TD Economics

Weekly Bottom Line

May 8, 2026

Highlights

Canada

- Canada's labour market remained soft in April, with employment down and the unemployment rate rising to 6.9%.
- Canada's trade balance returned to surplus in March on stronger commodity exports, though net trade is still likely to subtract from Q1 GDP growth.
- A soft labour market and weak ex-energy trade should keep the Bank of Canada in a wait-and-see mode despite energy prices.

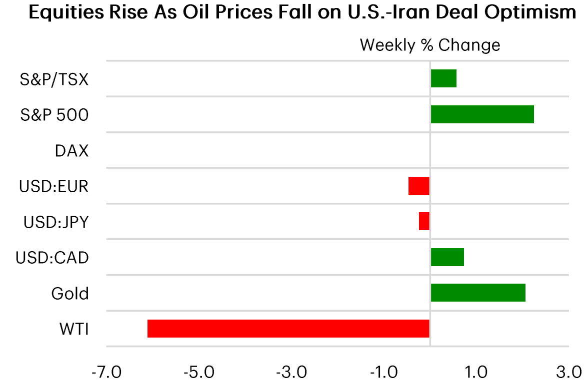
U.S.

- U.S. payroll growth was solid in April, defying market expectations, while the unemployment rate held steady at 4.3%.
- Historically lean jobless claims reaffirmed a muted environment for layoffs, while the ISM Services Index signaled continued expansion in the services side of the economy.
- Volatility in oil prices continued this week as WTI crude oil retreated from $105 per barrel to the mid-$90s later in the week on hopes of a breakthrough in U.S.-Iran negotiations.

This Week in the Markets				
	Current*	Week Ago	52-Week High	52-Week Low
Stock Market Indexes				
S&P 500	7385	7230	7385	5660
S&P/TSX Comp.	34069	33891	34541	25254
DAX	24321	24292	25421	22301
FTSE 100	10234	10364	10911	8532
Nikkei	62714	59513	62834	36929
Fixed Income Yields				
U.S. 10-yr Treasury	4.36	4.37	4.60	3.94
Canada 10-yr Bond	3.48	3.53	3.61	3.04
Germany 10-yr Bund	3.01	3.04	3.11	2.48
UK 10-yr Gilt	4.91	4.96	5.07	4.23
Japan 10-yr Bond	2.48	2.52	2.53	1.34
Foreign Exchange Cross Rates				
C$ (USD per CAD)	0.73	0.74	0.74	0.71
Euro (USD per EUR)	1.18	1.17	1.20	1.11
Pound (USD per GBP)	1.36	1.36	1.38	1.30
Yen (JPY per USD)	156.6	157.0	160.4	142.6
Commodity Spot Prices**				
Crude Oil ($US/bbl)	95.3	101.9	113.0	55.3
Natural Gas ($US/MMBtu)	2.70	2.63	30.72	2.54
Copper ($US/met. tonne)	13331.3	12916.4	13524.2	9477.3
Gold ($US/troy oz.)	4707.9	4614.2	5417.2	3177.3

*As of 11:19 AM on Friday. **Oil-WTI, Cushing, Nat. Gas-Henry Hub, LA (Thursday close price). Copper-LME Grade A. Gold-London Gold Bullion. Source: Bloomberg.

Equities Rise As Oil Prices Fall on U.S.-Iran Deal Optimism



Note: Data as of 11:42 AM ET, Friday, May 8, 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 – More Reason to Wait and See

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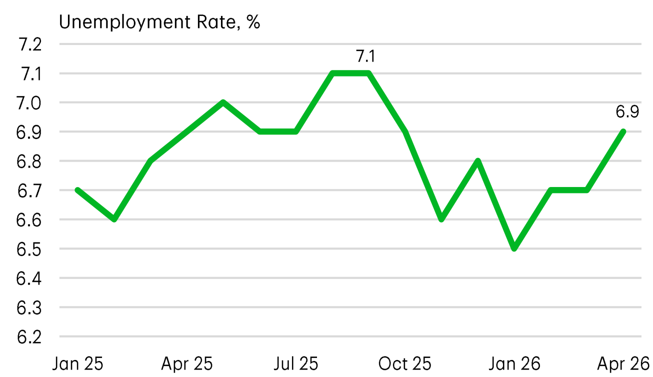
The price of oil prices slid below $100 this week (WTI benchmark) on optimism surrounding a potential U.S.-Iran deal, helping both bond and equity markets regain their footing. Canada's S&P/TSX Composite Index rose 0.6% on the week, though the gain was not enough to prevent it from surrendering its position as the world's seventh-largest equity market to South Korea (the KOSPI). Bond markets also rallied, pushing 5- and 10-year Government of Canada benchmark yields down 9 basis points to 3.5% and 3.1%, respectively.

