

Weekly Bottom Line

June 12, 2026

Highlights

Canada

- The Bank of Canada held the policy rate at 2.25%. Soft growth argues against further tightening, but the risk inflation pressures become more generalized keep cuts off the table, reinforcing a prolonged hold.
- Canada's international trade books moved further into surplus territory. Broad export gains and firmer volumes point to net trade supporting Q2 growth after dragging in Q1.
- The Canadian economy is expected to rebound in Q2, but it's not out of the woods – lingering uncertainty continues to cap the upside.

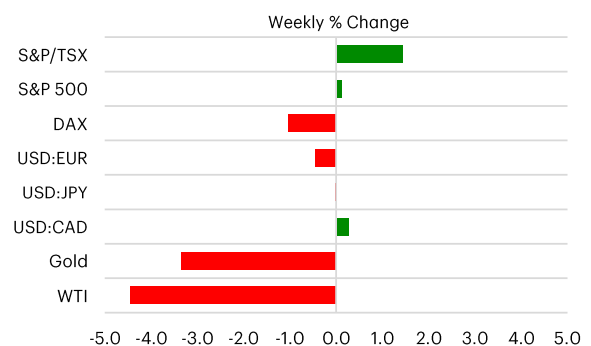
U.S.

- 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 |

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.

Canada – Walking the Tightrope

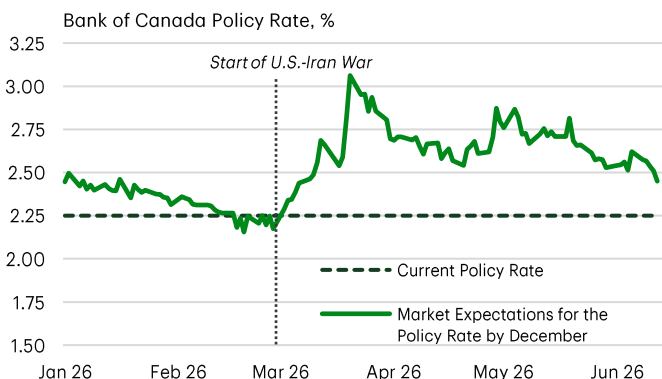
Marc Ecolao, Economist
416-983-0686

The Bank of Canada took center stage this week, holding its policy rate at 2.25%. It reinforced a message that has become increasingly clear: Canada’s economic growth is soft at the same time that risks to inflation remain elevated. The tone of the announcement struck a careful balance. Policymakers acknowledged that growth disappointed in Q1 and that excess supply persists, but flagged that higher oil prices are complicating the inflation outlook, despite core inflation measures having recently eased toward target.

This leaves the BoC in a narrow channel for future policy decisions. Importantly, Governing Council preserved optionality in both directions, noting it could respond if growth deteriorates more sharply or if inflation pressures filter through to core inflation. Markets interpreted the message as modestly dovish, with pricing for a 25 basis points (bps) hike by year-end edging lower following the decision. Recall, at the onset of the war, markets expected up to three quarter-point hikes by December as inflation concerns dominated. In that sense, market expectations are converging to our view that the policy rate will stay on hold through the rest of the year (Chart 1). Elsewhere in financial markets, upward inflation and rate hike expectations in the U.S. pushed the CAD to a fresh 7-month low (0.7140/USD), while Canadian government bond yields dipped by roughly 10 bps across the curve.

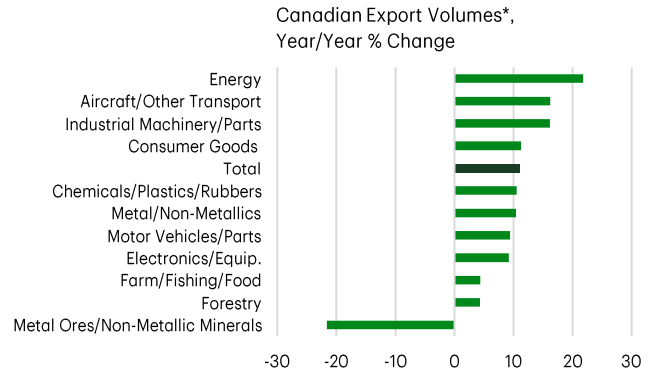
Away from monetary policy, this week’s data offered some constructive signals. Canada’s April merchandise trade surplus widened for a second consecutive

Chart 1: Markets Temper Expectations for a BoC Hike



Source: Bloomberg, TD Economics.

Chart 2: Canadian Exports Recovering, But Uncertainty Lies Ahead



*As of April 2026. Source: Statistics Canada, TD Economics.

month to the largest surplus since early 2025. While higher oil prices played a role, the details were encouraging: export volumes rose further and recent gains are reasonably broad-based (Chart 2). In other words underlying export momentum has improved after a weak start to the year. The upshot is that net trade now looks poised to contribute positively to Q2 growth, reversing its drag in Q1.

That improvement comes just as the July 1 CUSMA review approaches. At this stage a timely renewal looks unlikely as negotiations have yet to gain steam. However, missing the deadline does not imply a collapse of the agreement. Instead, CUSMA would remain in force and would shift to rolling annual reviews, raising the spectre of prolonged negotiations and ongoing trade uncertainty. For the Canadian economy, that means that the backdrop remains unsettled, weighing on business confidence and investment decisions in the near-term.

Friday’s Q1 national balance sheet release added another piece to the puzzle. Household net worth rose 1.3% q/q, while the debt service ratio edged up to 14.8%, underscoring that while households continue to provide some support to activity, high debt burdens are a constraint for many. Taken together, this week’s developments point to an economy regaining its footing, but not yet strong enough – or stable enough – to declare the soft patch is over.

U.S. – Price Pressures Now on the Front Foot

Admir Kolaj, Economist
416-944-6318

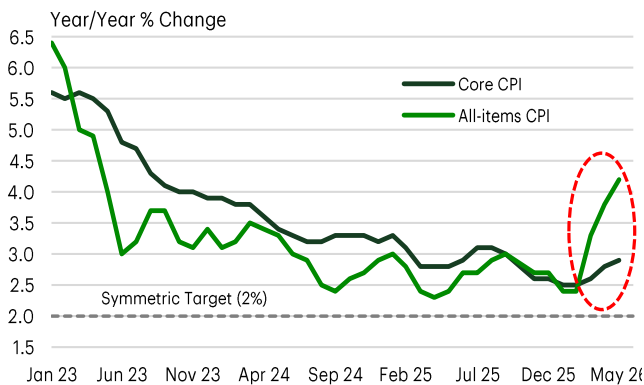
Middle East tensions spiked and then eased again this week, with President Trump threatening new strikes on Iran and then calling them off as he noted progress toward a deal. WTI oil prices, which had been holding near \$90/barrel, fell sharply toward \$85/barrel. The 10-year Treasury yield also dipped 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.

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.