Weekly Bottom Line

TD Economics / TD Securities · 2026-08-21 · English original

http://economics.td.com TD Economics -2.0 0.0 2.0 4.0 6.0 S&P/TSX S&P 500 DAX USD:EUR USD:JPY USD:CAD Gold WTI Note: Data as of 10:25 AM ET, Friday, August 21, 2026. Source: Bloomberg, TD Economics. Greenback Falls Amid a Turbulent Week for Bonds Weekly % Change Current* Week Ago 52-Week High 52-Week Low S&P 500 7666 7786 7799 6344 S&P/TSX Comp. 36610 36730 36759 28055 DAX 26148 26440 26440 22301 FTSE 100 10828 10750 10911 9117 Nikkei 66016 68714 72366 41939 U.S. 10-yr Treasury 4.72 4.69 4.73 3.94 Canada 10-yr Bond 3.76 3.68 3.76 3.04 Germany 10-yr Bund 3.25 3.20 3.26 2.55 UK 10-yr Gilt 5.05 5.04 5.17 4.23 Japan 10-yr Bond 2.89 2.89 2.96 1.57 C$ (USD per CAD) 0.73 0.72 0.74 0.70 Euro (USD per EUR) 1.17 1.16 1.20 1.14 Pound (USD per GBP) 1.36 1.35 1.38 1.30 Yen (JPY per USD) 158.9 159.3 163.9 146.5 Crude Oil ($US/bbl) 86.53 82.40 113.0 55.3 Natural Gas ($US/MMBtu) 2.83 2.78 33.80 0.26 Copper ($US/met. tonne) 14113.2 14576.3 14594.0 9643.5 Gold ($US/troy oz.) 4597.3 4376.4 5417.2 3338.7 This Week in the Markets *As of 10:25 AM on Friday. **Oil-WTI, Cushing, Nat. Gas-Henry Hub, LA (Thursday close price). Copper-LME Grade A. Gold- London Gold Bullion. Source: Bloomberg. Commodity Spot Prices** Foreign Exchange Cross Rates Fixed Income Yields Stock Market Indexes August 21, 2026 Weekly Bottom Line Highlights Canada U.S. Current Target Federal Reserve (Fed Funds Rate) 3.50 - 3.75% Bank of Canada (Overnight Rate) 2.25% European Central Bank (Refi Rate) 2.40% Bank of England (Repo Rate) 3.75% Bank of Japan (Overnight Rate) 1.00% Source: Bloomberg. Global Official Policy Rate Targets Central Banks • A tentative Canada-U.S. trade agreement boosted the loonie and lowered tariff risks, while Canadian bond yields climbed alongside a global rise in long-term interest rates. • July inflation came in slightly hotter than expected, but easing gasoline prices and fading one-off influences sug - gest price pressures should moderate in August. • Despite a firmer headline figure, well-behaved core inflation should allow the Bank of Canada to remain on hold at its September meeting. • Longer-term Treasury yields continued to climb this week, despite the Treasury Department’s announcement to increase longer-duration debt buybacks. • Elevated interest rates continue to weigh on housing activity, with housing starts plummeting 12.4% m/m to 1.2 million units in July. • Minutes from the July 28-29 FOMC meeting showed policymakers’ concerns about inflation have deepened, with “several” participants ready to raise interest rates.

