

Weekly Bottom Line

June 5, 2026

Highlights

Canada

- Canada's labour market delivered a pleasant surprise in May, with employment handily beating consensus expectations and the unemployment falling to 6.6%.
- The jobs report helped quiet recession talk and prompted markets to fully price in a rate hike by the end of the year.
- Trade negotiations remain a major focus as attention shifts to next week's trade report. Also on the deck is the Bank of Canada's policy decision, where rates are widely expected to remain unchanged.

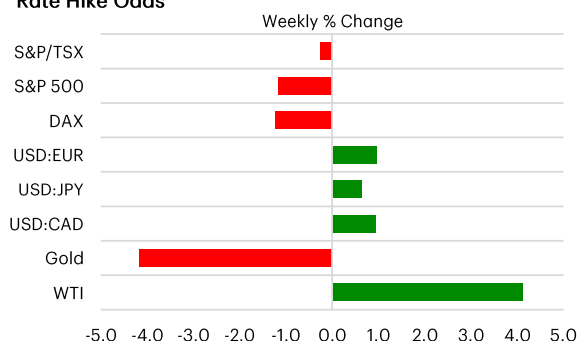
U.S.

- U.S. data continued to point to a resilient economy, with job growth surprising to the upside in May and broader activity holding up better than expected.
- Recent indicators suggest growth remains intact despite restrictive monetary policy.
- Markets balanced firmer U.S. data against easing global risks, keeping sentiment constructive and erasing hopes for further central bank easing.

This Week in the Markets

	Current*	Week Ago	52-Week High	52-Week Low
Stock Market Indexes				
S&P 500	7509	7580	7610	5939
S&P/TSX Comp.	34753	34769	35217	26342
DAX	24811	25105	25421	22301
FTSE 100	10393	10409	10911	8719
Nikkei	66588	66330	68402	37554
Fixed Income Yields				
U.S. 10-yr Treasury	4.54	4.44	4.67	3.94
Canada 10-yr Bond	3.52	3.41	3.70	3.04
Germany 10-yr Bund	3.04	2.94	3.19	2.48
UK 10-yr Gilt	4.91	4.81	5.17	4.23
Japan 10-yr Bond	2.67	2.67	2.79	1.39
Foreign Exchange Cross Rates				
C\$ (USD per CAD)	0.72	0.73	0.74	0.71
Euro (USD per EUR)	1.16	1.17	1.20	1.14
Pound (USD per GBP)	1.34	1.35	1.38	1.30
Yen (JPY per USD)	160.2	159.3	160.4	143.4
Commodity Spot Prices**				
Crude Oil (\$US/bbl)	91.31	87.36	113.0	55.3
Natural Gas (\$US/MMBtu)	3.08	3.34	30.72	2.54
Copper (\$US/met. tonne)	13920.5	13599.7	14109.5	9556.9
Gold (\$US/troy oz.)	4350.0	4540.3	5417.2	3274.3

Yields Up, Equities Down, as Strong Jobs Report Increases Rate Hike Odds



Note: Data as of 11:23 AM ET, Friday, June 5, 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 – Separating the Wheat From the Chaff

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Canadian markets had a lot of moving parts to digest. The sentiment in the oil market reversed, with crude prices recovering and ending on track to post their first weekly gain in three weeks. The S&P/TSX Composite Index reached another record high earlier in the week, but gave up gains on Friday, following a blockbuster jobs report. Likewise, Canadian government bond yields were little changed through most of the week before jumping sharply on Friday. The five-year bond yield, a key benchmark for mortgage rates, rose 10 basis points, while the 10-year climbed 8 basis points.

Speaking of which, the May [labour market report](#) – the major data event this week – delivered a significant upside surprise. Employment increased by 88k, handily beating expectations for a 10k gain, and pushing the three-month average back into positive territory at 28k (Chart 1). The details were equally strong. Job gains were broad-based across industries and concentrated in full-time positions, reversing much of the weakness seen earlier this year. The unemployment rate fell 0.3 percentage points to 6.6%, while youth unemployment rate declined nearly a full percentage point to 13.4%.

