

The Weekly Bottom Line

June 3, 2022

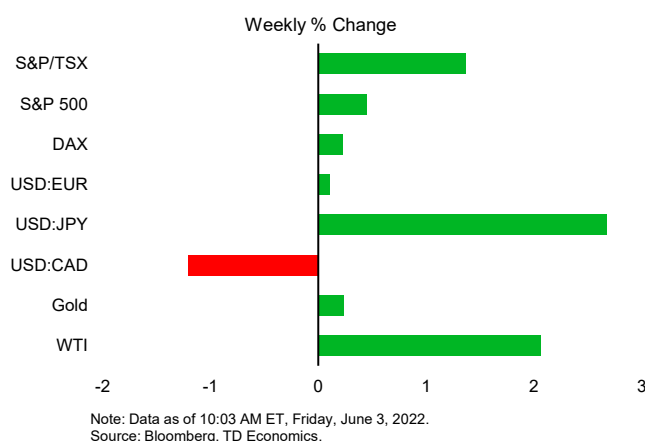
Highlights

- The U.S. economy continued to add jobs in May, though at a slower pace than in the previous month. The unemployment rate held steady at 3.6% and the labor force participation rate edged up by 0.1 percentage point.
- Job openings remained elevated at 11.4 million, even while workers continued to quit their jobs. With job openings exceeding the number of unemployed workers, labor market conditions may remain tight for some time yet.
- Both manufacturing and services activity continued to expand in May, though services did so at a slower rate. Both sectors also felt the hiring pinch, as the availability of workers dwindled.

This Week in the Markets				
	Current*	Week Ago	52-Week High	52-Week Low
Stock Market Indexes				
S&P 500	4130	4158	4797	3901
S&P/TSX Comp.	20881	20749	22087	19699
DAX	14467	14462	16272	12832
FTSE 100	7533	7585	7672	6844
Nikkei	27762	26782	30670	24718
Fixed Income Yields				
U.S. 10-yr Treasury	2.96	2.74	3.13	1.17
Canada 10-yr Bond	3.06	2.79	3.13	1.12
Germany 10-yr Bund	1.28	0.96	1.28	-0.50
UK 10-yr Gilt	2.16	1.92	2.16	0.51
Japan 10-yr Bond	0.23	0.23	0.25	0.01
Foreign Exchange Cross Rates				
C\$ (USD per CAD)	0.80	0.79	0.83	0.77
Euro (USD per EUR)	1.07	1.07	1.22	1.04
Pound (USD per GBP)	1.26	1.26	1.42	1.22
Yen (JPY per USD)	130.5	127.1	130.9	109.0
Commodity Spot Prices**				
Crude Oil (\$US/bbl)	117.3	115.1	123.7	62.3
Natural Gas (\$US/MMBtu)	8.86	8.24	9.39	2.97
Copper (\$US/met. tonne)	9498.5	9453.5	11299.5	8894.0
Gold (\$US/troy oz.)	1863.3	1853.7	2050.8	1726.4

*As of 10:06 AM on Friday. **Oil-WTI, Cushing, Nat. Gas-Henry Hub, LA (Thursday close price). Copper-LME Grade A. Gold-London Gold Bullion. Source: Bloomberg.

WTI Rises Amid Supply Concerns



Global Official Policy Rate Targets

Central Banks	Current Target
Federal Reserve (Fed Funds Rate)	0.75 - 1.00%
Bank of Canada (Overnight Rate)	1.50%
European Central Bank (Refi Rate)	0.00%
Bank of England (Repo Rate)	1.00%
Bank of Japan (Overnight Rate)	-0.10%

Source: Bloomberg.

TD Economics Key Financial Forecasts

	Current Rate 6/3/22	2021				2022				2023			
		Q1	Q2	Q3	Q4	Q1	Q2F	Q3F	Q4F	Q1F	Q2F	Q3F	Q4F
Fed Funds Target Rate	1.00	0.25	0.25	0.25	0.25	0.50	1.50	2.25	2.50	2.50	2.50	2.50	2.50
2-yr Govt. Bond Yield	2.67	0.16	0.25	0.28	0.73	2.28	2.85	2.90	2.85	2.65	2.55	2.40	2.30
10-yr Govt. Bond Yield	2.96	1.74	1.45	1.52	1.52	2.32	3.00	3.10	3.05	2.85	2.75	2.65	2.55
30-yr Govt. Bond Yield	3.12	2.41	2.06	2.08	1.90	2.44	3.05	3.15	3.10	3.05	3.00	2.95	2.85

Forecast by TD Economics as of May 2022; all forecasts are end-of-period. Source: Bloomberg, Federal Reserve Board, TD Economics.