April's jobs report provided a softer read on the economy. According to Statistics Canada, employment was little changed in April, declining by 18k versus expectations for a 10k gain, while the unemployment rate edged up to 6.9% (Chart 1). The labour force participation rate ticked up to 65.0%, contributing to the rise in unemployment. The increase in participation could be viewed as a modest positive, with workers being drawn into the labour market often a vote of confidence in job prospects. That said, there was little evidence of broader momentum beneath the surface. Meanwhile, wage growth decelerated in April, with constant-composition measures showing little improvement.

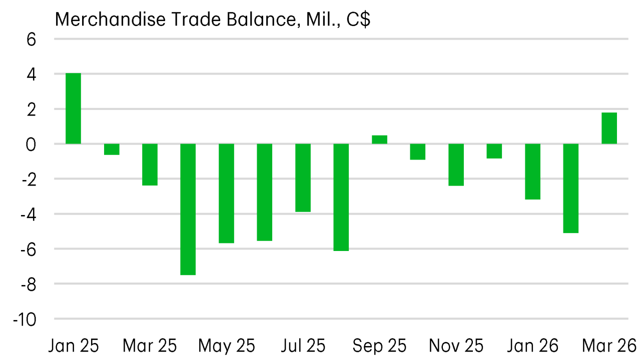
To some extent, this lack of labour market dynamism works in the Bank of Canada's favour by helping contain broader price pressures from the energy price shock. The Bank has continued to characterize labour conditions as "soft", reflecting subdued hiring and weaker demand for workers. As such, this report is unlikely to materially alter its current wait-and-see approach.

Chart 1: Canada's Unemployment Rate Rises But Remains Below Recent Peak



Source: Statistics Canada, TD Economics.

Chart 2: Canada's Trade Balance Returns to Surplus



Source: Statistics Canada, TD Economics.

A similar message came from the trade report. Canada's trade balance moved back into surplus in March after five consecutive monthly deficits (Chart 2). However, the improvement was largely driven by commodity prices and precious metals rather than broad-based external demand. Export values surged on higher crude oil prices and increased gold shipments, while imports pulled back following February's outsized gain.

Excluding metal, mineral, and energy products, export growth was far more moderate. As a result, March's trade report likely overstates the strength of the external sector. We continue to expect net trade to subtract from Q1 2026 real GDP growth, reflecting stronger imports over the quarter. If energy prices remain elevated, nominal exports and the trade balance should improve further in Q2 even if real export volumes remain subdued.

Higher energy exports, however, offer little consolation to consumers. Our proprietary card-spending data show gas station spending rising 3.6% on the month and 16.7% on the year in April, before the gas tax holiday took effect, adding pressure to household budgets. The Bank of Canada has indicated it stands ready to respond should higher energy prices feed more broadly into inflation, but for now there is little reason for policymakers to move decisively in either direction.

U.S. – Labor Market Resilient Despite Energy Shock

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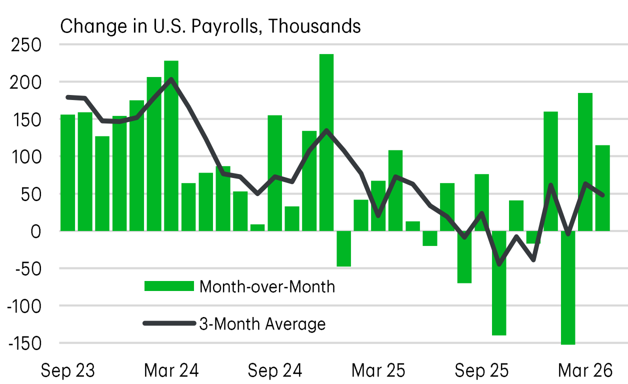
U.S. financial markets remained firm this week. The S&P 500 advanced roughly 2% to new record highs, supported by a pullback in oil prices and a better-than-expected jobs report. Long-term Treasury yields eased later in the week, with the 10-year note hovering near 4.35% – a hair below last week's close. Market pricing continues to reflect limited expectations for near-term rate cuts amid ongoing energy market uncertainty and a relatively resilient economy.