The labour market report also helped temper the recession talk. “[Technical recession](#)” chatter picked up following a contraction in real GDP in the first quarter reported last week. The economy is clearly operating below capacity, even judging by today’s employment numbers – we are essentially back where we were in January. In Canada, recession determinations are made by the C.D. Howe Institute’s Business Cycle Council, which this week

Chart 1: May Employment Surge Reverses Negative Trend

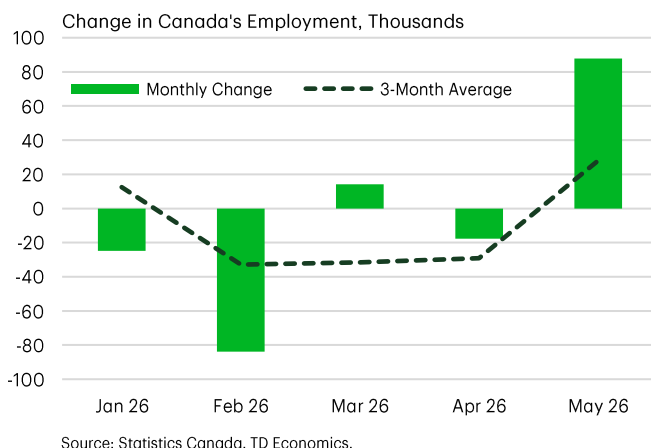
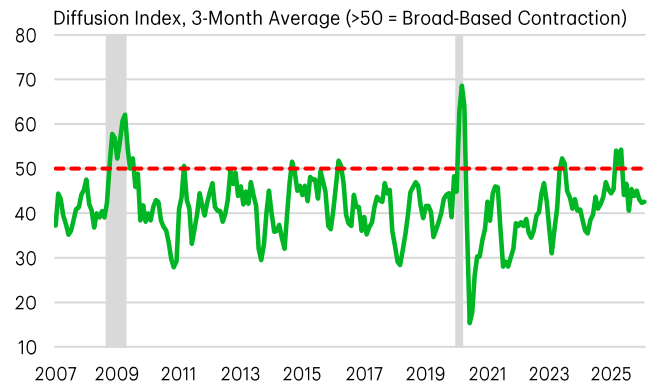


Chart 2: Canada's Industry GDP Diffusion Index Does Not Signal Recession



reiterated that it assesses recessions through the lenses of duration, amplitude, and scope. This means that a modest quarterly decline in GDP must be corroborated by weakness in adjacent quarters and accompanied by a broad-based decline in economic activity. On the latter point, the simple unweighted diffusion index of GDP by industry has yet to breach recessionary thresholds (Chart 2), despite pressure on trade-exposed industries.

In that regard, next week will bring another important data point with the release of April’s international trade figures. Trade developments remain a major focus as attention shifts towards the next phase of CUSMA discussions. Early positioning from both sides suggests negotiations are unlikely to be straightforward, with several longstanding regulatory and market-access disputes already resurfacing. There were several tariff announcements this week, but the direct impact on Canada is likely limited.

Next week will also bring the BoC’s next policy decision, where rates are widely expected to remain unchanged. Our assessment remains that the Canadian economy is trading water – not strong enough to justify rate hikes, but not weak enough to signal a deep downturn. As such we see little reason for the Bank to move. Markets, meanwhile, are now pricing in a full rate hike by year-end—a reflection of how quickly today’s jobs report shifted the narrative. Separating the wheat of the economic data from the chaff of the politicized narrative around it remains an important task, and we will continue watching the data closely to determine whether this delicate balance can hold in the weeks ahead.

