TD Economics

Weekly Bottom Line

May 15, 2026

Highlights

Canada

- March wholesale and manufacturing data point to a stabilizing goods sector, while strong April housing data suggests a modest housing rebound in Q2.
- The Bank of Canada's Summary of Deliberations reinforced a data-dependent pause, as policy makers highlighted two-sided risks around inflation and growth.
- April inflation next week is set to move higher as energy prices remain elevated. The focus turns to whether core price pressures begins to broaden.

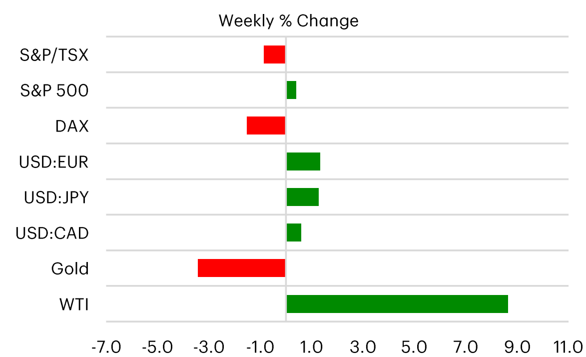
U.S.

- Kevin Warsh takes the helm of the Federal Reserve after his nomination was confirmed by the Senate this week.
- Inflation spiked in April, with CPI up 3.8% year-on-year, as higher energy prices filtered through the economy.
- This in turn weighed on retail sales during the month, with real sales down 0.2% month-on-month.

This Week in the Markets				
	Current*	Week Ago	52-Week High	52-Week Low
Stock Market Indexes				
S&P 500	7432	7399	7501	5803
S&P/TSX Comp.	33792	34078	34541	25839
DAX	23954	24339	25421	22301
FTSE 100	10183	10233	10911	8634
Nikkei	61409	62714	63272	36986
Fixed Income Yields				
U.S. 10-yr Treasury	4.57	4.35	4.60	3.94
Canada 10-yr Bond	3.66	3.47	3.66	3.04
Germany 10-yr Bund	3.14	3.01	3.14	2.48
UK 10-yr Gilt	5.16	4.91	5.16	4.23
Japan 10-yr Bond	2.72	2.48	2.72	1.39
Foreign Exchange Cross Rates				
C$ (USD per CAD)	0.73	0.73	0.74	0.71
Euro (USD per EUR)	1.16	1.18	1.20	1.12
Pound (USD per GBP)	1.33	1.36	1.38	1.30
Yen (JPY per USD)	158.7	156.7	160.4	142.6
Commodity Spot Prices**				
Crude Oil ($US/bbl)	103.8	95.4	113.0	55.3
Natural Gas ($US/MMBtu)	2.78	2.68	30.72	2.54
Copper ($US/met. tonne)	13894.7	13515.4	14109.5	9479.0
Gold ($US/troy oz.)	4553.5	4715.3	5417.2	3203.7

*As of 10:29 AM on Friday. **Oil-WTI, Cushing, Nat. Gas-Henry Hub, LA (Thursday close price). Copper-LME Grade A. Gold-London Gold Bullion. Source: Bloomberg.

Rising Oil & Bond Yields Test Equity Market Equanimity



Note: Data as of 10:29 AM ET, Friday, May 15, 2026.
Source: Bloomberg, TD Economics.

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.

Canada – A Calm Week Before the Inflation Test

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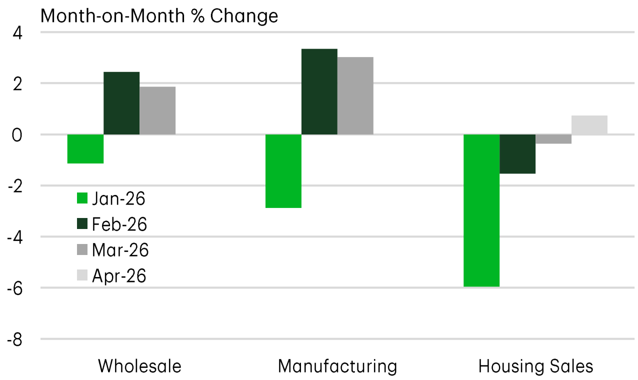
Canadian financial markets were relatively steady this week, though rising bond yields signaled a modest firming in rate expectations. In the absence of major domestic data, markets were shaped by global forces, as oil price volatility and lingering inflation uncertainty pushed Government of Canada yields higher across the curve. The TSX index climbed during the week, while demand for the U.S. Dollar strengthened, causing the Canadian dollar to drop by three-tenths of a cent as persistent volatility directed flows toward the USD.

