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Weekly Market Snapshot

For the week ending June 6, 2025

Equities

Local currency, price only, % change

	2025-06-06	Week	QTD	YTD	1Y
S&P/TSX Composite	26,429	1.0%	6.1%	6.9%	18.9%
S&P/TSX Small Cap	893	4.2%	9.3%	9.6%	15.5%
S&P 500	6,000	1.5%	6.9%	2.0%	12.1%
NASDAQ	19,530	2.2%	12.9%	1.1%	13.7%
Russell 2000	2,132	3.2%	6.0%	-4.4%	4.0%
UK FTSE 100	8,838	0.7%	3.0%	8.1%	6.7%
Euro Stoxx 50	5,430	1.2%	3.5%	10.9%	7.1%
Nikkei 225	37,742	-0.6%	6.0%	-5.4%	-2.5%
MSCI China (USD)	74	2.4%	0.1%	14.7%	22.7%
MSCI EM (USD)	1,183	2.2%	7.4%	10.0%	10.2%

Fixed income

Total return, % change

	2025-06-06	Week	QTD	YTD	1Y
FTSE Canada Universe Bond	1,176	-0.7%	-1.4%	0.6%	4.8%
FTSE Canada All Corporate Bond	1,461	-0.5%	-0.3%	1.5%	6.9%
Bloomberg Canada High Yield	196	0.3%	1.1%	2.2%	6.5%

Interest rates - Canada

Change in bps

	2025-06-06	Week	QTD	YTD	1Y
3-month T-bill	2.66	2	4	-50	-198
GoC bonds 2 yr	2.70	11	24	-23	-124
GoC bonds 10 yr	3.34	14	37	11	-5
GoC bonds 30 yr	3.58	11	36	25	27

Currencies and Commodities

In USD, % change

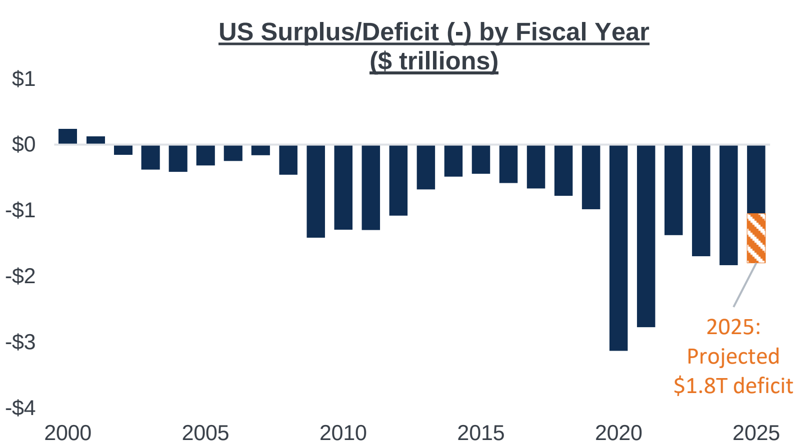
	2025-06-06	Week	QTD	YTD	1Y
CADUSD	0.730	0.3%	5.1%	5.0%	-0.2%
US Dollar Index	99.19	-0.1%	-4.8%	-8.6%	-4.7%
Oil (West Texas)	64.58	6.2%	-9.7%	-10.0%	-14.5%
Natural Gas	3.78	9.8%	-15.4%	7.4%	8.0%
Gold	3,310	0.6%	6.0%	26.1%	39.3%
Copper	4.85	3.6%	-4.6%	18.5%	3.5%

Canadian sector performance

Price return, % change

	Week	YTD
Energy	1.8%	0.8%
Materials	3.3%	28.9%
Industrials	-0.5%	4.8%
Cons. Disc.	0.4%	9.2%
Info Tech	1.5%	2.2%
Health Care	-0.9%	-15.9%
Financials	0.7%	5.8%
Cons. Staples	-1.3%	4.4%
Comm. Services	-0.4%	-0.7%
Utilities	-0.8%	6.9%
Real Estate	0.4%	5.2%

Chart of the week: Nothing stops this train



*When Elon Musk joined President Trump on the campaign trail last year, a core rallying cry was **reining in America's runaway fiscal deficit**—culminating in Musk's appointment to lead the Department of Government Efficiency (DOGE). But last week's public fallout between Musk and Trump, combined with Republicans pushing forward with the "One Big Beautiful Bill," exposes a harsher truth: **nothing is stopping this fiscal train.***

*Despite the alarm bells, the bill's razor-thin passage—by just one vote in the House—underscores deep Republican divisions. To get it over the line, lawmakers added spending concessions to appease local interests—diluting the party's message of fiscal discipline. While the headline pitch focuses on avoiding $450 billion in near-term tax hikes via the 2017 Tax Cuts and Jobs Act (TCJA) extensions—a positive for growth—new discretionary outlays undermine claims of fiscal restraint. **As this week's chart illustrates, the US remains on track for back-to-back $1.8 trillion annual deficits, with national debt already exceeding $36 trillion.***

*According to the Congressional Budget Office (CBO), the bill will widen deficits by $2.4 trillion over the next decade. The damage stems largely from $3.7 trillion in revenue losses tied to tax cuts, including extensions of TCJA and new measures like exempting tips from income tax. These are only partially offset by $1.3 trillion in spending cuts, mainly from Medicaid and SNAP. When $551 billion in additional debt-servicing costs are included, the total fiscal hit climbs to $3 trillion, pushing debt held by the public from 117% to 124% of GDP by 2034. The wild card in the fiscal equation is tariffs. A separate CBO analysis estimates that **Trump's proposed tariffs could reduce the deficit by $2.8 trillion over the same horizon**. But the report includes a significant caveat: the estimate assumes tariffs are permanent and remain at current levels—an assumption the CBO itself acknowledges is highly uncertain.*

