

Weekly Bottom Line

July 11, 2025

Highlights

Canada

- The tariff roller coaster rumbled on this week with Canada receiving a tariff letter from President Trump announcing a higher 35% tariff rate beginning August 1st.
- The market response to the Canadian news has been muted, and rightfully so, as hope for negotiations persists.
- The labour market offered some good news this morning, with the unemployment rate falling back to 6.9%, on healthy employment gains.

U.S.

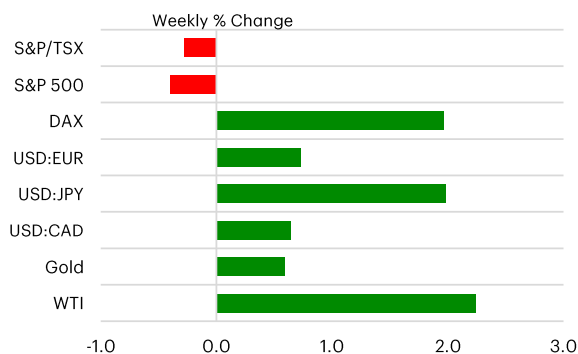
- Trade tensions heated up this week, as President Trump announced higher tariffs on 23 trading partners as well as a 50% tariff on copper imports as of August 1st.
- If implemented, the combined announcements would add over 2 percentage points to the U.S. effective tariff rate, bringing it to a near century high of 17%.
- Minutes from the June 17th-18th FOMC meeting showed a growing divide among policymakers on when to resume rate cuts. A September rate cut is currently 63% priced in by Fed futures markets.

This Week in the Markets

	Current*	Week Ago	52-Week High	52-Week Low
Stock Market Indexes				
S&P 500	6252	6279	6280	4983
S&P/TSX Comp.	26990	27036	27082	21881
DAX	24263	23787	24550	17339
FTSE 100	8935	8823	8976	7679
Nikkei	39570	39811	42224	31137
Fixed Income Yields				
U.S. 10-yr Treasury	4.41	4.35	4.79	3.62
Canada 10-yr Bond	3.50	3.35	3.54	2.83
Germany 10-yr Bund	2.73	2.61	2.90	2.03
UK 10-yr Gilt	4.63	4.55	4.89	3.76
Japan 10-yr Bond	1.52	1.44	1.59	0.79
Foreign Exchange Cross Rates				
C\$ (USD per CAD)	0.73	0.74	0.74	0.69
Euro (USD per EUR)	1.17	1.18	1.18	1.02
Pound (USD per GBP)	1.35	1.37	1.37	1.22
Yen (JPY per USD)	147.4	144.5	158.8	140.6
Commodity Spot Prices**				
Crude Oil (\$US/bbl)	68.3	67.0	82.9	57.1
Natural Gas (\$US/MMBtu)	3.11	3.23	9.33	1.22
Copper (\$US/met. tonne)	9699.6	9959.9	10219.3	8571.4
Gold (\$US/troy oz.)	3366.1	3337.2	3432.3	2364.6

*As of 11:28 AM on Friday. **Oil-WTI, Cushing, Nat. Gas-Henry Hub, LA (Thursday close price). Copper-LME Grade A. Gold-London Gold Bullion. Source: Bloomberg.

Equities Pause, Dollar Rallies on New Tariff Announcements



Note: Data as of 12:08 PM ET, Friday, July 11, 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)	2.15%
Bank of England (Repo Rate)	4.25%
Bank of Japan (Overnight Rate)	0.50%

Source: Bloomberg.

