

Weekly Bottom Line

May 29, 2026

Highlights

Canada

- Markets swung on hopes of a Middle East truce, but the outlook remains fragile.
- Canada's economy has stalled out over the past two quarters, with weak domestic demand and patchy investment pointing to subdued momentum.
- The upcoming CUSMA review is now central, as Canada looks to pair greater trade clarity with an energy led investment strategy.

U.S.

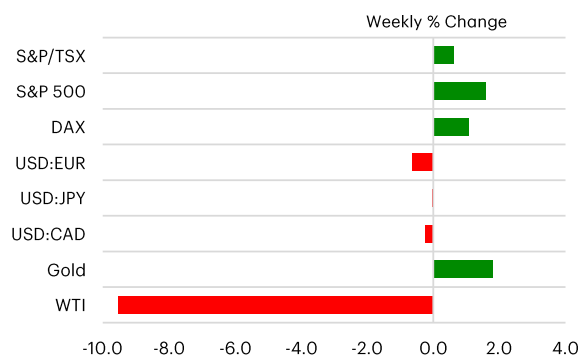
- Renewed hopes of a U.S.-Iran ceasefire extension pushed WTI prices 9% lower this week to \$88 per barrel.
- Consumer spending remained resilient in April, amid rising inflationary pressures and dwindling household savings.
- More Fed officials are joining the chorus of sounding increasingly hawkish, with Fed futures 60% priced for a rate hike by year-end.

This Week in the Markets

	Current*	Week Ago	52-Week High	52-Week Low
Stock Market Indexes				
S&P 500	7591	7473	7591	5912
S&P/TSX Comp.	34685	34471	34831	26175
DAX	25160	24889	25421	22301
FTSE 100	10454	10466	10911	8716
Nikkei	66330	63339	66330	37447
Fixed Income Yields				
U.S. 10-yr Treasury	4.43	4.56	4.67	3.94
Canada 10-yr Bond	3.41	3.53	3.70	3.04
Germany 10-yr Bund	2.93	3.04	3.19	2.48
UK 10-yr Gilt	4.80	4.90	5.17	4.23
Japan 10-yr Bond	2.67	2.76	2.79	1.39
Foreign Exchange Cross Rates				
C\$ (USD per CAD)	0.73	0.72	0.74	0.71
Euro (USD per EUR)	1.17	1.16	1.20	1.13
Pound (USD per GBP)	1.35	1.34	1.38	1.30
Yen (JPY per USD)	159.2	159.2	160.4	142.7
Commodity Spot Prices**				
Crude Oil (\$US/bbl)	87.38	96.60	113.0	55.3
Natural Gas (\$US/MMBtu)	3.04	2.92	30.72	2.54
Copper (\$US/met. tonne)	13656.2	13614.8	14109.5	9548.1
Gold (\$US/troy oz.)	4587.7	4509.4	5417.2	3274.3

*As of 11:15 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 Falls, Equities Gain on Prospect of U.S.-Iran Ceasefire Extension



Note: Data as of 11:15 AM ET, Friday, May 29, 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 – Canada’s Economy Stalls Ahead of Trade Negotiations

Andrew Hencic, Director & Senior Economist
416-944-5307

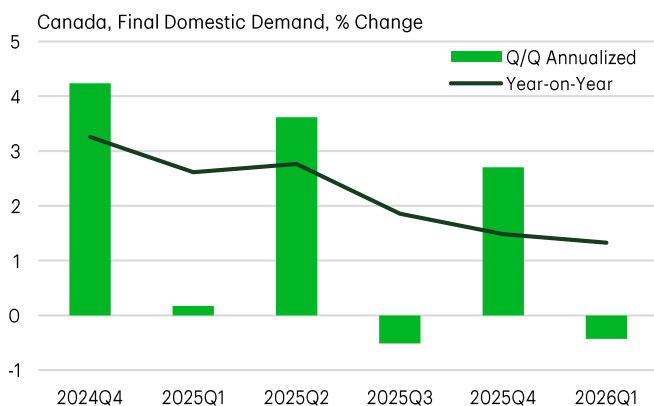
Hope for a peace deal to end the conflict between Iran and the U.S. and open the Strait of Hormuz dominated markets this week. While optimism around a possible 60-day truce has pushed oil prices sharply lower (down roughly nine percent relative to late last week), volatility remains elevated. Markets continue to respond quickly to shifting headlines, underscoring the fragility of the outlook. For Canada, this volatility comes at a time when market access to the U.S. remains an open question and continues to weigh on domestic activity.

