FINMETRIX

MARKET COMMENTARY

ANALYSIS OF THE MONTH

INTRODUCTION

June 2026

May confirmed a more uneven global environment, with inflation still sensitive to energy markets and growth becoming less synchronized across regions. In Canada, lower inflation contrasts with a weaker labour market and cautious domestic demand. In the United States, resilient activity is being tested by energy-driven price pressures and high interest rates. Europe continues to face renewed inflation, weak growth and a more defensive trade environment. In the United Kingdom, inflation is easing, but labour and trade conditions remain fragile. In China, exports continue to support activity while domestic demand stays uneven. Meanwhile, urea prices fell sharply, though energy and geopolitical risks continue to shape the outlook.

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CAD

- Canada’s economy is slowing unevenly, with inflation easing and the labour market showing more weakness.
- The Bank of Canada remains cautious as growth, housing and trade stay sensitive to borrowing costs and external tensions.

MORE DETAILS

The USDCAD pair moved from approximately 1.3598 to 1.3796 over the month of May. Canadian inflation slowed in April, with annual CPI falling to 1.7%, from 2.3% in March. The decline was largely driven by lower energy prices, but services and some domestic cost components remain worth monitoring. This gives the Bank of Canada more flexibility, without necessarily confirming a rapid shift toward additional easing.

The Bank of Canada held its policy rate at 2.25%, maintaining a cautious stance. Markets are now focused on when the central bank may judge that conditions are in place for further rate cuts. The improvement in inflation supports that direction, but wage growth, services prices and domestic demand remain key variables.

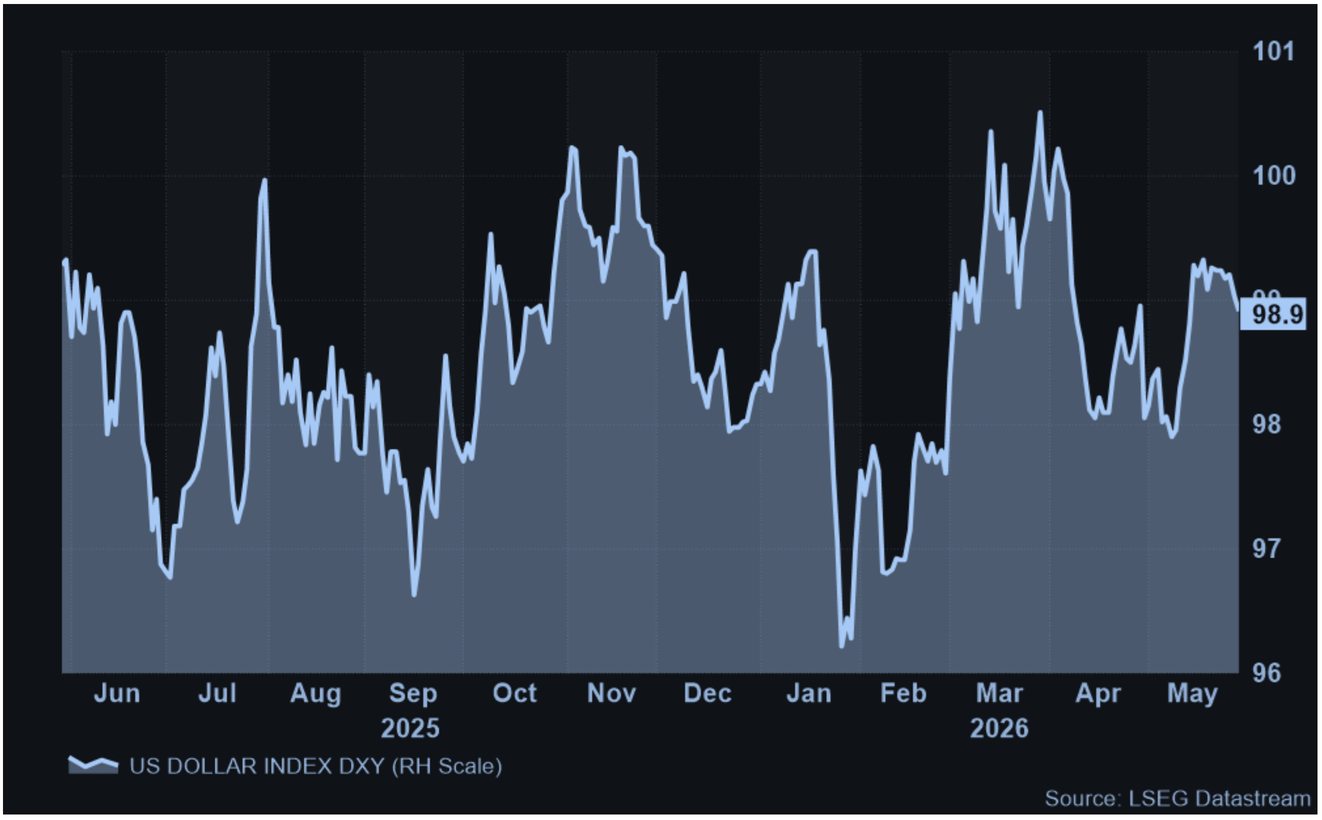
Economic activity remains moderate, but recent data suggest a more pronounced slowdown. According to Statistics Canada, real GDP was essentially flat in the first quarter of 2026, placing Canada in a technical recession after two consecutive quarters of very weak growth. Domestic demand stays constrained as households remain sensitive to borrowing costs and businesses stay cautious on investment.