Canada – Good News, Bad News

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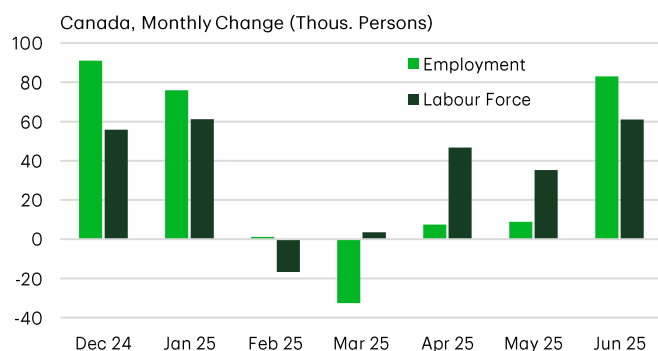
The tariff roller coaster rumbled on this week with Canada among the list of countries receiving a tariff letter from President Trump. A higher tariff rate of 35% is supposed to take effect August 1st, a date that comes after the one month deadline Prime Minister Carney and President Trump outlined at the G-7 meeting in June. The President also announced a new 50% tariff on copper, and a delay in the threatened pharmaceutical tariff.

The market response to the Canadian news has been muted, and rightfully so as a lot remains unclear. The 35% rate is above the current 25% rate on non-USMCA compliant goods from the fentanyl-related tariffs. However, further muddying the water are emerging reports that USMCA compliant goods might still be eligible for duty free access to the U.S., blunting some of the pain of the higher rate.

Any carve-out is material. Although the top-line tariffs are still high, and together with the sectoral tariffs, are impacting the flows of goods to the U.S., many products (almost 60%) that crossed the border were USMCA compliant in May.

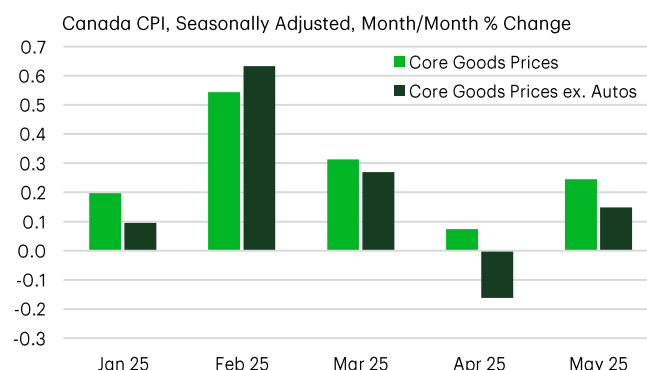
Ultimately, where the final rate lands is still an open question. The President continues to emphasize room for negotiation, and talks are ongoing. Unfortunately for the Canadian economy, uncertainty abounds amid the multitude of different tariff rates, deadlines and exemptions. Steely patience seems to be a prerequisite as the deadline for a deal approaches.

Chart 1: Employment Outpaces Labour Force Gains For the First Time Since February



Source: Statistics Canada, TD Economics.

Chart 2: Will Core Goods Price Pressures Cool in June?



Source: Statistics Canada, TD Economics.

For Canadians tired of the roller coaster, the labour market brought good news this week. Employment growth popped, outstripping the ongoing strenght of gains in the labour force, to bring the unemployment rate back down to 6.9% (Chart 1). The gains were healthy and broad based, with the private sector leading the way. Even emphasis on part-time job gains this month can't gloss over the fact that 13k full time positions were added, building on the 58k gain last month, and continuing their recovery from the losses in February and March.

So this is a week of two opposite signals. The tariff threat looms with a new August 1st deadline, but the labour market has shown some verve after the initial shock of uncertainty and fear. A healthier than expected labour market does give the Bank of Canada some additional breathing room, something markets have responded to, now expecting only one cut by the end of the year.

That said, the primary focus remains on inflation, and we will be getting the next iteration of the Consumer Price Index report next week. Canadian tariffs on U.S. goods have targetted food and beverage items, categories that have seen large price gains. However, core goods prices (excluding automobiles) have registered more tepid growth (Chart 2). The name of the game will be looking for hints of further tariff pass through to prices, and whether they seem persistent or temporary.