www. economics.td.com 2 Weekly Bottom Line probably has further room to run given Canada’s nota - bly weak population growth. However, conditions ap - pear to be strengthening in the nation’s resale market. This week offered fresh signs that housing’s nascent recovery is continuing with both Canadian home sales and average home prices rising in July (Chart 1). Al - though home sales and average prices have risen for four straight months, the market is still far from strong. Sales levels remain low and prices are flat year-on-year. Retail spending data was the other major data point this week and it was a mostly positive report. Retail volumes jumped 1.5% month-on-month (the strongest gain since March 2025) on broad-based gains, adding more fuel to the view that second quarter GDP growth was very strong. On the other hand, Statcan’s prelimi - nary estimate points to a notable pullback in July. All told, the Canada-U.S. trade deal probably adds a modest tailwind to BoC hike odds. However, we’d note that even with July’s uptick, core inflation generally re - mains well behaved. Indeed, the BoC’s measures aver - aged an (upwardly rounded) 2% last month (Chart 2). What’s more, the breadth of inflation is not raising alarm bells. Also important, the pact doesn’t fully eliminate trade risks given that CUSMA negotiations lie ahead and that the deal to avert tariffs has yet to be finalized. Accordingly, we think the Bank of Canada can afford to be patient on rates (see our latest outlook here), with no move likely at the September 2nd meeting. Canada: BoC to Remain Patient Amid Potential Trade Pact There was a lot for markets to digest this week. The main event was the 11th hour Canada-U.S. trade agreement struck to avert new U.S. tariffs. It's not a done deal, as President Trump extended the dead - line for the new tariffs to kick in from Wednesday to tonight, and negotiators are still working through is - sues. Reports suggest that the Canadian government will ask provinces to end their bans on U.S. alcohol purchases. In exchange, Canada will see tariff rates on steel/aluminum halved to 25% and autos dropped by 10 percentage points to 15%. Despite it not being fully finalized, the pending agreement was enough for the Canadian dollar to catch a bid, climbing about half a cent to near $0.73USD this week. Canadian bond yields were up again this week, riding the wave of a global uptrend, driven by fiscal concerns, and rate hike expectations. The Canadian benchmark 10- year bond yield rose to around 3.75% as of writing - matching highs last seen in 2024. Markets also took the hotter-than-expected inflation report as a sign to push yields higher. Last month, Ca - nadian inflation hit 3% year-on-year, a bit stronger than expected while the Bank of Canada's (BoC) preferred core inflation measures also warmed a touch. While these trends certainly caught our attention, we'd note that gasoline prices are off a smidge so far this month and the World Cup is now a memory. Accordingly, these forces should ease back this month. One of the main drags on inflation continues to be shel - ter prices. Rents are rapidly cooling, and that trend Rishi Sondhi, Economist 416-983-8806 1.6 1.8 2.0 2.2 2.4 2.6 2.8 3.0 3.2 Jan 25 Apr 25 Jul 25 Oct 25 Jan 26 Apr 26 Jul 26 Chart 2: Despite a July Uptick, Core Inflation is Well Behaved Source: Statistics Canada, TD Economics Average of Canadian CPI - Trim and CPI - Median, Year/Year % Change 32 34 36 38 40 42 640 650 660 670 680 690 700 Jun 25 Aug 25 Oct 25 Dec 25 Feb 26 Apr 26 Jun 26 Thousands Chart 1: Canadian Housing Building Momentum Home Sales (RHS) Average Home Price (LHS) Source: CREA, TD Economics C$, Thousands Units, Thousands

www. economics.td.com 3 Weekly Bottom Line It was a quiet week on the economic data calendar, but a very active one in financial markets. Longer-term Treasury yields continued their relentless climb, with the 30-year yield briefly touching a 19-year high on Monday (Chart 1). Some relief came Wednesday, when the Trea - sury Department announced it would temporarily in - crease longer-duration debt buybacks to improve mar - ket liquidity. However, the move does nothing to change the broader fiscal backdrop, and at best only modestly alters the composition of debt holdings. With total U.S. government debt topping $40 trillion this week, bond markets quickly refocused on the troubling fiscal tra - jectory, leading yields to retrace most of Wednesday's decline. Equity markets also came under pressure this week, despite multiple major retailers lifting earnings guidance. At the time of writing, the S&P500 is down 1.5%, while the NASDAQ is lower by 2.4%. As we noted in our Quarterly Q&A , most of the recent in - crease in longer-term yields reflects two forces: shifting expectations for Fed policy and a higher term premium. While the precise drivers are difficult to isolate, fiscal supply concerns appear to be a major contributor to the rise in the term premium. With the U.S. expected to run annual deficits of +6% of GDP for the foreseeable future, the Treasury Department will need to issue a growing volume of securities. As issuance rises, investors are left to absorb more duration risk, which typically requires a higher term premium. Viewed through that lens, the so - lution will not come from adjusting the maturity mix of Treasury issuance, but rather from reducing the overall debt burden through fiscal consolidation. 0 1 2 3 4 5 6 7 2000 2003 2006 2009 2012 2015 2018 2021 2024 30 - Year Treasury Yield, % Source: Federal Reserve Board, TD Economics. Chart 1: 30 - Year Treasury Yield Hits 19 - Year High U.S. – Long Yields, Short Relief Thomas Feltmate, Director & Senior Economist 416-944-5730 # Internal 600 800 1,000 1,200 1,400 1,600 1,800 2,000 2019 2020 2021 2022 2023 2024 2025 2026 Multifamily Single-family Total: 6-Month Moving Average U.S. Housing Starts, Thousands Source: U.S. Census Bureau, TD Economics. Chart 2: Homebuilding Has Been Flat Since 2023 Turning to the real economy, few sectors have felt the impact of higher rates more acutely than housing. Data released this week reinforced that point, with housing starts falling 12.4% m/m to 1.2 million units— their second-lowest level outside the pandemic since March 2019. The deterioration was broad based, with declines across both single- and multifamily segments. Looking through the month-to-month volatility, home - building activity has effectively moved sideways since 2023 (Chart 2). At this point, relief from lower policy rates looks unlikely. Minutes from the last FOMC meeting underscored poli - cymakers' growing concern over persistently elevated inflation. The minutes noted that "many participants as - sessed that policy tightening would likely be necessary if inflation did not decline," while "some" viewed the re - cent tightening in financial conditions as insufficient to restore price stability. Admittedly, CPI data released af - ter the July 28–29 FOMC meeting showed some further cooling in price pressures. But that may already feel somewhat backward-looking amid renewed tensions in the Middle East. WTI prices traded 5% higher this week and are now sitting at a four-week high of $86/bbl. More concerning is the growing tightness in refined product markets, particularly diesel and jet fuel. While Chair Warsh may touch on these developments in next week's Jackson Hole speech, the focus is likely to lean more to - ward the "big questions" facing monetary policy than a near-term policy discussion. Without additional guid - ance, markets' risk being left underwhelmed, potentially adding further upward pressure on longer-term yields.