This week's data offered a more incremental read on economic conditions (Chart 1). March wholesale trade and manufacturing sales firmed up the trajectory of goods-sector activity, with early indications pointing to some stabilization following a soft start to the year. While neither release is likely to materially alter the broader growth backdrop, they will help refine tracking for first quarter GDP, which points to modest growth.

Meanwhile in the housing market, April home sales edged higher, consistent with our view that activity should see a bounce back in second quarter. Housing starts data also beat consensus expectations. Stepping back, we still expect only a gradual improvement in housing conditions in 2026, as high borrowing costs, affordability issues, and slower population growth continue to dampen demand and construction.

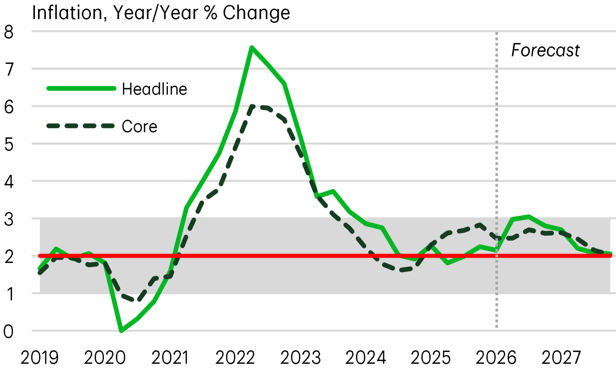
In a week with little economic data, the Bank of Canada's Summary of Deliberations reinforced uncertainty around the policy outlook. While higher energy prices are expected to raise inflation soon, Governing Council judged there's scope to remain patient and hold rates steady as the economy evolves as expected. They emphasized the outlook remains highly dependent on incoming data, with risks in both directions. Persistent strength in oil prices could broaden inflation pressures and warrant tighter policy, while weaker growth tied to trade or external shocks could necessitate easing, given uncertainty around the remaining slack in the economy.

Chart 1: Canadian Economic Indicators are Firming Heading Into Q2



Source: Statistics Canada, CREA, TD Economics.

Chart 2: Canadian Inflation Will Likely Crest the Upper End of the BoC's Target Range



Source: Statistics Canada, TD Economics.

Alongside the monetary policy update, reports of ongoing negotiations between Ottawa and Alberta over industrial carbon pricing and a potential west coast pipeline point to a shift toward aligning climate policy with major project development. Such efforts could help improve investment clarity in Canada's energy sector, with implications for longer-term growth capacity.

This week's developments reinforce a familiar theme: an economy growing modestly but facing elevated uncertainty, and a central bank firmly in wait-and-see mode. Attention now turns to next week's April inflation (CPI) release, where inflation is expected to move higher on energy base effects. We expect headline inflation to peak around 3% later this year before easing back toward target (Chart 2). The key question will be whether price pressures remain contained or begin to broaden more meaningfully into core components.

U.S. – Changing of the Guard

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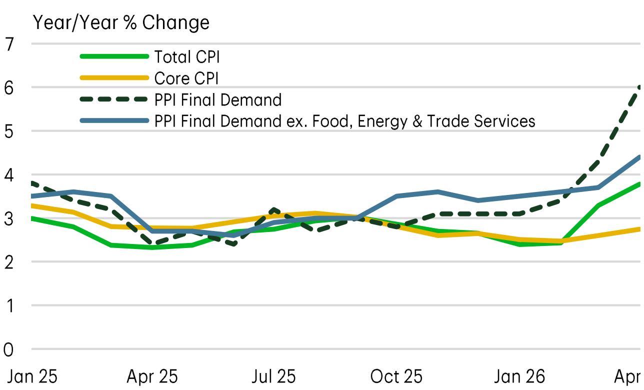
The changing of the guard at the Federal Reserve was formalized this week, as Kevin Warsh was confirmed by the Senate as Powell's successor on Wednesday. This means Jerome Powell's eight-year term as Chairman came to an end on Friday. Warsh takes the helm at a time when inflation pressures are rising sharply on the back of elevated global energy prices. Details on a potential resolution to the conflict in Iran remained elusive this week, which led to a 9% uptick in WTI oil prices. Equity markets were roughly unchanged on the week, with the S&P 500 rising 0.2%, as U.S. Treasury yields spiked by roughly 20 basis points, reflecting stronger inflation readings.

