

Weekly Bottom Line

October 2, 2026

Highlights

Canada

- Monthly GDP momentum remains solid, pointing to annualized growth of 1.8% in Q3.
- Downside risks remain concentrated in the fourth quarter. While tariff-related front-running could flatter August activity, it will also result in some giveback in the months that follow.
- Announcements about the Kitimat LNG expansion and the proposed Alberta-to-West Coast pipeline, offer material upside for 2027 and beyond.

U.S.

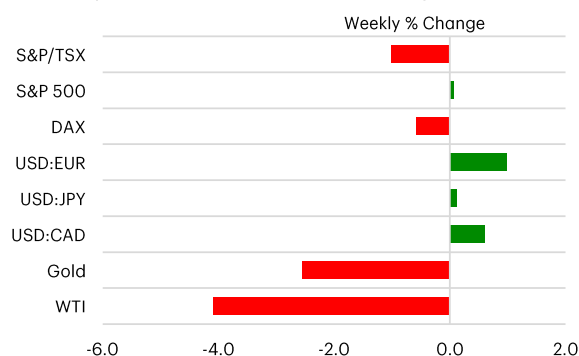
- Annual revisions strengthened the economy's growth profile and softened its inflation history, with firmer private demand alongside cooler underlying core PCE momentum.
- The jobs report delivered a more benign signal than the headline payroll miss suggested: hiring slowed but remained close to the labor market's breakeven pace, while unemployment edged higher as more workers entered the labor force.
- Improved inflation trends alongside softer hiring and wage growth reduce the urgency of an October hike.

This Week in the Markets

	Current*	Week Ago	52-Week High	52-Week Low
Stock Market Indexes				
S&P 500	7748	7743	7799	6344
S&P/TSX Comp.	35439	35801	36958	29778
DAX	25256	25409	26570	22301
FTSE 100	10479	10695	10911	9355
Nikkei	68309	66364	72366	44937
Fixed Income Yields				
U.S. 10-yr Treasury	5.22	5.16	5.28	3.94
Canada 10-yr Bond	3.90	3.92	4.00	3.04
Germany 10-yr Bund	3.46	3.60	3.64	2.55
UK 10-yr Gilt	5.34	5.37	5.42	4.23
Japan 10-yr Bond	3.09	3.08	3.13	1.63
Foreign Exchange Cross Rates				
C\$ (USD per CAD)	0.70	0.71	0.74	0.70
Euro (USD per EUR)	1.13	1.14	1.20	1.12
Pound (USD per GBP)	1.32	1.32	1.38	1.30
Yen (JPY per USD)	157.5	157.3	163.9	147.3
Commodity Spot Prices**				
Crude Oil (\$US/bbl)	88.67	92.41	113.0	55.3
Natural Gas (\$US/MMBtu)	3.02	3.24	33.80	2.44
Copper (\$US/met. tonne)	14281.5	14728.4	14821.0	10456.4
Gold (\$US/troy oz.)	4173.0	4284.8	5417.2	3856.6

*As of 10:38 AM on Friday. **Oil-WTI, Cushing, Nat. Gas-Henry Hub, LA (Thursday close price). Copper-LME Grade A. Gold-London Gold Bullion. Source: Bloomberg.

Dollar Up, Risk Assets Down as October Hike Expectations Soften



Note: Data as of 10:38 AM ET, Friday, October 2, 2026.
Source: Bloomberg, TD Economics.

Global Official Policy Rate Targets

Central Banks	Current Target
Federal Reserve (Fed Funds Rate)	3.75 - 4.00%
Bank of Canada (Overnight Rate)	2.25%
European Central Bank (Refi Rate)	2.65%
Bank of England (Repo Rate)	3.75%
Bank of Japan (Overnight Rate)	1.25%

Source: Bloomberg.