U.S. – Jobs Surprise Gives the Fed Time

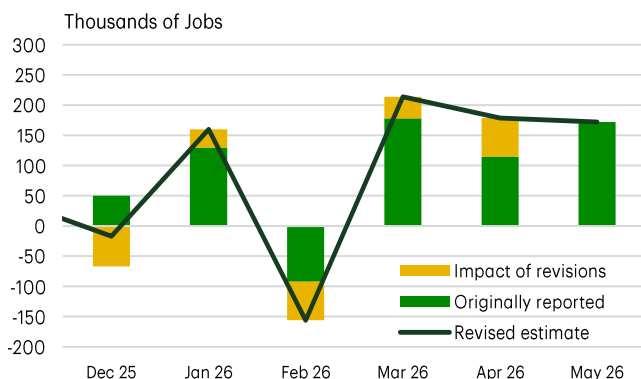
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The U.S. economy showed renewed resilience in May, reinforced by a stronger-than-expected gain in nonfarm payrolls on Friday. Hiring rose by a robust 172,000, well above consensus of roughly 85,000, while the unemployment rate held steady at 4.3%. Job gains were broad-based, with continued hiring in health care & social assistance helped by a pick-up in cyclical sectors like construction, leisure & hospitality and manufacturing. Wage growth also remained firm, with average hourly earnings up 0.3% m/m, indicating household income support remains intact. Encouragingly, prior months hiring tallies were also revised higher, reinforcing the view that labor demand has been more durable than previously thought (Chart 1), despite uncertainty from the energy shock.

That message is echoed in activity data outside the labor market, which continue to point to resilience. The ISM Manufacturing Index rose to its highest level since mid-2022, with new orders and production strengthening, while the ISM Services survey showed business activity and new orders rebounding. Those reports suggest demand is holding up, even if firms are cautious on inventories and hiring. Also encouraging was that vehicle sales edged higher in May. Big ticket purchases are typically the first thing to go when consumers are feeling less confident in the economy, and so far demand seems to be holding up despite elevated fuel prices and tight financing conditions.

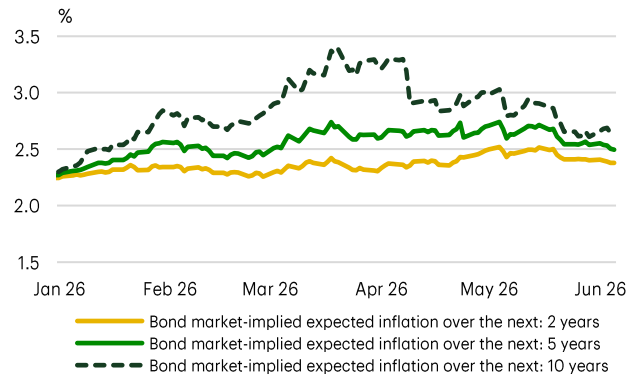
Against that backdrop, Federal Reserve officials this week maintained a patient, data-dependent tone,

Chart 1: Revisions Have Revealed a Strong Recent Trend in Job Growth



Source: Bureau of Labor Statistics, TD Economics.

Chart 2: Inflation Expectations Implied by Market Pricing Look Benign Recently



Source: Bloomberg, TD Economics.

reinforcing expectations for an extended pause. Despite April's uptick in CPI – and likely another one in the May data next week – inflation expectations implied by bond markets has remained stable, giving policymakers room to remain patient (Chart 2). Officials have acknowledged that inflation remains too high but also signaled confidence that policy is sufficiently restrictive for now. In effect, the Fed appears willing to tolerate near-term volatility in the data so long as broader disinflation trends are not clearly reversing. But with the labor market now showing early signs of heating up, their patience could soon be pressure-tested. Governor Waller has already suggested that the committee could move away from its current easing bias based on recent inflation moves. And, while Kashkari, Barkin, and Daly emphasized a more cautious tone on dropping the easing bias, that was before Friday's payrolls release, which may alter their thinking on the current state of the labor market.

From the Fed's perspective, the debate is shifting from when to cut toward how long rates may need to stay elevated, and whether further tightening should be ruled out. Fed futures are now fully pricing a quarter-point hike by year-end, underscoring how sensitive expectations remain to evidence that growth and labor demand are proving more persistent than anticipated. Next week's inflation data will be key to setting the stage for the Fed's June meeting and determining whether the recent shift in rate expectations has further room to run.