In terms of economic data releases, the inflation data for April was the biggest news item. Headline CPI hit a three-year high of 3.8% year-on-year (y/y), on the back of rising energy prices (Chart 1). Stripping out energy and food products, core CPI accelerated for a second consecutive month to 2.7% y/y, partly owing to the feedthrough of energy prices to categories like airline fares. Broad-based passthrough to non-energy categories was absent from the report, but with energy prices rising through early May, subsequent reports may be less benign, particularly if no resolution is reached over the near-term.

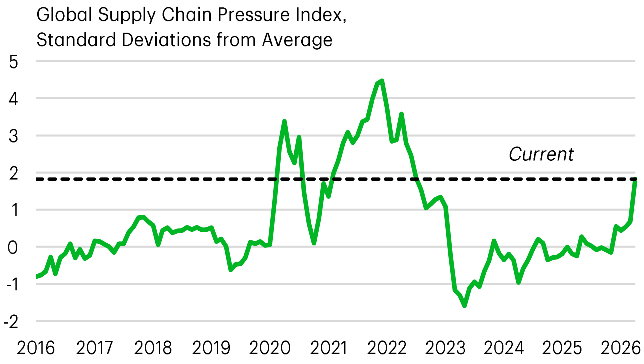
Upstream, the influence of higher energy prices was similarly evident for producers in April, with the Producer Price Index up 6% y/y. Selling price pressures have not been this elevated since late 2022, as global supply chain disruptions have begun to converge with those seen during the initial aftermath of the pandemic (Chart 2). The impacts of these developments on businesses, and the follow-through to consumers, will be monitored closely by the Federal Reserve.

Chart 1: Inflation Pressures Linked to Energy Prices Elevated & Broadening



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

Chart 2: Global Supply Chain Disruptions Expanded in April



Source: Federal Reserve Bank of New York, TD Economics.

To that end, the April retail sales report provided an early snapshot of consumer health. It showed a solid gain of 0.5% month-on-month in nominal terms, but after adjusting for inflation, sales fell 0.2%. This likely reflected, in part, the comparable contraction in real earnings during the month, which, if sustained, would continue to weigh on consumption going forward. A near-term resolution to the Iran conflict would help ease some of this pressure, although the effects would likely be gradual as supply disruptions take time to fully unwind. Taken together, these crosscurrents leave the near-term policy outlook highly dependent on incoming inflation data.

Against this backdrop, Fed officials in public remarks this week flagged concerns about the inflation reports. Several officials, including Chicago Fed President Goolsbee and Boston Fed President Collins, noted that tighter financial conditions may be required to quell emerging inflationary pressures. The balance of opinion among officials emphasized that a neutral stance would be appropriate over the near term to allow time to assess incoming data. As of the time of writing, financial market pricing for a rate hike by year-end has risen to 40%.