Canada – Solid Summer Data and Investment Announcements

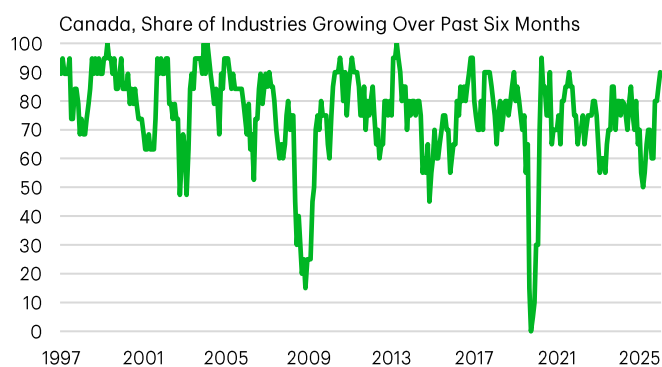
Andrew Hencic, Director & Senior Economist
416-944-5307

Bond yields fell this week, unwinding some of the recent run-up as near-term trends in U.S. inflation and a soft payrolls report pared expectations for Fed rate hikes. The rally in U.S. bonds helped to drag Canadian yields lower, with the 10-year government yield down to 3.87% at the time of writing. While borrowing costs remain high, this week's news and data flow showed some bright spots for the Canadian economy.

Canada's monthly GDP report showed economic growth stalled in July. Not a great signal at first blush but taking a step back shows a much more encouraging picture. Growth in April, May and June was robust, so the breather in July isn't entirely surprising. Moreover, August looks set to show a bounce-back, with the flash estimate pointing to an uptick of 0.2% month-on-month (m/m), equivalent to annualized rate of growth north of 2%. Encouragingly, the breadth of growth appears to be widening. This was also true in July, where half of industries expanded, while 90% of industries experienced growth over the last six-months (Chart 1).

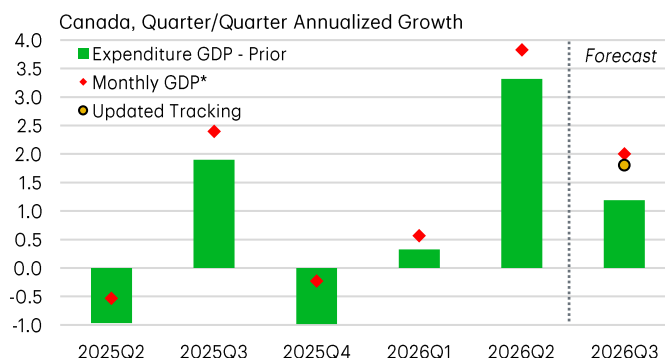
We have lifted our tracking for third quarter growth to 1.8% or slightly above our prior forecast of 1.2% (Chart 2). Granted, there is still information outstanding, with the effects of August's new tariffs on September growth being an important unknown. So, next week's international trade figures for August and September's labour market update should give an early indication of what might be going on under the hood.

Chart 1: Breadth of Growth Holds Up Despite July Pause



Source: Statistics Canada, TD Economics. Last Observation: July 2026.

Chart 2. Monthly GDP Suggests Upside to Q3 Growth



*Assumes August in line with 0.2% Flash, and 0% September
Source: Statistics Canada, TD Economics.

First up, we'll be looking to see whether August's trade data show any signs of front-running. A sharp rise in shipments to the U.S., could mean a bigger reversal in September, taking some of the luster off Statistics Canada's August flash estimate on growth. Later in the week the September jobs data will give us a first reading of the potential damage caused by the most recent tariffs. Despite economic headwinds, the unemployment rate has steadily drifted lower this year. However, we expect some reversal in this trend amid weaker job growth in the months ahead.

So, while the third quarter is tracking better than expected, exports and hiring look set to slow in Q4 as trade uncertainty and tariffs take a bite out of growth. Moreover, higher borrowing costs are also likely to weigh on housing activity, adding another headwind over the near-term.

The end of the year may look somber, but there are still reasons for optimism. The announcement of an investment decision to expand the LNG facility (and associated pipeline infrastructure) at Kitimat and the designation of a new pipeline from Alberta to the West Coast could be significant tailwinds to growth. The costs of the projects, \$33 billion and \$35-\$44 billion for the LNG and pipeline, respectively, are each equivalent to roughly 1% of GDP. The timeline for the commencement of any construction is still uncertain, but this week's announcements present material upsides for the Canadian economy in 2027 and beyond.