The labour market is showing more weakness. In April, the economy lost 18,000 jobs, while the unemployment rate rose from 6.7% to 6.9%. The deterioration mainly reflects slower hiring rather than a large wave of layoffs, but it still points to softer demand for labour. Younger workers remain particularly exposed, as entry-level hiring becomes more selective.

The housing market remains mixed. More sellers entered the market in the spring, improving available supply, but affordability remains limited by mortgage rates and still-elevated prices. On trade, Canada continues to pursue diversification, particularly with Asia and Europe, while its relationship with the United States remains essential but more exposed to trade tensions.

USD

- The U.S. economy remains resilient, but energy-driven inflation and high interest rates are reducing policy flexibility.
- Growth is still positive, although labour momentum and housing activity are gradually softening.



MORE DETAILS

The DXY index moved from approximately 98.21 to 98.91 over the month of May. Inflation remains the main point of tension for the Federal Reserve. In March, CPI rose 3.3% year-over-year, up from 2.4% in February, with a monthly increase of 0.9%. The pressure was mainly driven by energy, while inflation excluding food and energy remained more moderate at 2.6%. This suggests a significant shock, but one that remains relatively concentrated.

In this context, the Fed held rates unchanged in April, keeping the target range at 3.50% to 3.75%. Inflation remains too high to justify a rapid easing cycle, while economic activity is showing clearer signs of moderation. Markets therefore remain cautious, as the rate path will depend largely on whether the energy-driven shock proves temporary.

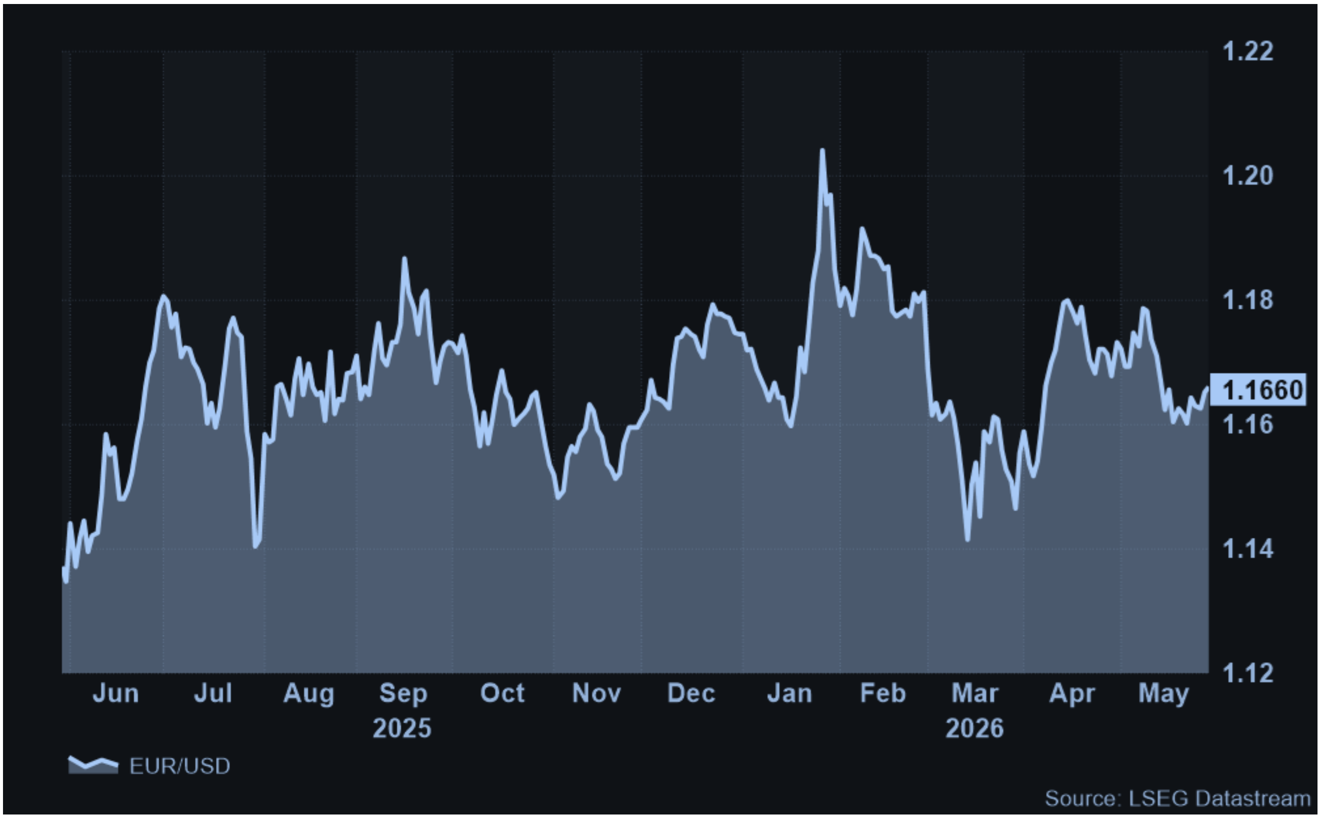
Growth remains positive, but less robust. Real GDP increased 1.6% annualized in the first quarter, after a stronger performance at the end of 2025. Consumer spending continues to support activity, but is slowing, while inventories and some investment categories are contributing less. RBC Economics notes that AI-related investment remains solid, helping support specific parts of the economy.