Jobs Abound but Too Few Workers Around

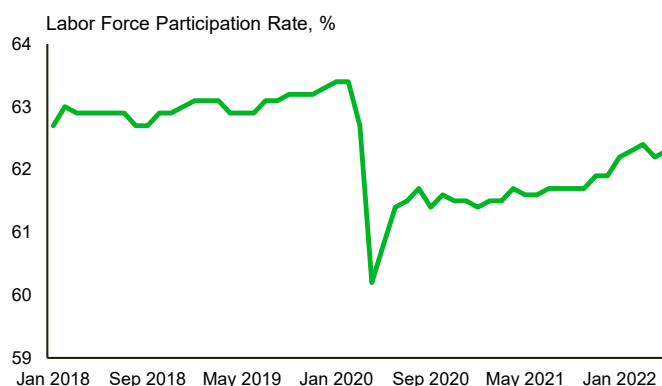
This week marks the start of a new month and with it, the start of the Fed's quantitative tightening program. As it tightens monetary policy to fight inflation, the Fed will allow up to \$47.5 billion of its treasury and mortgage-backed securities holdings to mature this month without reinvesting the proceeds. The net effect should help to push rates higher and tighten financial conditions, helping ease price pressures.

The Fed's Beige Book also reported that companies continued to struggle with rising prices and labor shortages during the spring, resulting in modest economic growth. The report notes however, that consumers are starting to push back on higher prices, thereby limiting companies' ability to fully pass on cost increases. To deal with labor shortages some businesses implemented greater automation, offered more job flexibility, and/or increased wages.

Job opening data for April further reinforced the tight labor market narrative. There were 11.4 million job openings in April, a pullback from the 11.9 million record attained in the previous month, but still well above pre-pandemic figures. Churn in the market remained elevated with workers quitting their jobs 4.4 million times, little changed from the prior month. The number of job openings has exceeded the number of unemployed persons looking for work for much of the past year (Chart 1) as fewer persons are seeking employment relative to before the pandemic.

The trend is set to continue as the U.S. added 390k jobs in May, lower than the 436k in April but ahead of market expectations for 325k (see [here](#)). Job gains were notable in

Chart 2: Labor Force Participation Rate Continues to Lag Pre-pandemic Levels



Source: Bureau of Labor Statistics, TD Economics. Last Observation: May 2022.

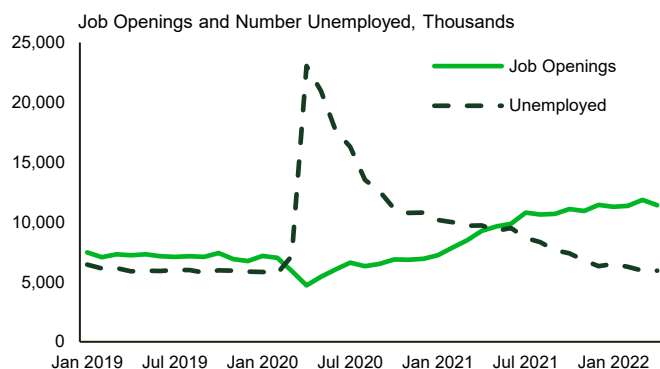
leisure and hospitality, professional and business services, and in transportation. Notably, employment in retail trade declined. The unemployment rate held steady at 3.6% – close to the 50-year low of 3.5%. While the labor-force participation rate continued to recover at 62.3%, it was still below the 63.4% attained prior to the pandemic, thereby contributing to the labor supply slump (Chart 2).

The ISM manufacturing survey showed that activity in the sector continued to accelerate in May despite supply-chain and pricing challenges (see [here](#)). The index came in at 56.1, exceeding April's 55.4 print. New orders, backlogs of orders and the production index all rose, reflecting manufacturers' struggles to keep up with above-trend demand for goods.

Conversely, while still in growth territory, activity in the services sector decelerated in May to 55.9 from 57.1 (see [here](#)). Despite new orders being higher on the month, business activity pulled back 4.6 points to a two-year low of 54.5. Services activity is expected to pick-up speed as summer progresses, though rising prices present challenges.

Despite current strong economic conditions, consumer confidence took a hit for the second consecutive month as high inflation soured the outlook. The Conference Board consumer confidence index dipped to 106.4 in May, from 108.6 in April, with both the present situation and the expectations index declining. Rising inflation, and measures to counteract it, may be putting a damper on consumers as they brace for the possible fallout.

Chart 1: Demand Continues to Exceed Supply Creating One of the Tightest Labor Markets on Record



Source: Bureau of Labor Statistics, TD Economics. Last Observation: April 2022.