www. economics.td.com 4 Weekly Bottom Line Exhibits Release Date Economic Indicator/Event Data for Period Units Current Prior Aug 17 Empire Manufacturing Aug Index 20.6 15.6 Aug 17 NAHB Housing Market Index Aug Index 35.0 34.0 Aug 18 Building Permits Jul Thsd 1443.0 1374.0 Aug 18 Housing Starts Jul Thsd 1239.0 1415.0 Aug 18 Capacity Utilization Jul % 76.3 76.2 Aug 18 Industrial Production Jul M/M % Chg. 0.2 0.3 Aug 20 Initial Jobless Claims Aug 15 Thsd 206.0 212.0 Aug 21 S&P Global US Composite PMI Aug Index 56.0 54.5 Aug 21 S&P Global US Manufacturing PMI Aug Index 53.2 53.9 Aug 21 S&P Global US Services PMI Aug Index 56.8 54.6 Aug 17 Consumer Price Index Jul Y/Y % Chg. 3.0 2.8 Aug 17 Consumer Price Index NSA Jul M/M % Chg. 0.5 -0.4 Aug 17 CPI-Median Jul Y/Y % Chg. 2.0 1.9 Aug 17 CPI-Trim Jul Y/Y % Chg. 1.9 1.9 Aug 18 Existing Home Sales Jul M/M % Chg. 0.5 0.5 Aug 18 Housing Starts Jul Thsd 229.1 240.8 Aug 20 CFIB Business Barometer Aug Index 57.6 58.6 Aug 20 Industrial Product Price Index Jul M/M % Chg. 0.6 -1.4 Aug 21 Retail Sales Jun M/M % Chg. 0.6 1.1 Aug 21 Retail Sales Ex Auto Jun M/M % Chg. 0.5 1.2 Aug 18 UK ILO Unemployment Rate (3 Mths.) Jun % 4.9 4.9 Aug 19 UK Consumer Price Index Jul Y/Y % Chg. 2.9 2.6 Aug 19 UK Core Consumer Price Index Jul Y/Y % Chg. 2.6 2.6 Aug 19 EZ Consumer Price Index Jul Y/Y % Chg. 2.9 2.9 Aug 19 EZ Core Consumer Price Index Jul Y/Y % Chg. 2.5 2.5 Aug 20 JN National Consumer Price Index Jul Y/Y % Chg. 1.9 1.6 Aug 20 JN S&P Global Japan Composite PMI Aug Index 53.4 52.7 Recent Key Economic Indicators: Aug 17 - 21, 2026 United States Canada International Source: Bloomberg, TD Economics.

www. economics.td.com 5 Weekly Bottom Line Release Date Time* Economic Indicator/Event Data for Period Units Consensus Forecast Last Period Aug 25 10:00 New Home Sales Jul Thsd 620.0 628.0 Aug 25 10:00 Conf. Board Consumer Confidence Aug Index 90.2 90.8 Aug 25 0:00 Building Permits Jul Thsd - 1443.0 Aug 26 8:30 Personal Income Jul M/M % Chg. 0.2 0.2 Aug 26 8:30 Real Personal Spending Jul M/M % Chg. 0.0 0.4 Aug 26 8:30 Durable Goods Orders Jul M/M % Chg. 0.5 0.5 Aug 26 8:30 Gross Domestic Product Annualized 2Q Q/Q % Chg. 1.5 1.5 Aug 26 8:30 Cap Goods Orders Nondef Ex Air Jul M/M % Chg. 1.0 1.2 Aug 26 8:30 Personal Consumption 2Q Q/Q % Chg. 3.2 3.2 Aug 27 8:30 Advance Goods Trade Balance Jul Blns -99.5 -101.4 Aug 27 8:30 Initial Jobless Claims Aug 22 Thsd 208.0 206.0 Aug 28 10:00 Fed's Warsh at Jackson Hole Economic Policy Symposium Aug 27 8:30 Payroll Employment Change - SEPH Jun Thsd - 24.1 Aug 28 8:30 Quarterly Gross Domestic Product Annualized 2Q Q/Q % Chg. 3.3 -0.1 Aug 28 8:30 Gross Domestic Product Jun M/M % Chg. 0.2 0.3 Aug

27 19:30 JN Tokyo Consumer Price Index Aug Y/Y % Chg. 1.9 1.8 Aug 27 19:30 JN Jobless Rate Jul % 2.5 2.5 Upcoming Economic Releases and Events: Aug 24 - 28, 2026 United States Canada International *Eastern Standard Time. Source: Bloomberg, TD Economics.

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