The labour market still provides support, but is losing momentum. In April, the economy added 115,000 jobs, compared with 185,000 in March, while the unemployment rate held steady at 4.3%. Job gains remain concentrated in a few sectors, including health care, transportation and retail trade, pointing to a labour market that is less broad-based than before.

The housing sector remains constrained by financing costs, as elevated mortgage rates continue to limit affordability and transactions. On trade, tariff tensions continue to create uncertainty, particularly around the relationship with China. The U.S. economy therefore remains on solid footing, but with less room to maneuver between inflation, high rates and moderate demand.

EUR

- Europe is facing renewed inflation pressure from energy, while growth remains weak and trade conditions become more defensive.
- The labour market still provides support, but it does not fully offset weaker industry and investment.



MORE DETAILS

The EURUSD pair moved from approximately 1.1726 to 1.1660 over the month of May. Inflation returned as the main point of tension in the euro area. In April, annual CPI reached 3.0%, up from 2.6% in March, its highest level since September 2023. The increase was mainly driven by energy prices, which rose 10.9%, while services inflation eased slightly to 3.0%, from 3.2% the previous month. This composition complicates the disinflation path, as the energy shock gradually feeds into costs for businesses and households.

In this context, the European Central Bank kept rates unchanged in April, while adopting a more cautious tone. Policymakers must balance renewed inflation pressure with weaker economic momentum. Cutting too early could reinforce price pressures, while keeping conditions restrictive for too long could weigh further on activity.

