TD Economics

Weekly Bottom Line

June 5, 2026

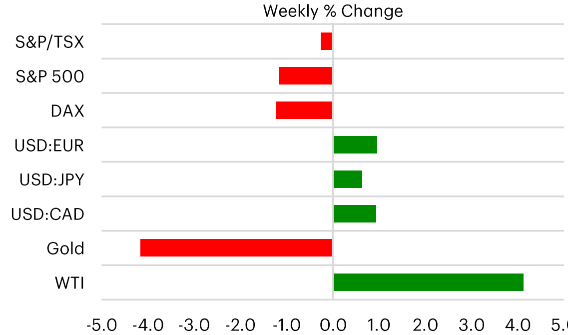
Highlights

- 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

*As of 10:45 AM on Friday. **Oil-WTI, Cushing, Nat. Gas-Henry Hub, LA (Thursday close price). Copper-LME Grade A. Gold-London Gold Bullion. Source: Bloomberg.

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.

TD Economics Key Financial Forecasts

	Current Rate	2025				2026				2027			
	6-5-26	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	4.16	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	4.54	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	5.01	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.

Jobs Surprise Gives the Fed Time

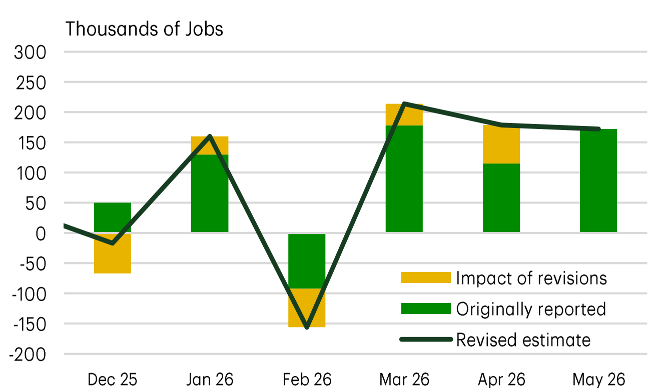
Vikram Rai, Senior Economist
416-923-1692

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.

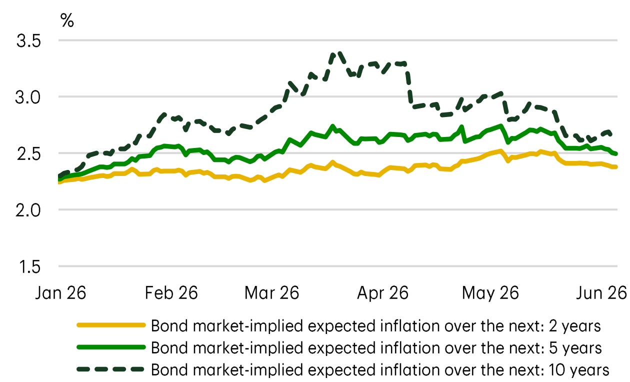
Against that backdrop, Federal Reserve officials this week maintained a patient, data-dependent tone,

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

Release Date		Economic Indicator/Event	Data for Period	Units	Current	Prior
Recent Key Economic Indicators: Jun 01 - 05						
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	Mlns	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	Mlns	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

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.