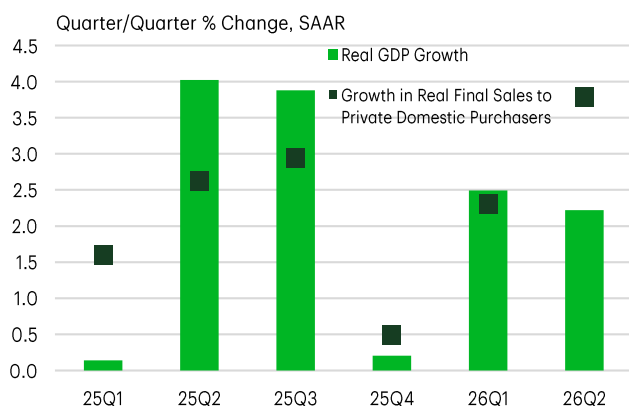
U.S. - Hot and Cold

Vikram Rai, Senior Economist
416-923-1692

Wall Street spent another week discovering that a resilient economy does not guarantee life is simple or easy. Treasury yields remained elevated as oil prices, inflation concerns and expectations for another Federal Reserve hike outweighed an otherwise encouraging run of economic data. The broad message was awkwardly balanced: the economy is growing more quickly than previously estimated, underlying inflation has cooled more than previously thought, and the next wave of cost pressures is already appearing. Higher long-term yields tightened financial conditions in real time and kept equities on the defensive.

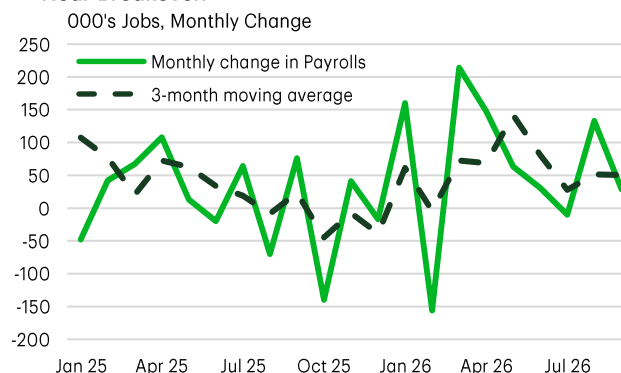
Wednesday's annual update did more than lift the GDP numbers—it revealed that the economy had been running on a stronger engine than previously understood. The clearest signal came from real final sales to private domestic purchasers, which advanced at a robust 4.6% pace in Q2 (Chart 1). By stripping out inventories, trade and government spending, this measure showed that the resilience was rooted in household and business demand, not statistical noise or temporary supports. At the same time, the revisions lowered the recent inflation profile, giving the Fed a better combination of growth and price performance in hindsight. But hindsight is the key word: the revisions rewrote the economy's past, but they do not guarantee its future. The revisions show that demand entered the current period from a position of strength but cannot speak to whether it can withstand elevated yields and cost pressures.

Chart 1: GDP Data Show Strong Demand from Domestic Purchasers



Source: U.S. Bureau of Economic Analysis, TD Economics

Chart 2: Payroll Growth Slows, but Remains Near Breakeven



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

Other data this week, including spending and manufacturing reports, told a similar growth story, but with less comfortable inflation implications. Real consumer spending jumped 0.6% in August, its strongest monthly gain since March 2025, even as income lagged and the saving rate slipped to 4.1%. Consumers sounded glum in the confidence survey but kept spending, a familiar gap between what households say and what they do. Manufacturers were similarly busy. The ISM index held at a healthy 54.5 as new orders, backlogs and employment improved. But the catch was prices: the input-cost index surged as firms cited tariffs, metals and petroleum costs. The takeaway is that while demand is holding up, price pressures are building upstream.

Payrolls rose by just 29,000 in September and prior months were revised lower, but the three-month average remained near the pace needed to keep the unemployment rate roughly stable (Chart 2). The slight rise in the unemployment rate was also less troubling than it appeared: it reflected a stronger expansion in the labor force than in household employment, with participation moving higher. Wage growth cooled further, easing concern that the labor market is adding to inflation pressure. Taken together, the report points to a labor market that is moderating without coming apart. Alongside softer PCE inflation and lower historical price estimates, that reduces the urgency for the Fed to hike again in October. The meeting remains live, with another CPI report still to come, but policymakers now have more room to wait.

