

## Weekly Bottom Line

May 1, 2026

### Highlights

#### Canada

- Markets were mixed this week as investors digested fiscal updates and central bank signals amid elevated global uncertainty.
- The Federal Government's Spring Economic Update delivered a modest near-term fiscal improvement, but little change to the medium-term outlook.
- The Bank of Canada signalled it is prepared to stay on hold if oil prices evolve as assumed, though risks around energy and trade remain elevated.

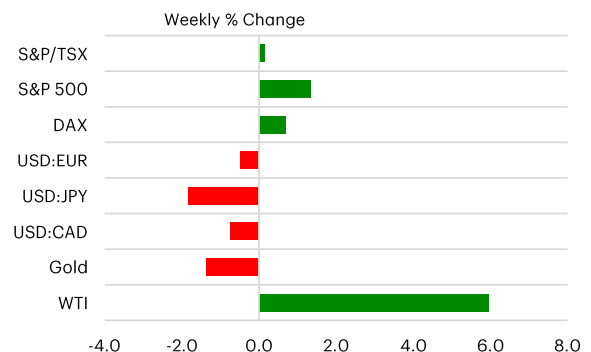
#### U.S.

- Despite elevated uncertainty, the S&P 500 reached another all-time high this week, riding its best monthly performance in six years.
- The Federal Reserve held the policy rate steady while Chair Powell confirmed he will remain on the Board of Governors until the DOJ's probe is completely resolved.
- The U.S. economy expanded by a healthy 2% in Q1, while inflationary pressures rose to a two-year high.

#### This Week in the Markets

	Current*	Week Ago	52-Week High	52-Week Low
<b>Stock Market Indexes</b>				
S&P 500	7261	7165	7261	5604
S&P/TSX Comp.	33953	33904	34541	24796
DAX	24292	24129	25421	22301
FTSE 100	10367	10379	10911	8497
Nikkei	59513	59716	60537	36452
<b>Fixed Income Yields</b>				
U.S. 10-yr Treasury	4.35	4.30	4.60	3.94
Canada 10-yr Bond	3.52	3.46	3.61	3.04
Germany 10-yr Bund	3.04	2.99	3.11	2.44
UK 10-yr Gilt	4.96	4.91	5.07	4.23
Japan 10-yr Bond	2.52	2.44	2.53	1.26
<b>Foreign Exchange Cross Rates</b>				
C\$ (USD per CAD)	0.74	0.73	0.74	0.71
Euro (USD per EUR)	1.18	1.17	1.20	1.11
Pound (USD per GBP)	1.36	1.35	1.38	1.30
Yen (JPY per USD)	156.5	159.4	160.4	142.5
<b>Commodity Spot Prices**</b>				
Crude Oil (\$US/bbl)	100.0	94.4	113.0	55.3
Natural Gas (\$US/MMBtu)	2.64	2.54	30.72	2.54
Copper (\$US/met. tonne)	12910.8	13246.8	13524.2	9239.9
Gold (\$US/troy oz.)	4644.8	4709.5	5417.2	3177.3

#### Equity Markets Eek Out Gains Despite Higher Oil Prices



Note: Data as of 10:33 AM ET, Friday, May 1, 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 – We Wait and See

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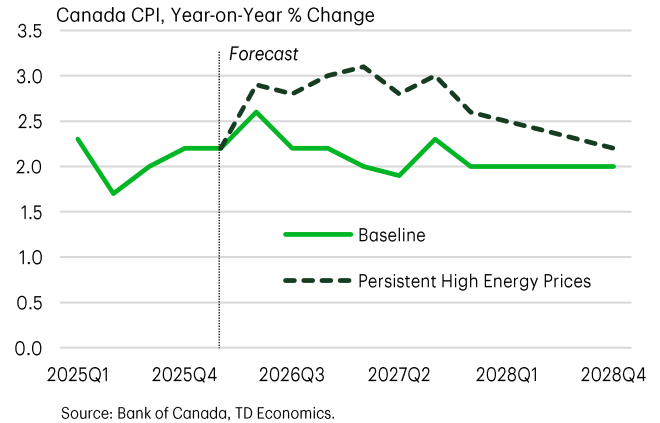
Rising energy prices this week pushed government bond yields higher, while equities traded water. At the time of writing, the S&P/TSX Composite was flat relative to last week, while the Government of Canada 10-year yield rose 10 basis points over the week. Oil prices were volatile, but finished higher, up roughly 2.4%, reflecting on-going geopolitical risks and persistent supply concerns.