Exhibits

Release Date		Economic Indicator/Event	Data for Period	Units	Current	Prior
Recent Key Economic Indicators: May 11-15						
United States						
May 11		Existing Home Sales	Apr	Mlns	4.02	4.01
May 12		NFIB Small Business Optimism	Apr	Index	95.9	95.8
May 12		Consumer Price Index	Apr	Y/Y % Chg.	3.8	3.3
May 12		Consumer Price Index	Apr	M/M % Chg.	0.6	0.9
May 12		Core Consumer Price Index	Apr	Y/Y % Chg.	2.8	2.6
May 12		Core Consumer Price Index	Apr	M/M % Chg.	0.4	0.2
May 13		PPI Ex Food and Energy	Apr	M/M % Chg.	1.0	0.2
May 13		PPI Final Demand	Apr	M/M % Chg.	1.4	0.7
May 14		Initial Jobless Claims	May 9	Thsd	211.0	199.0
May 14		Retail Sales Advance	Apr	M/M % Chg.	0.5	1.6
May 14		Retail Sales Ex Auto and Gas	Apr	M/M % Chg.	0.5	0.7
May 14		Business Inventories	Mar	M/M % Chg.	0.9	0.4
May 15		Empire Manufacturing	May	Index	19.6	11.0
May 15		Capacity Utilization	Apr	%	76.1	75.7
May 15		Industrial Production	Apr	M/M % Chg.	0.7	-0.3
May 15		Manufacturing (SIC) Production	Apr	M/M % Chg.	0.6	0.1
Canada						
May 14		Existing Home Sales	Apr	M/M % Chg.	0.7	-0.1
May 14		Wholesale Sales ex Petroleum	Mar	M/M % Chg.	1.9	2.4
May 15		Housing Starts	Apr	Thsd	279.3	239.7
May 15		Manufacturing Sales	Mar	M/M % Chg.	3.0	3.4
International						
May 13	EZ	Employment	Q1	Y/Y % Chg.	0.5	0.7
May 13	EZ	Gross Domestic Product SA	Q1	Y/Y % Chg.	0.8	0.8
May 14	UK	Gross Domestic Product	Q1	Y/Y % Chg.	1.1	1.0

Source: Bloomberg, TD Economics.

Upcoming Economic Releases and Events: May 18 - May 22							
Release Date	Time*		Economic Indicator/Event	Data for Period	Units	Consensus Forecast	Last Period
United States							
May 18	10:00		NAHB Housing Market Index	May	Index	34.0	34.0
May 19	8:00		*Fed's Waller in Moderated Discussion*				
May 19	19:00		*Fed's Paulson Speaks on Economic Outlook*				
May 20	9:15		*Fed's Barr Speaks on Consumer Financial Health*				
May 20	14:00		*FOMC Meeting Minutes*	Apr 29			
May 21	8:30		Initial Jobless Claims	May 16	Thsd	-	211.0
May 21	8:30		Housing Starts	Apr	Thsd	1420.0	1502.0
May 21	8:30		Building Permits	Apr	Thsd	1380.0	1363.0
May 21	9:45		S&P Global US Manufacturing PMI	May	Index	53.6	54.5
May 21	9:45		S&P Global US Services PMI	May	Index	51.3	51.0
May 21	9:45		S&P Global US Composite PMI	May	Index	-	51.7
May 22	10:00		*Fed's Waller Speaks on Economic Outlook*				
Canada							
May 19	8:30		Consumer Price Index NSA	Apr	M/M % Chg.	0.8	0.9
May 19	8:30		Consumer Price Index	Apr	Y/Y % Chg.	3.0	2.4
May 21	7:00		CFIB Business Barometer	May	Index	-	58.5
May 22	8:30		Retail Sales	Mar	Y/Y % Chg.	0.7	0.7
May 22	8:30		Retail Sales Ex Auto	Mar	M/M % Chg.	1.0	0.5
May 22	8:30		Industrial Product Price	Apr	M/M % Chg.	-	2.4
May 22	10:30		Senior Loan Officer Survey	Apr	1Q		
International							
May 18	19:50	JN	Gross Domestic Product Annualized SA	1Q	Y/Y % Chg.	1.7	1.3
May 19	2:00	UK	ILO Unemployment Rate	Mar	%	4.8	4.9
May 20	2:00	UK	Consumer Price Index	Apr	Y/Y % Chg.	3.0	3.3
May 20	5:00	EZ	Consumer Price Index	Apr	Y/Y % Chg.	3.0	3.0
May 21	19:30	JN	Natl Consumer Price Index	Apr	Y/Y % Chg.	1.6	1.5
May 22	2:00	UK	Retail Sales Ex Auto Fuel	Apr	Y/Y % Chg.	1.7	1.7

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

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