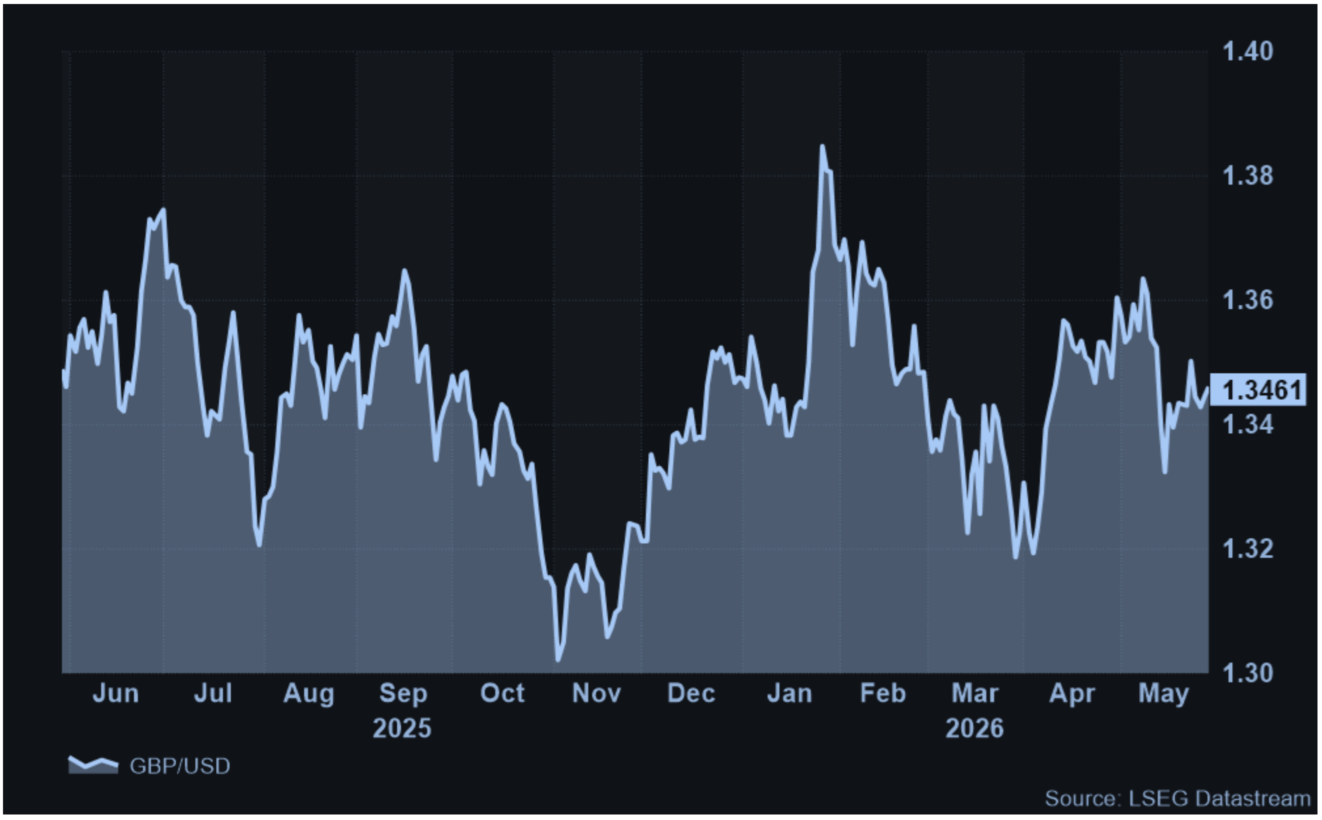
Growth confirms this slower environment. Euro area GDP rose only 0.1% in the first quarter of 2026, after 0.2% in the previous quarter. The European Commission now expects growth of 0.9% in 2026, down from 1.4% in 2025, as energy costs, weak industrial activity and trade uncertainty weigh on confidence.

The labour market remains one of the few supports. The euro area unemployment rate is expected to remain around 6.4% in 2026, helping stabilize household income. However, this resilience does not fully offset the pressure on consumption and investment.

On trade, Europe is facing a more defensive environment. Tensions with China and the United States, particularly around autos, steel and protective measures, are increasing uncertainty for exporters. The euro area therefore enters the next phase with inflation, energy and trade limiting economic visibility.

GBP

- The UK is seeing inflation cool, but the economy remains uneven.
- Services are supporting growth, while labour conditions, energy exposure and trade uncertainty continue to limit visibility.



MORE DETAILS

The GBPUSD pair moved from approximately 1.3578 to 1.3461 over the month of May.UK inflation slowed in April, with annual CPI falling to 2.8%, from 3.3% in March. The decline was supported by a more favourable contribution from housing-related costs and services, while services inflation eased to 3.2%, from 4.5% the previous month. Core inflation also slowed to 2.5%, from 3.1%, giving a more encouraging signal on domestic price pressures, although inflation remains above the Bank of England's 2% target.

In this context, the Bank of England held its policy rate at 3.75% in April, with an 8 to 1 vote, as one member preferred an increase to 4.00%. The decision reflects a cautious balance between improving inflation data and persistent external risks. Energy prices remain sensitive to tensions in the Middle East, which could still slow the disinflation process if fuel or utility costs rise again.

The UK economy is showing some resilience, but the recovery remains uneven. GDP rose 1.1% year-over-year in the first quarter of 2026, up from 1.0% in the previous quarter and above market expectations. Growth was mainly supported by services, which increased 1.4%, while production was flat and construction declined 1.3%, highlighting the gap between stronger service activity and weaker goods-producing sectors.

The labour market remains more fragile. The unemployment rate returned to 5.0%, while job vacancies continued to fall. Wage growth also slowed to around 3.4%, reducing some inflation pressure but pointing to less dynamic labour demand. This softer backdrop limits household income momentum.