Exhibits

Recent Key Economic Indicators: Jun 01 - 05					
Release Date	Economic Indicator/Event	Data for Period	Units	Current	Prior
United States					
Jun 01	S&P Global US Manufacturing PMI	May	Index	55.1	55.3
Jun 01	ISM Manufacturing	May	Index	54.0	52.7
Jun 02	Wards Total Vehicle Sales	May	MIns	16.08	15.92
Jun 03	ADP Employment Change	May	Thsd	122.0	105.0
Jun 03	S&P Global US Services PMI	May	Index	50.7	50.9
Jun 03	S&P Global US Composite PMI	May	Index	51.5	51.7
Jun 03	Factory Orders	Apr	M/M % Chg.	4.8	1.8
Jun 03	Factory Orders Ex Trans	Apr	M/M % Chg.	1.3	1.8
Jun 03	ISM Services Index	May	Index	54.5	53.6
Jun 03	Durable Goods Orders	Apr	M/M % Chg.	8.0	7.9
Jun 03	Cap Goods Orders Nondef Ex Air	Apr	M/M % Chg.	-1.0	-1.1
Jun 04	Unit Labor Costs	1Q	Q/Q % Chg.	1.8	2.3
Jun 04	Initial Jobless Claims	May 30	Thsd	225.0	212.0
Jun 05	Change in Nonfarm Payrolls	May	Thsd	172.0	179.0
Jun 05	Average Hourly Earnings	May	M/M % Chg.	0.3	0.2
Jun 05	Unemployment Rate	May	%	4.3	4.3
Canada					
Jun 01	S&P Global Canada Manufacturing PMI	May	Index	52.9	53.3
Jun 05	Net Change in Employment	May	Thsd	87.8	-17.7
Jun 05	Unemployment Rate	May	%	6.6	6.9
International					
Jun 01	EZ Unemployment Rate	Apr	%	6.3	6.3
Jun 02	EZ Consumer Price Index	May	Y/Y % Chg.	3.2	3.0
Jun 04	EZ Retail Sales	Apr	Y/Y % Chg.	1.0	2.1
Jun 05	EZ Gross Domestic Product SA	1Q	Y/Y % Chg.	0.3	0.8
Jun 05	EZ Employment	1Q	Y/Y % Chg.	0.5	0.5

Source: Bloomberg, TD Economics.

Upcoming Economic Releases and Events: Jun 08 - 12, 2024

Release Date	Time*	Economic Indicator/Event	Data for Period	Units	Consensus Forecast	Last Period
United States						
Jun 8	11:00	NY Fed 1-Yr Inflation Expectations	May	%	-	3.64
Jun 9	6:00	NFIB Small Business Optimism	May	Index	96.0	95.9
Jun 9	8:30	Trade Balance	Apr	Blns	-55.50	-60.30
Jun 9	10:00	Existing Home Sales	May	MIns	4.08	4.02
Jun 9	10:00	Wholesale Trade Sales	Apr	M/M % Chg.	-	2.8
Jun 10	8:30	Consumer Price Index	May	Y/Y % Chg.	4.2	3.8
Jun 10	8:30	Consumer Price Index	May	M/M % Chg.	0.5	0.6
Jun 10	8:30	Core Consumer Price Index	May	Y/Y % Chg.	2.9	2.8
Jun 10	8:30	Core Consumer Price Index	May	M/M % Chg.	0.3	0.4
Jun 11	8:30	Initial Jobless Claims	Jun 6	Thsd	-	225.0
Jun 11	8:30	PPI Ex Food and Energy	May	M/M % Chg.	0.5	1.0
Jun 11	8:30	PPI Final Demand	May	M/M % Chg.	0.7	1.4
Canada						
Jun 09	8:30	Int'l Merchandise Trade	Apr	Blns	2.00	1.78
Jun 10	9:45	Bank of Canada Rate Decision	Jun	%	2.25	2.25
International						
Jun 09	21:30	CH Consumer Price Index	May	Y/Y % Chg.	1.3	1.2
Jun 11	8:15	EZ ECB Main Refinancing Rate	Jun	%	2.40	2.15
Jun 12	2:00	UK Monthly Gross Domestic Product	Apr	3M/3M % Chg.	0.7	0.5

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

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