

Weekly Bottom Line

May 2, 2025

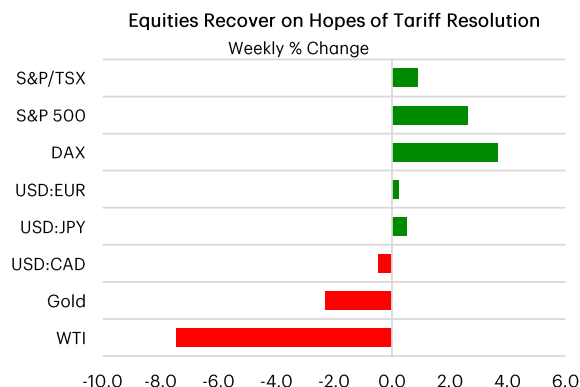
Highlights

U.S.

- The U.S. administration is scheduled to change another tariff rule tonight, ending the so-called de minimis provision which has exempted small packages from most duties in the past.
- U.S. GDP contracted in the first quarter of 2025, ending a long streak of expansion. The contraction was mostly owed to a surge in imports, as consumers and businesses tried to get ahead of tariffs.
- The U.S. payrolls report for April came in stronger than expected, revealing little impact to the job market from tariffs so far.

This Week in the Markets				
	Current*	Week Ago	52-Week High	52-Week Low
Stock Market Indexes				
S&P 500	5674	5525	6144	4983
S&P/TSX Comp.	24936	24711	25808	21517
DAX	23061	22242	23419	17339
FTSE 100	8614	8415	8871	7679
Nikkei	36831	35706	42224	31137
Fixed Income Yields				
U.S. 10-yr Treasury	4.31	4.24	4.79	3.62
Canada 10-yr Bond	3.18	3.18	3.76	2.83
Germany 10-yr Bund	2.52	2.47	2.90	2.03
UK 10-yr Gilt	4.49	4.48	4.89	3.76
Japan 10-yr Bond	1.26	1.34	1.59	0.79
Foreign Exchange Cross Rates				
C\$ (USD per CAD)	0.73	0.72	0.74	0.69
Euro (USD per EUR)	1.14	1.14	1.15	1.02
Pound (USD per GBP)	1.33	1.33	1.34	1.22
Yen (JPY per USD)	144.2	143.7	161.7	140.6
Commodity Spot Prices**				
Crude Oil (\$US/bbl)	58.6	63.0	83.9	58.2
Natural Gas (\$US/MMBtu)	3.08	2.71	9.33	1.22
Copper (\$US/met. tonne)	9239.9	9376.4	10800.8	8571.4
Gold (\$US/troy oz.)	3255.4	3319.7	3424.0	2293.8

*As of 11:21 AM on Friday. **Oil-WTI, Cushing, Nat. Gas-Henry Hub, LA (Thursday close price). Copper-LME Grade A. Gold-London Gold Bullion. Source: Bloomberg.



Note: Data as of 11:32 AM ET, Friday, May 2, 2025.
Source: Bloomberg, TD Economics.

Global Official Policy Rate Targets	
Central Banks	Current Target
Federal Reserve (Fed Funds Rate)	4.25 - 4.50%
Bank of Canada (Overnight Rate)	2.75%
European Central Bank (Refi Rate)	2.40%
Bank of England (Repo Rate)	4.50%
Bank of Japan (Overnight Rate)	0.50%

Source: Bloomberg.

TD Economics Key Financial Forecasts													
	Current Rate	2024				2025				2026			
	5/2/25	Q1	Q2	Q3	Q4	Q1	Q2F	Q3F	Q4F	Q1F	Q2F	Q3F	Q4F
Fed Funds Target Rate	4.50	5.50	5.50	5.00	4.50	4.50	4.25	3.75	3.75	3.75	3.25	3.00	3.00
2-yr Govt. Bond Yield	3.83	4.59	4.71	3.66	4.25	3.89	3.80	3.55	3.30	3.05	3.00	3.00	3.00
10-yr Govt. Bond Yield	4.32	4.20	4.36	3.81	4.58	4.23	4.28	4.20	4.00	3.80	3.75	3.75	3.75
30-yr Govt. Bond Yield	4.79	4.34	4.51	4.14	4.78	4.59	4.73	4.60	4.38	4.15	4.05	4.05	4.05
Forecast by TD Economics as of April 2025; all forecasts are end-of-period. Source: Bloomberg, Federal Reserve Board, TD Economics.													

