

Week ending June 06, 2025

Market developments

Equities: U.S. equities surged to their highest levels since February, with the S&P 500 advancing 1% to reach the 6,000 mark, driven by stronger-than-expected employment data and growing optimism around U.S.-China trade relations. The May jobs report showed non-farm payrolls increased 139,000, narrowly exceeding the Bloomberg consensus estimate of 126,000, which helped alleviate concerns about an imminent economic slowdown that had been weighing on investor sentiment.

Fixed Income: Treasury markets experienced a sharp selloff following the robust jobs data, with the 10-year Treasury yield climbing 11 basis points to 4.50%, marking its highest level since May 29.

Commodities: Oil prices posted their largest weekly gain since November, with West Texas Intermediate climbing almost 2% to settle above US\$64 a barrel. The stronger-than-expected U.S. jobs data eased concerns about demand deterioration from an economic slowdown, while optimistic signals on U.S.-China trade negotiations provided additional support.

Performance (price return)

SECURITY	PRICE	WEEK	1 MONTH	3 MONTH	YTD
Equities (\$Local)					
S&P/TSX Composite	26,429.13	0.97%	5.82%	7.51%	6.88%
S&P 500	6,000.36	1.50%	7.02%	4.56%	2.02%
NASDAQ	19,529.95	2.18%	10.40%	8.08%	1.13%
DAX	24,304.46	1.28%	4.54%	3.78%	22.08%
NIKKEI 225	37,741.61	-0.59%	2.47%	0.10%	-5.40%
Shanghai Composite	3,385.36	1.13%	2.09%	0.13%	1.00%
Fixed Income (Performance in %)					
Canada Aggregate Bond	237.79	-0.19%	0.18%	0.04%	1.03%
US Aggregate Bond	2245.34	0.12%	0.11%	0.30%	2.57%
Europe Aggregate Bond	245.48	-0.22%	0.32%	2.58%	0.71%
US High Yield Bond	27.64	0.32%	1.65%	1.26%	3.01%
Commodities (\$USD)					
Oil	64.64	6.33%	9.39%	-2.59%	-9.87%
Gold	3308.05	0.57%	-3.61%	13.61%	26.04%
Copper	483.20	3.30%	2.05%	1.11%	20.00%
Currencies (\$USD)					
US Dollar Index	99.18	-0.15%	-0.06%	-4.69%	-8.58%
Loonie	1.3697	0.31%	0.59%	4.37%	5.02%
Euro	0.8775	0.43%	0.24%	5.66%	10.07%
Yen	144.81	-0.55%	-1.63%	2.19%	8.56%

Source: Bloomberg, as of June 06, 2025

Central Bank Interest Rates

Central Bank	Current Rate	June 2025 Expected Rate*	December 2025 Expected Rate*
Bank of Canada	2.75%	2.72%	2.47%
U.S. Federal Reserve	4.50%	4.33%	3.89%
European Central Bank	2.00%	1.92%	1.68%
Bank of England	4.25%	4.21%	3.83%
Bank of Japan	0.50%	0.48%	0.66%

Source: Bloomberg, as of June 06, 2025

*Expected rates are based on bond futures pricing

Macro developments

Canada – Manufacturing Struggles Continue, Unemployment Rises Driven by Trade Tensions

The S&P Global Canada Manufacturing PMI rose to 46.1 in May from 45.3 in April, remaining below 50 for the fourth consecutive month. Output and new orders contracted sharply, with manufacturers blaming tariffs and unpredictable US trade policy for weak demand. Companies reduced staffing and faced accelerating input cost inflation.

Canada's unemployment rate climbed to 7.0% in May from 6.9% in April, reaching its highest level since September 2021. The number of jobless individuals surged by 51,900, signaling businesses are feeling the impact of US-imposed tariffs. Manufacturing shed 12,200 jobs due to tariffs on aluminum, steel, and automotive industries.

The Bank of Canada held its benchmark interest rate at 2.75% in June, marking the second consecutive hold after seven rate cuts. The governing council cited uncertainty from fluctuating US tariffs and trade negotiations as creating downside risks to growth and upward pressure on inflation.

U.S. – Manufacturing and Services Contract, Labor Market Shows Mixed Signals

The ISM Manufacturing PMI fell to 48.5 in May from 48.7 in April, below expectations of 49.5 and marking the third consecutive month of contraction. The decline was the sharpest since November 2024, with output, new orders and employment all falling amid volatile trade policies.

The ISM Services PMI declined to 49.9 in May from 51.6 in April, well below expectations of 52.0 and marking the first contraction since June 2024. Production stalled and new orders contracted due to tariff uncertainty, while price pressures intensified to their highest level since November 2022.

US nonfarm payrolls increased by 139,000 in May, slightly above forecasts of 126,000 but down from April's revised 147,000. Healthcare, leisure and hospitality saw gains, while federal government jobs declined by 22,000 and manufacturing lost 8,000 positions. The unemployment rate held steady at 4.2%.

Job openings rose by 191,000 to 7.391 million in April, above expectations of 7.10 million. Professional services, education, health services and retail trade posted increases, while accommodation and food services declined significantly.

International – Eurozone Inflation Falls Below Target, ECB Cuts Rates, China Manufacturing Contracts

Eurozone consumer price inflation eased to 1.9% year-on-year in May from 2.2% in April, falling below the ECB's 2.0% target for the first time since September 2024. Services inflation slowed sharply to 3.2% from 4.0%, while energy prices declined 3.6%.

The ECB cut key interest rates by 25 basis points in June based on updated forecasts. GDP growth is projected at 0.9% in 2025, supported by higher real incomes and strong labor markets despite trade uncertainties. President Lagarde suggested the cutting cycle is nearing its end.

China's Caixin Manufacturing PMI unexpectedly declined to 48.3 in May from 50.4 in April, missing forecasts and marking the first contraction in eight months. Output shrank for the first time in 19 months while new orders contracted at the sharpest rate since 2022.

Quick look ahead

DATE	COUNTRY /REGION	EVENT		SURVEY	PRIOR
08-Jun-25	Japan	GDP Annualized SA QoQ	1Q F	(0.7)	(0.7)
08-Jun-25	China	PPI YoY	May	(3.1)	(2.7)
08-Jun-25	China	CPI YoY	May	(0.2)	(0.1)
10-Jun-25	United Kingdom	ILO Unemployment Rate 3Mths	Apr	4.6	4.5
10-Jun-25	Japan	PPI YoY	May	3.5	4.0
11-Jun-25	United States	CPI YoY	May	2.5	2.3
11-Jun-25	United States	CPI Ex Food and Energy YoY	May	2.9	2.8
12-Jun-25	United States	PPI Final Demand YoY	May	2.6	2.4
12-Jun-25	United States	PPI Ex Food and Energy YoY	May	3.1	3.1

P = Preliminary

F = Final

T = Third

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