

Weekly Bottom Line

June 12, 2026

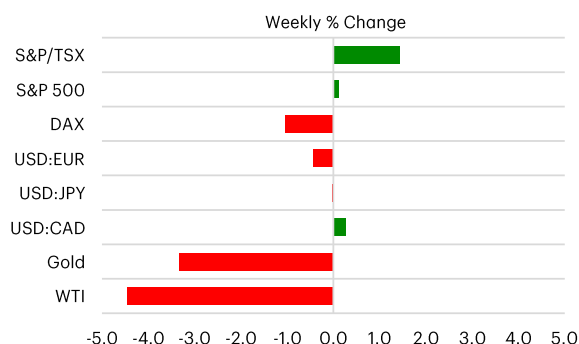
Highlights

- The effects of the Iran war were evident in the CPI inflation report, which hit a three year high in May. Core inflation edged up to 2.9% y/y in line with consensus expectations.
- NFIB pricing indicators also moved higher in May and inflation concerns continued to rise, while hiring plans continued to soften.
- Existing home sales beat market expectations in May, but activity remains low compared to historical norms. Lacklustre markets are reflected in home price growth, which is still in the slow lane (1.3% y/y).

This Week in the Markets				
	Current*	Week Ago	52-Week High	52-Week Low
Stock Market Indexes				
S&P 500	7391	7384	7610	5968
S&P/TSX Comp.	34886	34413	35217	26498
DAX	24511	24759	25421	22301
FTSE 100	10442	10368	10911	8719
Nikkei	66020	66588	68402	37834
Fixed Income Yields				
U.S. 10-yr Treasury	4.50	4.53	4.67	3.94
Canada 10-yr Bond	3.43	3.47	3.70	3.04
Germany 10-yr Bund	3.01	3.04	3.19	2.48
UK 10-yr Gilt	4.86	4.90	5.17	4.23
Japan 10-yr Bond	2.63	2.67	2.79	1.39
Foreign Exchange Cross Rates				
C\$ (USD per CAD)	0.72	0.72	0.74	0.71
Euro (USD per EUR)	1.16	1.15	1.20	1.14
Pound (USD per GBP)	1.34	1.33	1.38	1.30
Yen (JPY per USD)	160.3	160.3	160.6	143.4
Commodity Spot Prices**				
Crude Oil (\$US/bbl)	86.14	90.54	113.0	55.3
Natural Gas (\$US/MMBtu)	3.16	3.04	30.72	2.54
Copper (\$US/met. tonne)	13448.0	13490.3	14109.5	9556.9
Gold (\$US/troy oz.)	4181.6	4328.5	5417.2	3274.3

*As of 10:46 AM on Friday. **Oil-WTI, Cushing, Nat. Gas-Henry Hub, LA (Thursday close price). Copper-LME Grade A. Gold-London Gold Bullion. Source: Bloomberg.

Oil Slides as Peace Deal Optimism Builds



Note: Data as of 10:46 AM ET, Friday, June 12, 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)	2.40%
Bank of England (Repo Rate)	3.75%
Bank of Japan (Overnight Rate)	0.75%

Source: Bloomberg.

TD Economics Key Financial Forecasts

	Current Rate 6-12-26	2025				2026				2027			
		Q1	Q2	Q3	Q4	Q1	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	3.75	3.75	3.50	3.25	3.25	3.25
2-yr Govt. Bond Yield	4.10	3.89	3.72	3.60	3.47	3.79	3.90	3.80	3.40	3.35	3.35	3.35	3.35
10-yr Govt. Bond Yield	4.50	4.23	4.24	4.16	4.18	4.30	4.35	4.25	4.15	4.10	4.10	4.10	4.10
30-yr Govt. Bond Yield	4.99	4.59	4.78	4.73	4.84	4.88	4.95	4.80	4.65	4.60	4.60	4.60	4.60