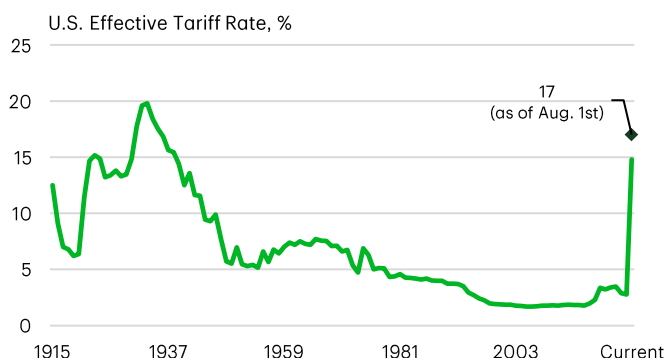
U.S. – Trade Fireworks in July

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Financial markets were jittery to start the week, with the 90-day delay on the April 2nd “reciprocal tariffs” set to expire on Wednesday. While President Trump ultimately extended the deadline for another few weeks, he simultaneously ratcheted up trade threats on various fronts. He announced a 50% tariff on all copper imports, raised the tariff rate on Brazil to 50% and Canada to 35%, all effective August 1st. For Canada, the details remain sparse, but it’s assumed that all exports that are USMCA compliant – which is just under 60% of goods – would remain exempt from these tariffs. In addition, the administration sent letters to 21 other countries, including larger trading partners like Japan and South Korea, also threatening significantly higher tariffs come August. In total, the 23 countries put on notice account for \$827B (or 25%) of annual U.S. imports – after accounting for USMCA compliance. Combined, these additional tariffs would raise the effective tariff rate by 2.2 percentage points if they come into effect August 1st, bringing it to 17%, or the highest level in nearly a century (Chart 1).

Investors appear to be taking the latest trade escalation in stride. U.S. equity markets briefly hit a new record high on Thursday, but then retraced on Friday in response to President Trump’s tariff threats on Canada. The S&P 500 looks to end the week 0.4% lower but is still up 6% on the year. Meanwhile, longer-term Treasury yields were a touch higher on the week, despite another healthy 10-year Treasury auction on Wednesday. As of the time of writing, the 10-year sits at 4.41%.

Chart 1: U.S. Effective Tariff Rate to Reach Near Century High Come August



Source: Census Bureau, TD Economics.

Chart 2: Inflation Expectations Remain Well Anchored



Source: New York Federal Reserve Survey of Consumer Finances, TD Economics.

But the recent calm that has descended over global financial markets feels eerily tenuous, particularly amidst the ongoing shifts in trade policy and Q2 earnings season set to kickoff next week. Last quarter, much of the guidance companies were providing was purely speculative, as tariff policies were only in the early stages of being rolled out and were also changing on an almost daily basis. However, now that the tariffs have been in place for some time, companies are likely in a better position to gauge their impact and provide updates to earnings guidance for the second half of the year.

With the inflation impact so far proving more subdued than previously expected, there’s been a growing divide among FOMC members on when to resume rate cuts. Minutes from the June 17-18 meeting released on Wednesday showed that while most committee members favor delaying cuts until there’s more certainty on the inflation and labor market impacts, recent speeches suggest that two board members – Governor Waller and Bowman – support cutting rates as early as July.

This puts next week’s CPI inflation release under the spotlight. We expect the June CPI report to show inflation having strengthened, with both goods and services price pressures having heated up relative to May. But at this juncture, the uptick is unlikely to unnerve policymakers, particularly with inflation expectations remaining well anchored. According to the New York Fed’s Survey of Consumer Expectations, one-year ahead inflation expectations fell to 3.0% in June – returning to its pre-tariff levels (Chart 2). In our view, this supports the Fed remaining on the sidelines until at least September.

Exhibits

Recent Key Economic Indicators: July 07 - 11, 2025					
Release Date	Economic Indicator/Event	Data for Period	Units	Current	Prior
United States					
Jul 08	NFIB Small Business Optimism	Jun	Index	98.6	98.8
Jul 09	Wholesale Trade Sales	May	M/M % Chg.	-0.3	0.1
Jul 10	Initial Jobless Claims	Jul 05	Thsd	227.0	232.0
Canada					
Jul 11	Net Change in Employment	Jun	Thsd	83.1	8.8
Jul 11	Unemployment Rate	Jun	%	6.9	7.0
International					
Jul 07	EZ Retail Sales	May	Y/Y % Chg.	1.8	2.7
Jul 08	CH Consumer Price Index	Jun	Y/Y % Chg.	0.1	-0.1
Jul 11	UK Gross Domestic Product	May	Q/Q % Chg.	0.5	0.7
*Eastern Standard Time. Source: Bloomberg, TD Economics.					