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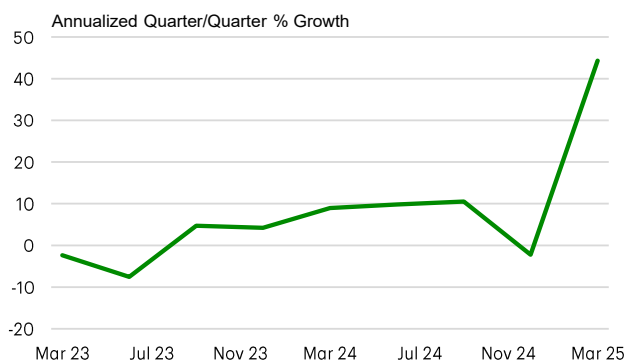
Another Week, Another New Tariff

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The U.S. economy has been showing resilience to tariffs so far, but will be increasingly pressure tested going forward under the weight of multiple tracks of tariffs. Tariffs, especially the very high 145 percent levy on imports from China, are about to start hitting even more goods; tonight is the deadline for the so-called de minimis provision to end. Under de minimis rules, small packages of \$800 or less imported from China to the U.S. are exempt from tariffs. This provision has meant that e-commerce retailers that sell clothing and other goods online directly to U.S. consumers were able to do so without being affected by tariffs. Over 1.25 billion shipments entered the U.S. in 2024 under the de minimis provision, and its end will mean price increases for a wide swath of consumers. Some of the most affected companies, such as Temu and Shein, have already indicated some changes to their operations because of the change to de minimis rules; these changes could include price increases for customers, shifting some of the sourcing for U.S. sales away from China, and as a consequence possibly seeing their U.S. business shrink. These measures are set to occur as progress on removing tariffs remains elusive, though we did see indications of a willingness to negotiate from both China and the EU late this week.

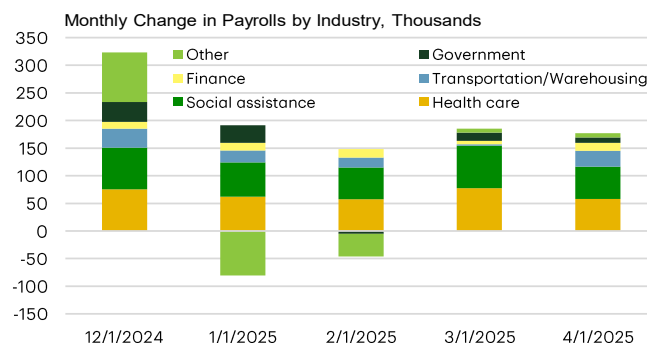
We long expected that roll-out of U.S. tariffs would create distortions in the data, notably the natural response of many U.S. businesses and consumers to get ahead of the higher levies. This week's advance estimate of U.S. GDP growth for the first quarter of 2025 confirmed our expectation – U.S. GDP shrank in the quarter, weighed down heavily by a massive surge in imports ahead of tariffs being put in place, much of the import surge seemingly for companies to stockpile inventories. Inflation

Chart 1: U.S. Imports Surged in the First Quarter



Source: BEA, Haver Analytics, TD Economics.

Chart 2: April Payrolls Showed Little Change from March



Source: BLS, Haver Analytics, TD Economics.

was also up for the quarter, but March showed some slowing from earlier in the year. Recent inflation readings are still above the Federal Reserve's target, however, so we expect this mild softening to be received with great caution.

The vast majority of tariffs were put in place after April 2, so all of this data is just a warm-up, so to speak. Most of this 1st-quarter data is warped by expectations of tariffs in the future, rather than being an indication of underlying trends. The real question of how economic activity is holding up is going to come through the data after April 2. This morning's jobs report for April, the first such data, was surprisingly resilient, and the unemployment rate remained unchanged at a fairly low 4.2 percent. We also saw April data for vehicle sales this morning come in strong, in part because dealers still have inventory that predates the auto tariffs. But that is still two points of hard data showing that activity did not take a big hit in April.

This week leaves us back in wait-and-see mode, as we have still seen very little data since tariffs were put in place. The economy has to pass through another deadline for tariffs to kick in tonight, and those will also take some time to filter through the economy. The Federal Reserve is set to meet next week, and we expect the central bank is still searching for more clarity on the outlook before contemplating rate cuts. Futures markets had been holding out hope for a June cut, but after today's jobs report, odds have been dialed back to around 40%. However, given the expectation that a weaker economy will ultimately trump higher inflation as the Fed's number one concern, investors are still anticipating between 3-4 cuts by year-end.