Despite everything that’s going on, the near-term Canadian outlook is little changed. The Federal Government’s Spring Economic Update (SEU) didn’t materially alter the fiscal trajectory, while the Bank of Canada signalled that if its oil price assumptions prove broadly correct and the trade landscape doesn’t further deteriorate, it is content to remain on the sidelines. That said, risks are currently growing more complex, with the probability of a more sustained rise in oil prices looming large.

[The SEU showed](#) a better-than-expected starting point for the federal books, with the 2025–26 deficit coming in meaningfully lower than projected in Budget 2025. However, the fiscal outlook was essentially unchanged over the subsequent years as increased revenues from a slightly stronger economy and lower unemployment were largely offset by additional spending measures (Chart 1). Together with higher expected interest rates, the deficit plans point to rising debt servicing costs over time.

Befitting an interim budgetary update, the SEU didn’t provide any major new policy initiatives that would shift the macroeconomic outlook. The new “Canada Strong Fund”, PM Carney’s version of a sovereign wealth fund, grabbed headlines, It is meant to take equity positions

**Chart 2: Stubborn Energy Prices Risk Present Major Inflation Risk**



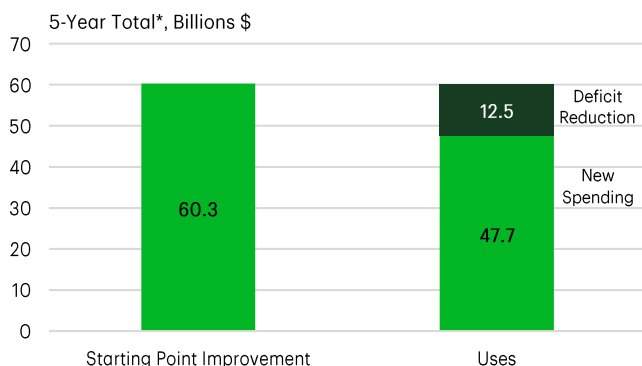
in major projects, but left more questions than answers on how it will work.

Steady fiscal policy was mirrored by the Bank of Canada’s decision to leave the policy rate unchanged, emphasizing that the economy is evolving in line with expectations. The accompanying Monetary Policy Report underscored that higher oil prices are pushing inflation higher in the near term, but, under the Bank’s base-case assumption, these effects gradually fade as energy prices ease. With some slack remaining in the economy and core inflation measures still close to target, policymakers indicated that patience remains warranted. A view we have [shared for some time](#).

That said, the Bank was clear that the outlook is highly uncertain. Ongoing tariff effects and uncertainty surrounding the upcoming CUSMA review continue to weigh on exports and investment. Meanwhile, a more prolonged or severe energy shock could broaden inflation pressures, overturning the current assumption that higher oil prices are temporary (Chart 2). The BoC highlighted that “consecutive increases in the policy rate” could be needed should oil prices not fall as expected.

Looking ahead, the Bank of Canada faces a delicate balancing act. If trade disruptions intensify and global demand softens further, excess supply could widen, opening the door to eventual rate cuts. Conversely, if elevated energy prices prove more durable and begin to feed into broader inflation expectations, multiple hikes could be in the offing. Wait and see is the mantra – for now– but the clock is ticking.

**Chart 1: Canadian Government Spends Most of Fiscal Improvement**



\*Total for Fiscal 2025-26 to 2029-30.  
Source: Federal Spring Economic Update 2026, TD Economics.

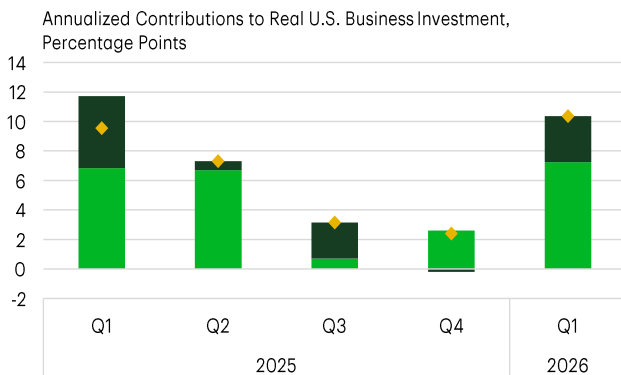
# U.S. – A Strait Shrug

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U.S. equity markets shrugged off escalating U.S.-Iran tensions and instead focused on this week’s upbeat earnings releases and signs of a still resilient U.S. economy. Further gains in the S&P 500 capped off what has been an impressive run through the month of April, with the index rising +10% m/m – its strongest performance since April 2020. The gain in equities came despite the price of oil moving back above \$100 per-barrel (WTI benchmark) on reports that President Trump told aides to prepare for an extended blockade. Meanwhile, Treasury yields across the curve climbed a bit higher, as hawkish undertones in the Fed’s policy statement erased hopes of rate cuts later this year. The 10-year Treasury yield currently sits at 4.38%, while Fed futures are now showing a one-in-three chance of a rate hike by April 2027.

