Canada Rate Cut Fuels Market Rally Despite Expanding ISM Services

Scott McIntyre

The main service index from the Institute of Supply Management (ISM) unexpectedly moved from contraction to expansion in May, rising from 49.4 to a nine-month high of 53.8. The sub-50 April reading had represented the first service sector contraction since December 2022, but apparently the welcomed weakness was short-lived.

The business activity index jumped 10.3 points to 61.2, the highest level since November 2022 and the largest single month increase in more than three years, while the new orders index continued a 17-month expansion streak, climbing from 52.2 to 54.1. An increased number of purchasing managers reporting a rise in new orders suggests sustained service sector health in the coming months.

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