***The bond market is reacting.** The 10-year Treasury yield climbed back to 4.50% last week—partly on the heels of a strong jobs report (more below) but also reflecting growing concerns about fiscal…*

*…sustainability. Net interest costs, which surpassed defence spending in 2023, are projected to hit $1 trillion this year, absorbing 15–20% of tax revenue—**a threshold that has historically triggered austerity. With $9 trillion in debt maturing, refinancing at higher rates only deepens the burden.** Trump's recent call for a 1% rate cut aims to ease this strain but Fed Chair Powell remains in a bind: inflation remains sticky, the labour market remains resilient…*

*tariff-related price pressures are rising. **Premature easing risks damaging the Fed's credibility and exacerbating the dollar's recent weakness.***

Steady hands

Despite another volatile week, global equities managed to power higher, thanks to late-week optimism around US-China trade relations. On Thursday, Presidents Trump and Xi held their first call since Trump's inauguration, setting a constructive tone ahead of resumed trade negotiations set for June 9 in London. Markets also welcomed China's pledge to restore rare earth magnet exports—key inputs for US automakers facing potential production halts.

The Bank of Canada (BoC) held its policy rate steady for a second consecutive meeting, citing a rebound in core inflation and ongoing resilience in GDP growth. Still, the Governing Council emphasized a data-dependent stance, acknowledging uncertainty around the inflationary and growth effects of tariffs. Notably, the Bank flagged signs of labour market softening—a warning validated by Friday's jobs report, which showed employment rising by just 8.8k in May and the unemployment rate ticking up to 7.0%, its highest level since 2016 outside of the pandemic. **With trade headwinds building—exports plunged 11% in April—and the job market expected to deteriorate further, we believe the BoC is likely to resume rate cuts in the second half of the year.**

In the US, the economy added 139k jobs in May, reinforcing the Fed's patient stance. While downward revisions subtracted 95k jobs from the prior two months, April job openings surprised to the upside, wage growth remained solid, and layoff rates held near cycle lows—all signs of underlying labour market resilience. Still, cracks are emerging: ADP payrolls missed expectations, Q1 nonfarm productivity fell 1.5%, and the ISM Services Index slipped into contraction for the first time in nearly two years.

The Fed faces a delicate balancing act. On one hand, job gains and wage growth signal economic momentum; on the other, rising labour costs, renewed tariffs, and potential fiscal stimulus threaten to reignite inflation. The productivity decline may reflect labour hoarding—companies retaining staff despite slower output—amid uncertainty over trade policy and automation costs. This dynamic could be overstating the strength of the labour market, particularly if a growth slowdown becomes more acute, while also keeping inflation sticky.

Bottom line: Both the BoC and the Fed are navigating murky waters. With trade disruptions, stubborn inflation, and signs that growth is downshifting shaping the macro landscape, central banks are in no rush to act. **Barring a sharper downturn or clear disinflation, patience remains the prevailing policy stance.**

The week in review

- The Bank of Canada (BoC) held overnight rates steady at 2.75% for the second consecutive meeting. Uncertainty around US tariffs drove the decision, but policymakers noted that further rate cuts may be necessary if the economy weakens.
- The European Central Bank (ECB) cut their benchmark interest rates by 25 bps, lowering the deposit facility to 2.0%, the main refinancing rate to 2.15%, and the marginal lending facility rate to 2.4%.
- Canadian employment (May) rose 8.8k (versus -10.0k expected), after the prior month's 7.4k increase. The unemployment rate rose to 7.0% from 6.9%, while the participation rate held steady at 65.3%.
- US non-farm payrolls (May) rose 139k (versus 126k expected). However, the prior two month's were revised down a total -95k. The unemployment rate held steady at 4.2%, while the participation rate fell to 62.4% from 62.6% in the prior month. Average hourly earnings rose 0.4% m/m, holding the annual pace steady at 3.9%.
- US weekly initial jobless claims (as at May 31) rose to 247k (versus 235k expected), up from 239k.
- US JOLTS job openings (Apr.) unexpectedly rose to 7.39 million from 7.20 million in the prior month. The quits rate fell to 2.0% from 2.1%, while the layoffs rate edged up to 1.1% from 1.0%.
- Canada's merchandise trade deficit (Apr.) widened to a record $7.1 billion (versus $1.5 billion expected), up from an upwardly revised $2.3 billion in the prior month. Exports plunged -10.8% m/m, the largest drop since the pandemic, driven by a -17% drop in motor vehicles and parts amid auto tariffs.
- US ISM Manufacturing PMI Index (May) fell to 48.5 (versus 49.5 expected), down from 48.7 in the prior month. US ISM PMI Services Index contracted for the first time in nearly a year, falling to 49.9 (prev. 51.6) amid a pullback in demand—new orders and business activity components fell to a five-year low—due to higher tariffs. The prices paid component jumped to 68.7, the highest level since 2022, suggesting businesses are facing higher costs.
- The US trade deficit (Apr.) narrowed to $61.6 billion (versus $66.0 billion expected), down from $138.3 billion in the prior month.
- Eurozone headline CPI (May) was flat m/m (in line with expectations), lowering the annual pace to 1.9% y/y from 2.2% in the prior month. Core prices also slowed, decelerating from 2.3% y/y from 2.7% in the prior month. PPI inflation decelerated to 0.7% y/y from 1.9%.
- The Eurozone unemployment rate fell slightly to 6.2% from an upwardly revised 6.3% in the prior month.

The week ahead

- US CPI report
- Canadian National Balance Sheet and Financial Flow Accounts (Q1)
- Chinese aggregate yuan financing, trade and inflation data
- UK GDP, employment, industrial production and trade data
- Eurozone industrial production and trade data