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

Price Pressures Now on the Front Foot

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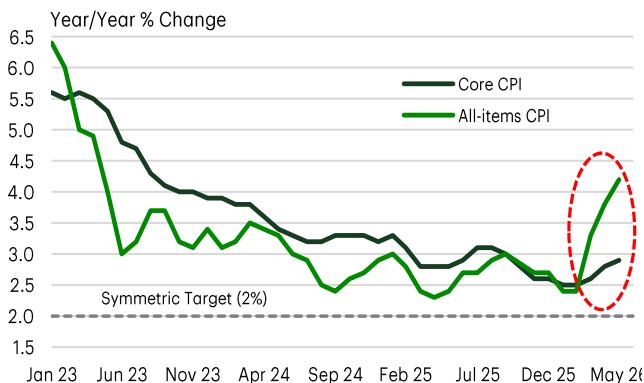
Middle East tensions spiked and then eased again this week, with President Trump threatening new strikes on Iran and then calling them off as he noted progress toward a deal. WTI oil prices, which had been holding near \$90/barrel, fell sharply toward \$85/barrel. The 10-year Treasury yield also dipped initially, reflecting hopes that a resolution to the conflict would limit the energy shock's spillover into broader inflation expectations, but recovered some lost ground later in the week as investors digested another firm inflation report.

The May CPI report was the clearest evidence that inflation pressures continue to build. Headline inflation accelerated to the fastest pace in three years - 4.2% year-on-year (Chart 1). Higher energy costs accounted for the bulk of that increase. The gain in core inflation was more contained, but the annual rate still moved further above target (2.9% y/y), adding support to a "higher for longer" policy stance (see [here](#)). Sifting through the details, shelter cooled after April's outsized gain and core goods prices slipped, but non-housing services remained firm.

Inflation pressure was also evident in the NFIB small business survey, where a growing share of firms reported that they had raised average selling prices and that they planned further increases in the months ahead. This supports the view that higher energy and input costs are starting to ripple beyond the pump.

Housing offered a modest reprieve from the sour inflation news. Existing home sales rose a solid 3.2% in

Chart 1: Headline CPI Jumps, While Core Inflation Edges Higher



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

Chart 2: Small Business Hiring Plans Soften as Inflation Concerns Rise



Source: NFIB, TD Economics.

May to the highest level since December. Still, little has changed in the broader picture, with activity hovering near the 4-million mark for the third consecutive year and home price growth remaining in the slow lane.

Labor market signals, meanwhile, were mixed. Initial jobless claims ticked higher for the third week in a row but remained broadly range-bound, while continuing claims are still low by historical standards. Signals out of the small business survey, however, were less reassuring on this front. Small businesses are pointing to slower job creation ahead, with job openings and hiring plans softening recently amid an increase in inflation concerns (Chart 2).

All told, the effects of the Middle East conflict continue to show up in the data, and this is becoming harder for the Fed to ignore. Our view is that core inflation will likely remain elevated through year-end, supporting the case for an extended Fed pause. Next week marks Kevin Warsh's first FOMC meeting as Chair. Markets will be watching not only for a clear rate signal, but also for clues on how he intends to communicate. Warsh has indicated a preference for a shift in communication strategy, like potentially not holding a press conference after every Fed meeting. We expect the committee to telegraph a "higher for longer" policy stance in its updated Summary of Economic Projections, which had reflected 25 bps of easing this year and next. It is also likely to drop its easing bias in the statement. This expected shift would move the Fed closer to market pricing, which now reflects a toss-up between "no action" and a 25-bps hike by year-end.