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Recent Key Economic Indicators: May 30 - Jun 3, 2022						
Release Date	Economic Indicator/Event		Data for Period	Units	Current	Prior
United States						
May 31	S&P CoreLogic CS US HPI NSA		Mar	Y/Y % Chg.	20.6	20.0
May 31	Conference Board Consumer Confidence		May	Index	106.4	108.6
Jun 1	S&P Global US Manufacturing PMI		May	Index	57.0	57.5
Jun 1	ISM Manufacturing		May	Index	56.1	55.4
Jun 1	Wards Total Vehicle Sales		May	Mlns	12.7	14.3
Jun 2	ADP Employment Change		May	Thsd	128.0	202.0
Jun 2	Initial Jobless Claims		May 28	Thsd	200.0	211.0
Jun 2	Unit Labor Costs		1Q	Q/Q % Chg.	11.5	11.6
Jun 2	Cap Goods Orders Nondef Ex Air		Apr	M/M % Chg.	0.4	0.3
Jun 2	Durable Goods Orders		Apr	M/M % Chg.	0.5	0.4
Jun 2	Factory Orders		Apr	M/M % Chg.	0.3	1.8
Jun 2	Factory Orders Ex Trans		Apr	M/M % Chg.	0.3	2.2
Jun 3	Average Hourly Earnings		May	M/M % Chg.	0.3	0.3
Jun 3	Change in Nonfarm Payrolls		May	Thsd	390.0	436.0
Jun 3	Unemployment Rate		May	%	3.6	3.6
Jun 3	S&P Global US Composite PMI		May	Index	53.6	53.8
Jun 3	S&P Global US Services PMI		May	Index	53.4	53.5
Jun 3	ISM Services Index		May	Index	55.9	57.1
Canada						
May 31	8:30	Gross Domestic Product	Mar	M/M % Chg.	0.7	0.9
May 31	8:30	Quarterly Gross Domestic Product Annualized	1Q	Q/Q % Chg.	3.1	6.6
Jun 1	9:30	S&P Global Canada Manufacturing PMI	May	Index	56.8	56.2
Jun 1	10:00	Bank of Canada Rate Decision	Jun 1	%	1.5	1.0
International						
May 30	JN	Jobless Rate	Apr	%	2.5	2.6
May 30	JN	Retail Sales	Apr	Y/Y % Chg.	2.9	0.7
May 30	CH	Manufacturing PMI	May	Index	49.6	47.4
May 31	EZ	Consumer Price Index Estimate	May	Y/Y % Chg.	8.1	7.5
May 31	IN	Gross Domestic Product	1Q	Y/Y % Chg.	4.1	5.4
May 31	JN	Jibun Bank Japan PMI Manufacturing	May	Index	53.3	53.2
May 31	CH	Caixin China PMI Manufacturing	May	Index	48.1	46.0
Jun 1	EZ	Unemployment Rate	Apr	%	6.8	6.8
Jun 2	BZ	Gross Domestic Product	1Q	Y/Y % Chg.	1.7	1.6
Jun 3	EZ	Retail Sales	Apr	Y/Y % Chg.	3.9	1.6

Source: Bloomberg, TD Economics.

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Upcoming Economic Releases and Events: Jun 6 - 10, 2022						
Release Date	Time*	Economic Indicator/Event	Data for Period	Units	Consensus Forecast	Last Period
United States						
Jun 7	8:30	Trade Balance	Apr	Blns	-89.5	-109.8
Jun 8	10:00	Wholesale Trade Sales	Apr	M/M % Chg.	-	1.7
Jun 9	8:30	Initial Jobless Claims	Jun 4	Thsd	210.0	200.0
Jun 10	8:30	Consumer Price Index	May	M/M % Chg.	0.7	0.3
Jun 10	8:30	Consumer Price Index	May	Y/Y % Chg.	8.2	8.3
Jun 10	8:30	Consumer Price Index Ex Food and Energy	May	M/M % Chg.	0.5	0.6
Jun 10	8:30	Consumer Price Index Ex Food and Energy	May	Y/Y % Chg.	5.9	6.2
Canada						
Jun 7	8:30	International Merchandise Trade	Apr	Blns	-	2.5
Jun 9	11:00	<i>BoC Governor & Senior Deputy Governor Hold Financial System Review Press Conference</i>				
Jun 10	8:30	Net Change in Employment	May	Thsd	-	15.3
Jun 10	8:30	Unemployment Rate	May	%	-	5.2
International						
Jun 7	19:50	JN Gross Domestic Product Annualized SA	1Q	Q/Q % Chg.	-1.1	-1.0
Jun 8	5:00	EZ Employment	1Q	Y/Y % Chg.	-	2.6
Jun 8	5:00	EZ Gross Domestic Product SA	1Q	Y/Y % Chg.	5.1	5.1
Jun 9	7:45	EZ ECB Main Refinancing Rate	Jun 9	%	0.00	0.00
Jun 9	21:30	CH Consumer Price Index	May	Y/Y % Chg.	2.2	2.1

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

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