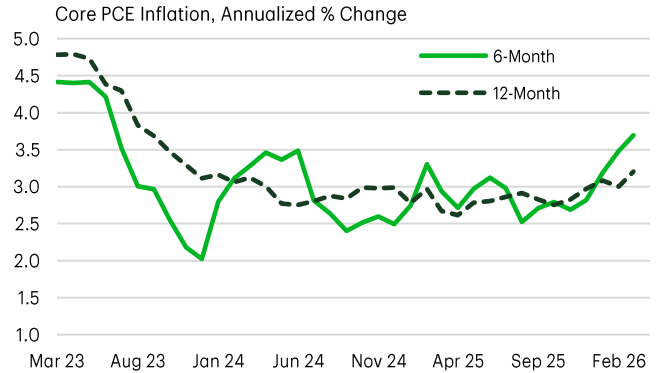
At the onset of the Middle East conflict, we argued that the economic impact from higher oil prices is likely to be relatively small. In large part, that was because of structural factors like the U.S. being less energy intensive and a net exporter of energy products. But we also noted that the shock was hitting the economy from a point of strength, and that was evident in this week’s reading of [Q1 GDP](#). The economy expanded by a respectable 2%, with business investment remaining a bright spot. AI was a significant driver underpinning investment growth, though there was also evidence of some broadening to more traditional areas (Chart 1). The AI spending splurge looks to have legs, with Meta, Alphabet and Microsoft all raising guidance for 2026 planned expenditures this week. Cumulative capex by the “Magnificent

**Chart 1: AI Investments Remain Driver of Business Investment**



Source: U.S. Bureau of Economic Analysis, TD Economics.

**Chart 2: Core PCE Inflation Hits Two-Year High**



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

7” is now estimated to be \$725 billion – a significant increase from 2025’s ~\$375 billion.

Meanwhile, consumer spending was a soft spot in Q1, though some of the weakness appears transitory. The quarter got off to a rough start, as Winter Storm Fern caused major disruptions across most of the U.S. Encouragingly, the spending figures picked up as the quarter progressed, with March’s gain the strongest in fifteen months... in nominal terms. After adjusting for the sharp jump in inflation – partly due to the surge in energy prices – the gain appeared more modest. But it wasn’t only energy prices holding up inflation. Core PCE – the Fed’s preferred inflation gauge – rose 3.2% yr/yr in March, or its fastest rate of growth in over two years (Chart 2).

Rising inflationary pressures have made the FOMC more cautious on the rate outlook, with three Fed officials voting to remove the rate-cutting bias in the policy statement. The shifting sentiment comes at an interesting time for the Fed. This week’s press conference likely marked Powell’s last as chair, with Kevin Warsh expected to be in-seat for the next meeting following his nomination clearing the Senate Banking Committee earlier this week. But Powell noted at the press conference that he plans to stay on the board until the DOJ investigation is “truly over with transparency and finality”. Ultimately, this leaves the composition of the FOMC unchanged, as Warsh will fill the seat of President Trump’s appointee Stephen Miran, leaving little hope that the new Fed chair will be able to deliver on immediate rate cuts.