The first quarter GDP report showed the economy effectively stalled (-0.1% quarter-on-quarter annualized, q/q), undershooting expectations. The weakness was broad-based. Strong import growth dragged down the top line figure, but final domestic demand declined again (-0.4% q/q), and continues to proceed in fits and starts (Chart 1). Looking through the volatility final domestic demand is up 1.3% year-on-year (y/y), but this is still a below-trend figure, and consistent with an economy operating below capacity.

Household spending grew 1.5% q/q, supported by services, but momentum eased from Q4. On the investment side, good growth in machinery, equipment and intellectual property products were offset by another large contraction in residential investment (-7.9% q/q) and weaker outlays on engineering structures. Government investment also reversed after gains in late 2025.

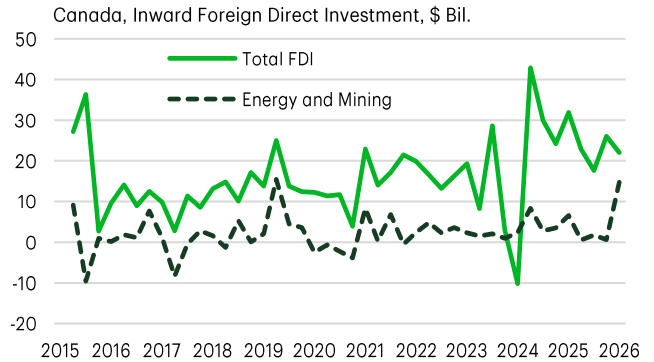
Overall, the economy continues to muddle along with limited forward momentum. While early Q2 indicators suggest some rebound (with April GDP tracking higher), the broader trend still points to slack in the economy and subdued growth.

Chart 1: Domestic Demand's Start-Stop Pattern



Source: Statistics Canada, TD Economics.

Chart 2: Inward FDI Flows into Energy and Mining Sector Rise



Source: Statistics Canada, TD Economics Last Observation: 2026Q1

Canada’s lackluster growth performance puts the focus squarely on the upcoming CUSMA review. The economy has operated under the cloud of uncertain U.S. market access ever since the first tranche of tariffs were announced last year. On Monday the three countries are due to notify each other of what changes they want in the agreement, with discussions to follow. The United States and Mexico have already scheduled formal negotiating rounds. Minister for U.S.-Canada Trade Dominic Leblanc is expected to travel to Washington next week, but the timelines for negotiations remain unclear.

To find some insights on the negotiations, Prime Minister Mark Carney’s speech in New York this week highlighted Canada’s strategy. He called for a “new partnership” with the United States, while simultaneously positioning Canada’s goal to establish itself as “an energy superpower”.

Recent foreign direct investment data suggest there might be something to the strategy. First quarter inflows were reported at \$22 billion (\$4 billion less than in Q4), and investments in the energy and mining sector were \$14.7 billion in the quarter (Chart 2). While these data are volatile, they align with Canada’s strategy to leverage its resource base and attract long-term capital.

The Canadian economy continues to muddle along under a cloud of trade uncertainty. The hope is that in the coming months, clarity and stability on the trade relationship with the U.S. emerges. Increased economic certainty, together with the push to attract global capital to invest in Canada, can lay the foundation for productivity-powered economic growth.

U.S. – Makings of a Deal

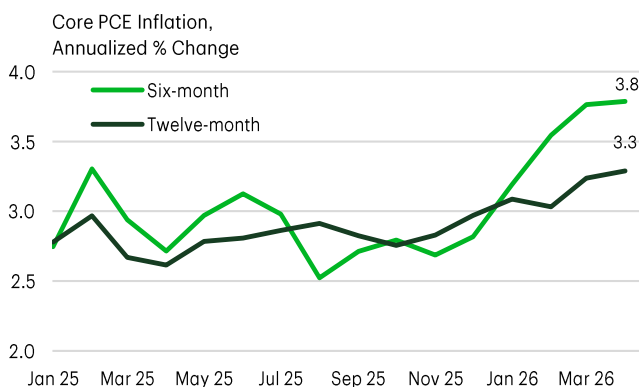
Thomas Feltmate, Director & Senior Economist
416-944-5730

It's been three months since the U.S. and Israel launched the initial attack on Iran. Hopes for a longer-term peace resolution rose this week following President Trump's comments that a peace deal had been "largely negotiated". Oil prices fell sharply on the news, though renewed attacks from both sides by mid-week briefly faded the optimism. But by Thursday evening, news outlines were reporting that the two sides had reached an agreement on a 60-day memorandum of understanding to extend the ceasefire, pending President Trump's approval. Oil prices traded 9% lower on the week and the WTI benchmark currently sits at \$88 per barrel. Meanwhile, economic data out this week reinforced a more cautious but still resilient consumer amid renewed inflationary pressures. The S&P 500 edged 1.3% higher on the week, while the 10-Year Treasury yield drifted lower by 12 basis points and currently sits at 4.44%.