Resiliency was on display in the April jobs report, where nonfarm payrolls rose 115,000 – almost double the market consensus forecast. The unemployment rate held steady at 4.3% amid modest declines in both household employment and the labour force. Payrolls were volatile through the first quarter, due in part to factors like inclement weather and a healthcare strike in California. Looking through the volatility, it appears that job growth has picked up from its anemic trend at the end of last year and is now running at a decent pace that's allowing it to hold the unemployment rate steady (Chart 1). High-frequency indicators reinforced this resilient labour market picture: initial jobless claims remained very low by historical standards, while continuing claims fell to 1.77 million – a new two-year low.

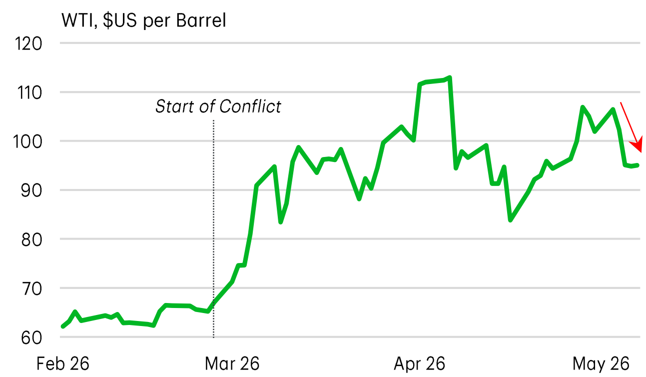
Other economic data lent further support to the resilience theme. The ISM Services Index eased modestly in April but remained comfortably above the 50-point expansion threshold. The details of the report, however, had a few blemishes. New orders recorded a notable pullback, while the prices-paid component remained elevated at 70.7 – the highest level since late 2022 and up notably from earlier this year – pointing to persistent cost pressures in the services sector.

Chart 1: Payrolls Gains Ease in April, But Remain Above Recent Trend



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

Chart 2: Oil Prices Drop On the Week On Improved Hopes of US-Iran Deal



Source: TD Economics. Daily frequency. Last data point is May 8th as of 10:00 AM.

With respect to prices, the good news is that the price of WTI crude oil, which had surged above $105/barrel late last week, fell back to the mid-$90s over the course of this week (Chart 2). This followed reports of U.S.–Iran negotiations and tentative de-escalation signals around the Strait of Hormuz. While constructive for inflation expectations, sustained disinflation will depend on a more durable resolution to the tensions.

These developments are likely front-of-mind for Fed Chair-nominee Kevin Warsh as he prepares to take the helm. Communication from the Fed this week maintained a cautious stance, with New York Fed President John Williams emphasizing that policy is "well positioned" to balance the risks to the dual mandate. Under the current backdrop, market odds remain strongly in favor of no Fed action over the near term, with the probability that rates are held steady this year still sitting at over 70%. Ultimately, this morning's better-than-expected jobs report, alongside other high-frequency indicators, helps ease concerns that the U.S. labour market has continued to deteriorate. This should give policymakers more breathing room to assess the extent to which higher energy prices filter into core inflation over the coming months.