## Exhibits

Recent Key Economic Indicators: Apr 27 - May 1					
Release Date	Economic Indicator/Event	Data for Period	Units	Current	Prior
<b>United States</b>					
Apr 28	Conf. Board Consumer Confidence	Apr	Index	92.8	92.2
Apr 29	Advance Goods Trade Balance	Mar	Blns	-87.9	-83.5
Apr 29	Housing Starts	Mar	Thsd	1502.0	1356.0
Apr 29	Durable Goods Orders	Mar	M/M % Chg.	0.8	-1.2
Apr 29	Building Permits	Mar	Thsd	1372.0	1538.0
Apr 29	Cap Goods Orders Nondef Ex Air	Mar	M/M % Chg.	3.3	1.6
Apr 29	FOMC Rate Decision (Upper Bound)	Apr 29	%	3.8	3.8
Apr 30	Personal Income	Mar	M/M % Chg.	0.6	0.0
Apr 30	Real Personal Spending	Mar	M/M % Chg.	0.2	0.3
Apr 30	Initial Jobless Claims	Apr 25	Thsd	189.0	215.0
Apr 30	Employment Cost Index	1Q	Q/Q % Chg.	0.9	0.7
Apr 30	Gross Domestic Product Annualized	1Q	Q/Q % Chg.	2.0	0.5
Apr 30	Personal Consumption	1Q	Q/Q % Chg.	1.6	1.9
May 01	S&P Global US Manufacturing PMI	Apr	Index	54.5	54.0
May 01	ISM Manufacturing	Apr	Index	52.7	52.7
<b>Canada</b>					
Apr 29	Bank of Canada Rate Decision	Apr 29	%	2.3	2.3
Apr 30	Payroll Employment Change - SEPH	Feb	Thsd	-60.2	44.3
Apr 30	Gross Domestic Product	Feb	M/M % Chg.	0.2	0.1
May 01	S&P Global Canada Manufacturing PMI	Apr	Index	53.3	50.0
<b>International</b>					
Apr 27	JN Jobless Rate	Mar	%	2.7	2.6
Apr 29	JN Retail Sales	Mar	Y/Y % Chg.	1.7	-0.1
Apr 29	CH Manufacturing PMI	Apr	Index	50.3	50.4
Apr 30	EZ Gross Domestic Product SA	1Q	Y/Y % Chg.	1.1	1.3
Apr 30	EZ Consumer Price Index	Apr	Y/Y % Chg.	3.0	2.6
Apr 30	EZ Unemployment Rate	Mar	%	6.3	6.4
Apr 30	UK Bank of England Bank Rate	Apr 30	%	3.8	3.8
Apr 30	EZ ECB Main Refinancing Rate	Apr 30	%	2.2	2.2
Apr 30	JN Tokyo Consumer Price Index	Apr	Y/Y % Chg.	1.5	1.4

Source: Bloomberg, TD Economics.

Upcoming Economic Releases and Events: May 4 - 8						
Release Date	Time*	Economic Indicator/Event	Data for Period	Units	Consensus Forecast	Last Period
<b>United States</b>						
May 04	10:00	Factory Orders	Mar	M/M % Chg.	0.4	0.0
May 04	10:00	Factory Orders Ex Trans	Mar	M/M % Chg.	-	1.2
May 04	10:00	Durable Goods Orders	Mar	M/M % Chg.	0.8	0.8
May 04	10:00	Cap Goods Orders Nondef Ex Air	Mar	M/M % Chg.	-	3.3
May 04	12:50	<i>Fed's Williams Delivers Keynote Remarks</i>				
May 05	8:30	Trade Balance	Mar	Blns	-59.0	-57.3
May 05	9:45	S&P Global US Services PMI	Apr	Index	-	51.3
May 05	9:45	S&P Global US Composite PMI	Apr	Index	-	52.0
May 05	10:00	ISM Services Index	Apr	Index	53.7	54.0
May 05	10:00	New Home Sales	Feb & Mar	Thsd	668.0	587.0
May 05	10:00	<i>Fed's Bowman Speaks at Washington Financial Symposium</i>				
May 05	12:30	<i>Fed's Barr Speaks on Banking Regulation</i>				
May 06	8:15	ADP Employment Change	Apr	Thsd	79.0	62.0
May 06	9:30	<i>Fed's Musalem Speaks at Mississippi Bankers Association</i>				
May 06	13:00	<i>Fed's Goolsbee Speaks on Panel Event</i>				
May 07	8:30	Unit Labor Costs	1Q	Q/Q % Chg.	-	4.4
May 07	8:30	Initial Jobless Claims	May 02	Thsd	197.0	189.0
May 07	14:05	<i>Fed's Hammack Speaks in Fireside Chat</i>				
May 07	15:30	<i>Fed's Williams in Moderated Discussion</i>				
May 08	8:30	Change in Nonfarm Payrolls	Apr	Thsd	60.0	178.0
May 08	8:30	Average Hourly Earnings	Apr	M/M % Chg.	0.3	0.2
May 08	8:30	Unemployment Rate	Apr	%	4.3	4.3
May 08	10:00	Wholesale Trade Sales	Mar	M/M % Chg.	-	2.7
May 08	5:45	<i>Fed Governor Cook Speaks on Asset Tokenization</i>				
May 08	19:30	<i>Fed's Waller, Bowman, Daly and Goolsbee on Panel</i>				
<b>Canada</b>						
May 04	15:30	<i>BoC Governor and Senior Deputy Governor Appear At House of Commons Standing Committee on Finance</i>				
May 05	8:30	Int'l Merchandise Trade	Mar	Blns	-2.8	-5.7
May 06	16:15	<i>BoC Governor and Senior Deputy Governor Appear At Standing Senate Committee on Banking, Commerce and the Economy</i>				
May 08	8:30	Net Change in Employment	Apr	Thsd	5.0	14.1
May 08	8:30	Unemployment Rate	Apr	%	6.7	6.7
<b>International</b>						
May 07	5:00	EZ Retail Sales	Mar	Y/Y % Chg.	1.2	1.7

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

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