This week's release of the April personal income & spending data offered a fresh dose of reality on the pain being inflicted on American households because of the energy shock. PCE inflation rose to a three-year high of 3.8% year-on-year and is likely to push north of 4% in May alongside a continued rise in gasoline prices. The picture didn't look much better once the effects of food & energy were removed, with core PCE inflation edging up to 3.3%. Three-and-six-month measures are even hotter, each up 3.8% (Chart 1).

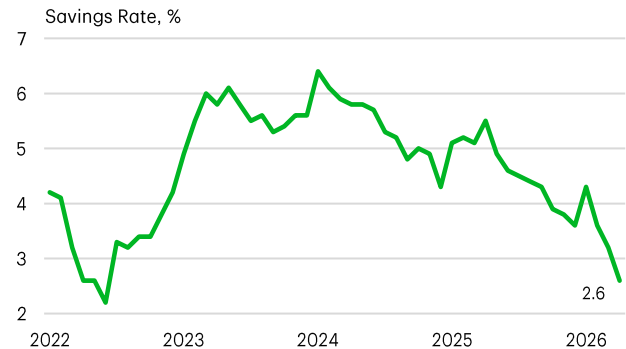
Despite the rise in inflation, the consumer has remained reasonably resilient. Nominal spending rose 0.5% m/m in April, following a stronger gain of 1% in March. After accounting for inflation, April's gain looked less stellar,

Chart 1: Inflation Continues to Edge Higher in April



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

Chart 2: Savings Rate Plummets to Four-Year Low in April



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

but still edged higher by 0.1% m/m. Hotter inflation is also working to erode consumer purchasing power, with real disposable income declining for a third consecutive month. This has left households increasingly reliant on savings to fuel spending. But with the savings rate having slipped to a four-year low, the buffer is looking increasingly thin.

According to a recent survey conducted by the Conference Board, households are reporting softer spending intentions in the months ahead. Fewer households are planning to purchase big-ticket items while two-thirds of consumers plan to reduce overall spending due to higher prices. While the survey metrics have been a less reliable predictor of actual spending post-pandemic, we can't completely disregard the signal. The energy shock has further strained affordability for lower-and-middle income households, who have not benefited to the same degree from past year's gains in home and equity prices.

And there's an increasing risk that affordability pressures could worsen if the energy shock is sustained much longer. A growing chorus of Fed officials are sounding increasingly hawkish amid rising inflationary pressures. Board member Lisa Cook said this week that if disinflation doesn't soon resume, she would be "prepared to raise rates". Meanwhile, Fed President Kashkari reiterated that the inflation fight takes priority as the labor market now appears to be in decent shape. This suggests next week's employment report will play second fiddle to the May CPI numbers due on June 10th. Fed futures are now 60% priced for a rate hike by year-end, but a hotter inflation report could pull forward expectations for a rate hike.

Exhibits

Recent Key Economic Indicators: May 25 - 29					
Release Date	Economic Indicator/Event	Data for Period	Units	Current	Prior
United States					
May 26	S&P Cotality CS 20-City NSA	Mar	Y/Y % Chg.	0.8	0.9
May 26	S&P Cotality CS US HPI NSA	Mar	Y/Y % Chg.	0.7	0.8
May 26	Conf. Board Consumer Confidence	May	Index	93.1	93.8
May 28	Building Permits	Apr	Thsd	1423.0	1442.0
May 28	Cap Goods Orders Nondef Ex Air	Apr	M/M % Chg.	-1.1	3.9
May 28	PCE Price Index	Apr	Y/Y % Chg.	3.8	3.5
May 28	Core PCE Price Index	Apr	Y/Y % Chg.	3.3	3.2
May 28	Durable Goods Orders	Apr	M/M % Chg.	7.9	1.3
May 28	Gross Domestic Product (Annualized)	Q1	Q/Q % Chg.	1.6	2.0
May 28	Personal Consumption	Q1	Q/Q % Chg.	1.4	1.6
May 28	Initial Jobless Claims	May 23	Thsd	215.0	210.0
May 28	Personal Income	Apr	M/M % Chg.	0.0	0.5
May 28	Real Personal Spending	Apr	M/M % Chg.	0.1	0.3
May 29	Advance Goods Trade Balance	Apr	Blns	-82.4	-85.3
Canada					
May 28	Payroll Employment Change (SEPH)	Mar	Thsd	-31.8	-38.2
May 29	Gross Domestic Product	Mar	M/M % Chg.	-0.1	0.2
May 29	Gross Domestic Product (Annualized)	Q1	Q/Q % Chg.	-0.1	-1.0
International					
May 28	JN Jobless Rate	Apr	%	2.5	2.7
May 28	JN Tokyo Consumer Price Index	May	Y/Y % Chg.	1.4	1.5
May 28	JN Retail Sales	Apr	Y/Y % Chg.	2.1	1.4
May 29	BZ Gross Domestic Product	Q1	Y/Y % Chg.	1.8	1.8