On trade, the United Kingdom remains exposed to global energy costs. As a net energy importer, higher oil and gas prices can worsen the terms of trade and raise costs for businesses. This vulnerability limits visibility, even as the broader economy is holding up better than expected.

CNH

- China’s economy remains supported by exports and industrial activity, but domestic demand is still uneven.
- Stable monetary policy and strong trade flows help support growth, though property and consumer confidence remain fragile.

MORE DETAILS

The USDCNH pair moved from approximately 6.8302 to 6.7639 over the month of May. China's economy remains supported by exports and industrial activity, but domestic demand is still uneven. Inflation stayed subdued in April, with CPI rising 1.2% year-over-year, up from 1.0% in March. Food prices declined 1.6%, helping limit pressure on households. Producer prices, however, increased 2.8% year-over-year, their strongest pace in nearly four years, reflecting higher energy and raw material costs.

In this context, the People's Bank of China kept benchmark lending rates unchanged in May for a 12th consecutive month. The one-year loan prime rate remained at 3.00%, while the five-year rate, important for property lending, stayed at 3.50%. Policymakers continue to favor stability rather than broad easing, while keeping room for targeted support if domestic activity weakens. The priority remains to support growth without increasing financial risks or putting renewed pressure on the currency.

Trade remains the main source of momentum. Exports rebounded 14.1% year-over-year in April, after rising only 2.5% in March, while imports increased 25.3%. The rebound suggests that external demand remains supportive, helped in part by front-loaded orders from some companies. However, this also leaves China exposed to tariff risks, logistics disruptions and softer global consumption if trade conditions deteriorate later in the year.

Growth continues to rely heavily on manufacturing, exports and selected technology sectors. Consumer demand remains more cautious, and the property sector is still limiting broader confidence. The labour market also requires attention, especially among younger workers, where sentiment remains fragile. China therefore enters the next phase with solid headline activity, but still dependent on external demand, controlled monetary support and a gradual recovery in domestic confidence.

Commodities - Urea

- Urea prices fell sharply in May after earlier volatility, but the market remains exposed to energy costs, Chinese export decisions and geopolitical risks.
- The recent relief still depends on a more durable improvement in global supply.

MORE DETAILS

Urea prices, used as both an agricultural fertilizer and a cosmetic active ingredient, fell sharply in May after a period of significant volatility earlier in the spring. Urea was trading around USD 450 per tonne by the end of May, down more than 30% over the month, but still slightly above its level from a year earlier. The decline reflects resistance from several importers after the sharp price increases seen during the geopolitical shock, as well as a temporary shift in demand toward lower-cost nitrogen alternatives.

The recent pullback does not mean market tensions have disappeared. After the escalation of the U.S.-Iran conflict, prices had risen by more than 80% in some markets, including Brazil and Egypt. Disruptions around the Strait of Hormuz revived concerns about ammonia and urea flows, two essential inputs for global agriculture. This sensitivity matters because nitrogen fertilizers remain closely tied to natural gas prices and energy-linked logistics.

China remains a key variable. Beijing moved to stabilize its domestic fertilizer market by releasing reserves, while a broader return of Chinese urea exports could help ease global tightness. Conversely, new trade restrictions or another increase in natural gas prices could quickly revive upward pressure. This uncertainty complicates purchasing decisions for distributors and agricultural producers, who must balance lower current prices against the risk of renewed volatility.

For farmers, the environment remains fragile despite the recent relief. Fertilizer remains one of the most important input costs in crop production, meaning sudden price swings can quickly affect planting budgets and margins. Prices declined in May, but volatility is still elevated and costs remain sensitive to energy markets, export decisions and geopolitical risks. Urea is therefore entering an adjustment phase, where the recent relief still needs to be confirmed by a more durable improvement in supply.

BEYOND THE MARKETS

Protectionism reshapes green technologies

Rising protectionism is changing global markets for green technologies. Governments are increasingly using tariffs, subsidies and local-content rules to support domestic industries in sectors such as batteries, electric vehicles, hydrogen and solar power.

This trend may accelerate some national investments, but it is also fragmenting supply chains and increasing costs for companies. The energy transition is therefore becoming more strategic, but also more difficult to coordinate globally.

Source: Corporate Knights

Link: HERE

Packaging becomes a macro signal

The packaging sector is increasingly acting as an early indicator of global economic conditions. Because it is closely tied to consumption, trade, raw materials and logistics, changes in packaging activity can quickly reveal shifts in demand and cost pressures.

Rising material prices, transport delays or changing packaging volumes can signal supply chain tensions or shifts in consumer behaviour. For businesses, the sector offers a practical view of real economic activity.

Source: Packaging Gateway

Link: HERE

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