Exhibits

Recent Key Economic Indicators: Jun 8 - 12					
Release Date	Economic Indicator/Event	Data for Period	Units	Current	Prior
United States					
Jun 8	NY Fed 1-Yr Inflation Expectations	May	%	3.46	3.64
Jun 9	NFIB Small Business Optimism	May	Index	95.3	95.9
Jun 9	Trade Balance	Apr	Blns	-55.9	-60.3
Jun 9	Existing Home Sales	May	Mlns	4.17	4.04
Jun 9	Wholesale Trade Sales	Apr	M/M % Chg.	2.0	3.0
Jun 10	Consumer Price Index	May	Y/Y % Chg.	4.2	3.8
Jun 10	Consumer Price Index	May	M/M % Chg.	0.5	0.6
Jun 10	Core Consumer Price Index	May	Y/Y % Chg.	2.9	2.8
Jun 10	Core Consumer Price Index	May	M/M % Chg.	0.2	0.4
Jun 11	Initial Jobless Claims	Jun 6	Thsd	229.0	225.0
Jun 11	PPI Ex Food and Energy	May	M/M % Chg.	0.4	0.7
Jun 11	PPI Final Demand	May	M/M % Chg.	1.1	1.1
Canada					
Jun 09	Int'l Merchandise Trade	Apr	Blns	2.72	1.75
Jun 10	Bank of Canada Rate Decision	Jun	%	2.25	2.25
International					
Jun 09	CH Consumer Price Index	May	Y/Y % Chg.	1.2	1.2
Jun 11	EZ ECB Main Refinancing Rate	Jun	%	2.40	2.15
Jun 12	UK Monthly Gross Domestic Product	Apr	3M/3M % Chg.	0.7	0.6

Source: Bloomberg, TD Economics.

Upcoming Economic Releases and Events: Jun 15-19						
Release Date	Time*	Economic Indicator/Event	Data for Period	Units	Consensus Forecast	Last Period
United States						
Jun 15	8:30	Empire Manufacturing	Jun	Index	12.5	19.6
Jun 15	9:15	Industrial Production	May	M/M % Chg.	0.2	0.7
Jun 15	9:15	Capacity Utilization	May	%	76.2	76.1
Jun 15	10:00	NAHB Housing Market Index	Jun	Index	36.0	37.0
Jun 16	8:30	Housing Starts	May	Thsd	1430.0	1465.0
Jun 16	8:30	Building Permits	May	Thsd	1428.0	1423.0
Jun 17	8:30	Retail Sales Advance	May	M/M % Chg.	0.5	0.5
Jun 17	8:30	Retail Sales Ex Auto and Gas	May	M/M % Chg.	0.3	0.5
Jun 17	10:00	Business Inventories	Apr	M/M % Chg.	0.5	0.9
Jun 17	14:00	FOMC Rate Decision (Upper Bound)	Jun 17	%	3.8	3.8
Jun 18	8:30	Initial Jobless Claims	Jun 13	Thsd	-	229.0
Canada						
Jun 15	8:15	Housing Starts	May	Thsd	255.2	279.3
Jun 15	8:30	Manufacturing Sales	Apr	M/M % Chg.	4.5	3.0
Jun 16	5:00	Existing Home Sales	May	%	-	0.7
Jun 18	7:00	CFIB Business Barometer	Jun	Index	-	46.3
Jun 18	8:30	Industrial Product Price	May	M/M % Chg.	-	2.0
Jun 19	8:30	Retail Sales	Apr	M/M % Chg.	0.6	0.9
Jun 19	8:30	Retail Sales Ex Auto	Apr	M/M % Chg.	0.7	1.4
International						
Jun 15	22:00	CH Retail Sales	May	Y/Y % Chg.	-0.2	0.2
Jun 15	22:00	CH Surveyed Jobless Rate	May	%	5.2	5.2
Jun 17	2:00	UK Consumer Price Index	May	Y/Y % Chg.	3.0	2.8
Jun 17	5:00	EZ Consumer Price Index	May	Y/Y % Chg.	3.2	3.2
Jun 18	2:00	UK ILO Unemployment Rate	Apr	%	5.0	5.0
Jun 18	7:00	UK Bank of England Bank Rate	Jun 18	%	3.8	3.8
Jun 18	19:30	JN Natl Consumer Price Index	May	Y/Y % Chg.	1.5	1.4
Jun 19	2:00	UK Retail Sales Ex Auto Fuel	May	Y/Y % Chg.	3.2	1.1

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

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