Exhibits

Recent Key Economic Indicators: Sep 28 - Oct 2, 2026					
Release Date	Economic Indicator/Event	Data for Period	Units	Current	Prior
United States					
Sep 29	S&P CoreLogic CS 20-City NSA	Jul	Y/Y % Chg.	2.5	2.2
Sep 29	S&P CoreLogic CS US HPI NSA	Jul	Y/Y % Chg.	1.9	1.6
Sep 29	Conf. Board Consumer Confidence	Sep	Index	81.9	88.6
Sep 29	Job Openings	Aug	MIns	7079.0	7335.0
Sep 30	ADP Employment Change	Sep	Thsd	90.0	36.0
Sep 30	Advance Goods Trade Balance	Aug	BIns	-132.6	-118.9
Sep 30	PCE Price Index	Aug	Y/Y % Chg.	3.4	3.4
Sep 30	Core PCE Price Index	Aug	Y/Y % Chg.	3.0	3.0
Sep 30	Personal Income	Aug	M/M % Chg.	0.2	0.3
Sep 30	Real Personal Spending	Aug	M/M % Chg.	0.6	0.1
Oct 1	Initial Jobless Claims	Sep 26	Thsd	197.0	198.0
Oct 1	S&P Global US Manufacturing PMI	Sep	Index	55.9	57.0
Oct 1	ISM Manufacturing	Sep	Index	54.5	54.6
Oct 2	Average Hourly Earnings	Sep	M/M % Chg.	0.1	0.3
Oct 2	Change in Nonfarm Payrolls	Sep	Thsd	29.0	133.0
Oct 2	Unemployment Rate	Sep	%	4.2	4.1
Oct 2	Cap Goods Orders Nondef Ex Air	Aug	M/M % Chg.	1.6	1.6
Oct 2	Durable Goods Orders	Aug	M/M % Chg.	-0.1	0.0
Oct 2	Factory Orders	Aug	M/M % Chg.	0.1	0.8
Oct 2	Factory Orders Ex Trans	Aug	M/M % Chg.	0.3	0.7
Canada					
Sep 29	Gross Domestic Product	Jul	M/M % Chg.	0.0	0.4
International					
Sep 29	JN Retail Sales	Aug	Y/Y % Chg.	2.7	3.7
Sep 29	CH Manufacturing PMI	Sep	Index	50.1	49.8
Sep 30	UK Gross Domestic Product	Q2	Y/Y % Chg.	1.4	1.2
Oct 1	EZ Unemployment Rate	Aug	%	6.4	6.4
Oct 1	JN Jobless Rate	Aug	%	2.5	2.4
Oct 1	JN Tokyo Consumer Price Index	Sep	Y/Y % Chg.	2.7	1.9
Oct 2	EZ Consumer Price Index	Sep	Y/Y % Chg.	3.8	3.2
Source: Bloomberg, TD Economics.					

Upcoming Economic Releases and Events: Oct 5 - 9						
Release Date	Time*	Economic Indicator/Event	Data for Period	Units	Consensus Forecast	Last Period
United States						
Oct 05	9:45	S&P Global US Services PMI	Sep	Index	58.7	58.7
Oct 05	9:45	S&P Global US Composite PMI	Sep	Index	-	58.4
Oct 05	10:00	ISM Services Index	Sep	Index	55.2	55.4
Oct 06	8:30	Trade Balance	Aug	Blns	-89.8	-88.6
Oct 06	9:05	<i>Fed's Williams Moderates Panel</i>				
Oct 06	19:00	<i>Fed's Logan Moderates Conversation</i>				
Oct 07	14:00	FOMC Meeting Minutes	Sep 16			
Oct 08	8:30	Initial Jobless Claims	Oct 03	Thsd	-	197.0
Oct 08	10:00	Wholesale Trade Sales	Aug	M/M % Chg.	-	0.8
Oct 08	13:40	<i>Fed's Musalem Speaks at Bloomberg Event On US Economy, Policy</i>				
Canada						
Oct 06	8:30	Int'l Merchandise Trade	Aug	Blns	-	0.8
Oct 09	8:30	Net Change in Employment	Sep	Thsd	5.0	-41.7
Oct 09	8:30	Unemployment Rate	Sep	%	6.5	6.4
International						
Oct 06	5:00	EZ Retail Sales	Aug	Y/Y % Chg.	-	0.6
*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.