Exhibits

Recent Key Economic Indicators: Apr 28 - May 02, 2025					
Release Date	Economic Indicator/Event	Data for Period	Units	Current	Prior
United States					
Apr 29	Advance Goods Trade Balance	Mar	Blns	-162.0	-147.8
Apr 29	S&P CoreLogic CS 20-City NSA	Feb	Y/Y % Chg.	4.5	4.7
Apr 29	S&P CoreLogic CS US HPI NSA	Feb	Y/Y % Chg.	3.9	4.1
Apr 29	Job Openings	Mar	Mlns	7.19	7.48
Apr 29	Conf. Board Consumer Confidence	Apr	Index	86.0	93.9
Apr 30	ADP Employment Change	Apr	Thsd	62.0	147.0
Apr 30	Gross Domestic Product (Annualized)	Q1	Q/Q % Chg.	-0.3	2.4
Apr 30	Personal Consumption	Q1	Q/Q % Chg.	1.8	4.0
Apr 30	Personal Income	Mar	M/M % Chg.	0.5	0.7
Apr 30	Real Personal Spending	Mar	M/M % Chg.	0.7	0.1
Apr 30	Pending Home Sales	Mar	M/M % Chg.	6.1	2.1
May 1	Initial Jobless Claims	Apr 26	Thsd	241.0	223.0
May 1	S&P Global US Manufacturing PMI	Apr	Index	50.2	50.7
May 1	ISM Manufacturing	Apr	Index	48.7	49.0
May 1	Wards Total Vehicle Sales	Apr	Mlns	17.3	17.8
May 2	Change in Nonfarm Payrolls	Apr	Thsd	177.0	185.0
May 2	Unemployment Rate	Apr	%	4.2	4.2
May 2	Average Hourly Earnings	Apr	M/M % Chg.	0.2	0.3
May 2	Factory Orders	Mar	M/M % Chg.	4.3	0.5
May 2	Factory Orders Ex Trans	Mar	M/M % Chg.	-0.2	0.3
May 2	Durable Goods Orders	Mar	M/M % Chg.	9.2	9.2
May 2	Cap Goods Orders Nondef Ex Air	Mar	M/M % Chg.	0.1	0.1
Canada					
Apr 30	Gross Domestic Product	Feb	M/M % Chg.	-0.2	0.4
International					
Apr 29	JN Retail Sales	Mar	Y/Y % Chg.	3.1	1.3
Apr 29	CH Manufacturing PMI	Apr	Index	49.0	50.5
Apr 29	CH Caixin China PMI Mfg	Apr	Index	50.4	51.2
Apr 30	MX Gross Domestic Product NSA	Q1	Y/Y % Chg.	0.8	0.5
Apr 30	EZ Gross Domestic Product SA	Q1	Q/Q % Chg.	0.4	0.2
Apr 30	EZ Gross Domestic Product SA	Q1	Y/Y % Chg.	1.2	1.2
Apr 30	JN Jibun Bank Japan PMI Mfg	Apr	Index	48.7	48.5
May 1	JN Jobless Rate	Mar	%	2.5	2.4
May 2	EZ Consumer Price Index Estimate	Apr	Y/Y % Chg.	2.2	2.2
May 2	EZ Unemployment Rate	Mar	%	6.2	6.2

Source: Bloomberg, TD Economics.

Upcoming Economic Releases and Events: May 05 - 09, 2025						
Release Date	Time*	Economic Indicator/Event	Data for Period	Units	Consensus Forecast	Last Period
United States						
May 5	9:45	S&P Global US Services PMI	Apr	Index	51.4	51.4
May 5	9:45	S&P Global US Composite PMI	Apr	Index	-	51.2
May 5	10:00	ISM Services	Apr	Index	50.2	50.8
May 6	8:30	Trade Balance	Mar	Blns	-122.0	-122.7
May 7	14:00	FOMC Rate Decision (Upper Bound)	May 7	%	4.50	4.50
May 8	8:30	Unit Labor Costs	Q1	Q/Q % Chg.	5.4	2.2
May 8	8:30	Initial Jobless Claims	May 3	Thsd	-	-
May 8	10:00	Wholesale Trade Sales	Mar	M/M % Chg.	-	2.4
May 8	11:00	NY Fed 1-Yr Inflation Expectations	Apr	%	-	3.6
May 9	6:15	<i>Fed's Williams Gives Keynote Address in Reykjavik</i>				
May 9	8:00	<i>Fed's Kugler Gives Keynote Address in Reykjavik</i>				
May 9	10:00	<i>Fed's Goolsbee Gives Remarks at Fed Listens Event</i>				
May 9	10:40	<i>Fed's Barr Gives Keynote Address in Reykjavik</i>				
May 9	11:30	<i>Fed's Williams, Waller on Panel at Hoover</i>				
May 9	19:45	<i>Fed's Musalem, Hammack, Bowman on Panel at Hoover</i>				
Apr 26 - May 8		<i>Fed's External Communications Blackout</i>				
Canada						
May 6	8:30	Int'l Merchandise Trade	Mar	Blns	-	-1.5
May 6	10:00	Ivey Purchasing Managers Index SA	Apr	Index	-	51.3
May 8	10:00	<i>Financial Stability Report</i>				
May 8	10:00	<i>Financial System Survey</i>				
May 9	8:30	Net Change in Employment	Apr	Thsd	25.0	-32.6
May 9	8:30	Unemployment Rate	Apr	%	6.7	6.7
International						
May 6	20:30	JN Jibun Bank Japan PMI Services	Apr	Index	-	52.2
May 7	5:00	EZ Retail Sales	Mar	Y/Y % Chg.	1.6	2.3
May 8	7:00	UK Bank of England Bank Rate	May 8	%	4.25	4.50
May 9	21:30	CH Consumer Price Index	Apr	Y/Y % Chg.	-	-0.1

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

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