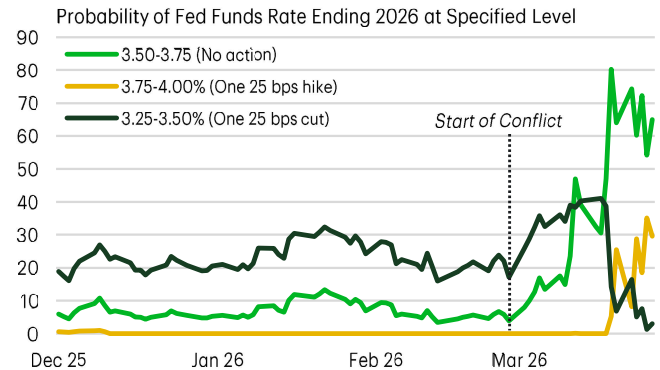
Elevated energy prices have complicated the monetary policy backdrop. The Fed has left open the possibility of rate cuts later this year, but policymakers have become increasingly cautious amid renewed inflation

Chart 1: Oil Prices Give Markets Whiplash This Week



Source: TD Economics.

Chart 2: Markets Pricing Small Odds of a Rate Hike



Source: CME Group, TD Economics. As of 10:30 AM, March 2027.

risks tied to higher fuel costs and trade disruptions. Market pricing has pushed out rate cuts, and raised the odds of a rate hike (Chart 2). Importantly, this repricing reflects growing uncertainty around the inflation outlook, rather than explicit guidance from the Fed.

Recent communication from Fed officials reinforces this “watchful waiting” stance. Vice Chair Philip Jefferson noted that labor market conditions remain “roughly in balance”, yet he highlighted upside risks to inflation from the recent surge in energy prices and potential tariff pass-through effects. These have stalled disinflation and are likely to keep inflation above target over the near term. He affirmed support for the current policy stance, stating that it is well positioned to respond to evolving risks. Governor Lisa Cook echoed this measured tone, underscoring the need to monitor tail risks that could tighten financial conditions abruptly.

Looking ahead, the path of the conflict is highly uncertain. Against this backdrop, the Fed is likely to remain cautious, with recent communications suggesting that the path toward eventual easing has not been closed, but it is increasingly contingent on a sustained easing in inflation pressures. Next week features a heavy slate of data, including the first readings for March. The ISMs will be closely watched to see if the conflict has affected sentiment yet, while the jobs numbers will shed light on how “balanced” the labor market remained. The consensus is that both measures will remain fairly steady, but the details will be closely parsed.

Exhibits

Recent Key Economic Indicators: Mar 23 - 27, 2026					
Release Date	Economic Indicator/Event	Data for Period	Units	Current	Prior
United States					
Mar 23	Construction Spending	Jan	M/M % Chg.	-0.3	0.8
Mar 24	Unit Labor Costs	4Q	Q/Q % Chg.	4.4	2.8
Mar 24	S&P Global US Manufacturing PMI	Mar	Index	52.4	51.6
Mar 24	S&P Global US Services PMI	Mar	Index	51.1	51.7
Mar 24	S&P Global US Composite PMI	Mar	Index	51.4	51.9
Mar 26	Initial Jobless Claims	Mar 21	Thsd	210.0	205.0
Canada					
Mar 26	Payroll Employment Change - SEPH	Jan	Thsd	45.7	-10.6
International					
Mar 23	JN Natl Consumer Price Index	Feb	Y/Y % Chg.	1.3	1.5
Mar 25	UK Consumer Price Index	Feb	Y/Y % Chg.	3.0	3.0
Mar 27	UK Retail Sales Ex Auto Fuel	Feb	Y/Y % Chg.	3.4	5.9

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

Upcoming Economic Releases and Events: Mar 30 - Apr 3, 2026							
Release Date	Time*	Economic Indicator/Event	Data for Period	Units	Consensus Forecast	Last Period	
United States							
Mar 30	10:30	<i>Fed's Powell in Moderated Discussion</i>					
Mar 30	16:00	<i>Fed's Williams Speaks on the Economy</i>					
Mar 31	10:00	Conf. Board Consumer Confidence	Mar	Index	88.0	91.2	
Mar 31	12:00	<i>Fed's Goolsbee Gives Opening Remarks at Econ Mobility Project</i>					
Mar 31	15:00	<i>Fed's Barr Discusses Stablecoin Regulation</i>					
Mar 31	17:10	<i>Fed's Bowman Speaks on Small Business</i>					
Apr 01	8:15	ADP Employment Change	Mar	Thsd	40.0	63.0	
Apr 01	8:30	Retail Sales Advance	Feb	M/M % Chg.	0.4	-0.2	
Apr 01	8:30	Retail Sales Ex Auto and Gas	Feb	M/M % Chg.	0.3	0.3	
Apr 01	9:05	<i>Fed's Musalem Speaks on Economy and Monetary Policy</i>					
Apr 01	9:10	<i>Fed's Barr Speaks on AI and Consumer Issues</i>					
Apr 01	9:45	S&P Global US Manufacturing PMI	Mar	Index	-	52.4	
Apr 01	10:00	ISM Manufacturing	Mar	Index	52.3	52.4	
Apr 01	10:00	Business Inventories	Jan	M/M % Chg.	-	0.1	
Apr 01	0:00	Wards Total Vehicle Sales	Mar	Mlns	15.8	15.8	
Apr 02	8:30	Trade Balance	Feb	Blns	-59.2	-54.5	
Apr 02	8:30	Initial Jobless Claims	Mar 28	Thsd	-	210.0	
Apr 03	8:30	Change in Nonfarm Payrolls	Mar	Thsd	50.0	-92.0	
Apr 03	8:30	Average Hourly Earnings	Mar	M/M % Chg.	0.3	0.4	
Apr 03	8:30	Unemployment Rate	Mar	%	4.4	4.4	
Apr 03	9:45	S&P Global US Services PMI	Mar	Index	-	51.1	
Apr 03	9:45	S&P Global US Composite PMI	Mar	Index	-	51.4	
Canada							
Mar 31	8:30	Gross Domestic Product	Jan	M/M % Chg.	0.1	0.2	
Apr 01	9:30	S&P Global Canada Manufacturing PMI	Mar	Index	-	51.0	
Apr 02	8:30	Int'l Merchandise Trade	Feb	Blns	-1.8	-3.7	
International							
Mar 30	19:30	JN Tokyo Consumer Price Index	Mar	Y/Y % Chg.	1.6	1.5	
Mar 30	19:30	JN Jobless Rate	Feb	%	2.7	2.7	
Mar 30	19:50	JN Retail Sales	Feb	Y/Y % Chg.	0.9	1.8	
Mar 30	21:30	CH Manufacturing PMI	Mar	Index	50.2	49.0	
Mar 31	2:00	UK Gross Domestic Product	4Q	Q/Q % Chg.	1.0	1.0	
Mar 31	5:00	EZ Consumer Price Index Estimate	Mar	Y/Y % Chg.	2.6	1.9	
Mar 31	5:00	EZ Consumer Price Index	Mar	Y/Y % Chg.	2.6	1.9	
Apr 01	5:00	EZ Unemployment Rate	Feb	%	6.1	6.1	

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

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