Source: Bloomberg, TD Economics.

Upcoming Economic Releases and Events: Jun 1 - 5						
Release Date	Time*	Economic Indicator/Event	Data for Period	Units	Consensus Forecast	Last Period
United States						
Jun 01	9:45	S&P Global US Manufacturing PMI	May	Index	55.3	55.3
Jun 01	10:00	ISM Manufacturing	May	Index	53.2	52.7
Jun 02	0:00	Wards Total Vehicle Sales	May	MIns	16.0	15.9
Jun 02	1:50	<i>Fed's Kashkari in Panel Discussion</i>				
Jun 02	8:30	<i>Fed's Hammack Speaks on Monetary Policy</i>				
Jun 03	8:15	ADP Employment Change	May	Thsd	120.0	109.0
Jun 03	9:00	<i>Fed's Barr in Moderated Discussion</i>				
Jun 03	9:45	S&P Global US Services PMI	May	Index	-	50.9
Jun 03	9:45	S&P Global US Composite PMI	May	Index	-	51.7
Jun 03	10:00	Factory Orders	Apr	M/M % Chg.	4.3	1.5
Jun 03	10:00	Factory Orders Ex Trans	Apr	M/M % Chg.	-	1.6
Jun 03	10:00	ISM Services Index	May	Index	53.7	53.6
Jun 03	10:00	Durable Goods Orders	Apr	M/M % Chg.	-	0.1
Jun 03	10:00	Cap Goods Orders Nondef Ex Air	Apr	M/M % Chg.	-	-1.1
Jun 03	14:00	<i>Fed Releases Beige Book</i>				
Jun 03	16:00	<i>Fed's Logan in Moderated Discussion</i>				
Jun 04	8:30	Unit Labor Costs	1Q	Q/Q % Chg.	2.4	2.3
Jun 04	8:30	Initial Jobless Claims	May 30	Thsd	-	215.0
Jun 04	13:10	<i>Fed's Daly at Bloomberg Technology Summit</i>				
Jun 05	8:30	Change in Nonfarm Payrolls	May	Thsd	93.0	115.0
Jun 05	8:30	Average Hourly Earnings	May	M/M % Chg.	0.3	0.2
Jun 05	8:30	Unemployment Rate	May	%	4.3	4.3
Canada						
Jun 01	9:30	S&P Global Canada Manufacturing PMI	May	Index	-	53.3
Jun 01	12:00	<i>Parliamentary Appearance by the Senior Deputy Governor of the Bank of Canada</i>				
Jun 05	8:30	Net Change in Employment	May	Thsd	10.0	-17.7
Jun 05	8:30	Unemployment Rate	May	%	6.9	6.9
International						
Jun 01	5:00	EZ Unemployment Rate	Apr	%	6.3	6.2
Jun 02	5:00	EZ Consumer Price Index Estimate	May	Y/Y % Chg.	3.3	3.0
Jun 02	5:00	EZ Consumer Price Index	May	Y/Y % Chg.	3.3	3.0
Jun 04	5:00	EZ Retail Sales	Apr	Y/Y % Chg.	0.3	1.2
Jun 05	5:00	EZ Gross Domestic Product SA	1Q	Y/Y % Chg.	0.8	0.8
Jun 05	5:00	EZ Employment	1Q	Y/Y % Chg.	-	0.5
Jun 05	6:30	IN Gross Domestic Product	1Q	Y/Y % Chg.	7.1	7.8

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

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