Exhibits

Recent Key Economic Indicators: May 04 - 08						
Release Date		Economic Indicator/Event	Data for Period	Units	Current	Prior
United States						
May 04		Factory Orders	Mar	M/M % Chg.	1.5	0.3
May 04		Factory Orders Ex Trans	Mar	M/M % Chg.	1.6	1.6
May 04		Durable Goods Orders	Mar	M/M % Chg.	0.8	0.8
May 04		Cap Goods Orders Nondef Ex Air	Mar	M/M % Chg.	3.4	3.3
May 05		Trade Balance	Mar	Blns	-60.30	-57.80
May 05		S&P Global US Services PMI	Apr	Index	51.0	51.3
May 05		S&P Global US Composite PMI	Apr	Index	51.7	52.0
May 05		ISM Services Index	Apr	Index	53.6	54.0
May 05		New Home Sales	Feb & Mar	Thsd	635.0	583.0
May 06		ADP Employment Change	Apr	Thsd	109.0	61.0
May 07		Unit Labor Costs	1Q	Q/Q % Chg.	2.3	4.6
May 07		Initial Jobless Claims	May 02	Thsd	200.0	190.0
May 08		Change in Nonfarm Payrolls	Apr	Thsd	115.0	185.0
May 08		Average Hourly Earnings	Apr	M/M % Chg.	0.2	0.2
May 08		Unemployment Rate	Apr	%	4.3	4.3
May 08		Wholesale Trade Sales	Mar	M/M % Chg.	2.8	2.6
Canada						
May 05		Int'l Merchandise Trade	Mar	Blns	1.78	-5.11
May 08		Net Change in Employment	Apr	Thsd	-17.7	14.1
May 08		Unemployment Rate	Apr	%	6.9	6.7
International						
May 07	EZ	Retail Sales	Mar	Y/Y % Chg.	1.2	1.3

Source: Bloomberg, TD Economics.

Upcoming Economic Releases and Events: May 11 - 15, 2026							
Release Date	Time*		Economic Indicator/Event	Data for Period	Units	Consensus Forecast	Last Period
United States							
May 11	10:00		Existing Home Sales	Apr	Mlns	4.05	3.98
May 12	6:00		NFIB Small Business Optimism	Apr	Index	96.0	95.8
May 12	8:30		Consumer Price Index	Apr	Y/Y % Chg.	3.7	3.3
May 12	8:30		Consumer Price Index	Apr	M/M % Chg.	0.6	0.9
May 12	8:30		Core Consumer Price Index	Apr	Y/Y % Chg.	2.7	2.6
May 12	8:30		Core Consumer Price Index	Apr	M/M % Chg.	0.3	0.2
May 12	11:00		*NY Fed Quarterly Report on Household Debt and Credit*				
May 12	13:00		*Fed's Goolsbee Speaks at Greater Rockford Chamber of Commerce*				
May 13	8:30		PPI Ex Food and Energy	Apr	M/M % Chg.	0.3	0.1
May 13	8:30		PPI Final Demand	Apr	M/M % Chg.	0.5	0.5
May 13	11:30		*Fed's Collins Speaks on US Economy*				
May 13	13:15		*Fed's Kashkari in Moderated Discussion*				
May 14	8:30		Initial Jobless Claims	May 9	Thsd	206.0	200.0
May 14	8:30		Retail Sales Advance	Apr	M/M % Chg.	0.5	1.7
May 14	8:30		Retail Sales Ex Auto and Gas	Apr	M/M % Chg.	0.4	0.6
May 14	10:00		Business Inventories	Mar	M/M % Chg.	0.3	0.4
May 14	13:00		*Fed's Hammack Gives Opening Remarks*				
May 14	17:30		*Fed's Barr Speaks at Money Marketeers*				
May 15	8:30		Empire Manufacturing	May	Index	8.0	11.0
May 15	9:15		Capacity Utilization	Apr	%	75.8	75.7
May 15	9:15		Industrial Production	Apr	M/M % Chg.	0.2	-0.5
May 15	9:15		Manufacturing (SIC) Production	Apr	M/M % Chg.	0.1	-0.1
Canada							
May 11	10:30		*Bank of Canada Releases Market Participants Survey*				
May 13	13:30		*Bank of Canada Releases Summary of Deliberations*				
May 13	TBD		*External Deputy Governor Alexopoulos Speaks at Ottawa Economics Association*				
May 14	5:00		Existing Home Sales	Apr	M/M % Chg.	-	-0.1
May 14	8:30		Wholesale Sales ex Petroleum	Mar	M/M % Chg.	1.4	2.0
May 15	8:15		Housing Starts	Apr	Thsd	242.5	235.9
May 15	8:30		Manufacturing Sales	Mar	M/M % Chg.	3.5	3.6
International							
May 13	5:00	EZ	Employment	Q1	Y/Y % Chg.	-	0.7
May 13	5:00	EZ	Gross Domestic Product SA	Q1	Y/Y % Chg.	0.8	0.8
May 14	2:00	UK	Gross Domestic Product	Q1	Y/Y % Chg.	0.8	1.0

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