Upcoming Economic Releases and Events: Jul 14 - 18, 2025

Release Date	Time*	Economic Indicator/Event	Data for Period	Units	Consensus Forecast	Last Period
United States						
Jul 15	8:30	Empire Manufacturing	Jul	Index	-9.5	-16.0
Jul 15	8:30	Consumer Price Index	Jun	M/M % Chg.	0.3	0.1
Jul 15	8:30	Consumer Price Index Ex Food and Energy	Jun	M/M % Chg.	0.3	0.1
Jul 15	8:30	Consumer Price Index	Jun	Y/Y % Chg.	2.6	2.4
Jul 15	8:30	Consumer Price Index Ex Food and Energy	Jun	Y/Y % Chg.	2.9	2.8
Jul 15	14:45	<i>Fed's Collins Delivers Closing Keynote at NABE Event</i>				
Jul 15	19:45	<i>Fed's Logan Speaks on the Economy</i>				
Jul 16	8:30	PPI Final Demand	Jun	M/M % Chg.	0.2	0.1
Jul 16	8:30	PPI Ex Food and Energy	Jun	M/M % Chg.	0.2	0.1
Jul 16	9:15	Industrial Production	Jun	M/M % Chg.	0.1	-0.2
Jul 16	9:15	Manufacturing (SIC) Production	Jun	M/M % Chg.	-	0.1
Jul 16	9:15	Capacity Utilization	Jun	%	77.4	77.4
Jul 16	14:00	<i>Fed Releases Beige Book</i>				
Jul 16	17:30	<i>Fed's Williams Speaks on Economic Outlook, Policy</i>				
Jul 17	8:30	Retail Sales Advance	Jun	M/M % Chg.	0.1	-0.9
Jul 17	8:30	Retail Sales Ex Auto and Gas	Jun	M/M % Chg.	0.4	-0.1
Jul 17	8:30	Initial Jobless Claims	Jul 12	Thsd	-	227.0
Jul 17	10:00	Business Inventories	May	M/M % Chg.	0.0	0.0
Jul 17	10:00	NAHB Housing Market Index	Jul	Index	33.0	32.0
Jul 17	10:00	<i>Fed's Kugler Speaks on Housing Market and Economic Outlook</i>				
Jul 17	18:30	<i>Fed's Waller Speaks on Economic Outlook</i>				
Jul 18	8:30	Housing Starts	Jun	Thsd	1300.0	1256.0
Jul 18	8:30	Building Permits	Jun	Thsd	1390.0	1394.0
Canada						
Jul 15	8:15	Housing Starts	Jun	Thsd	253.2	279.5
Jul 15	8:30	Manufacturing Sales	May	M/M % Chg.	-1.3	-2.8
Jul 15	8:30	Consumer Price Index NSA	Jun	M/M % Chg.	0.2	0.6
Jul 15	8:30	Consumer Price Index	Jun	Y/Y % Chg.	2.0	1.7
Jul 15	9:00	Existing Home Sales	Jun	M/M % Chg.	-	3.6
Jul 17	7:00	CFIB Business Barometer	Jul	Index	-	47.3
International						
Jul 14	22:00	CH Retail Sales	Jun	Y/Y % Chg.	5.2	6.4
Jul 14	22:00	CH Surveyed Jobless Rate	Jun	%	5.0	5.0
Jul 16	2:00	UK Consumer Price Index	Jun	Y/Y % Chg.	3.4	3.4
Jul 17	2:00	UK ILO Unemployment Rate (3 Mths.)	May	%	4.6	4.6
Jul 17	5:00	EZ Consumer Price Index	Jun	Y/Y % Chg.	2.0	2.0
Jul 17	19:30	JN Natl Consumer Price Index	Jun	Y/Y % Chg.	3.3	3.5

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

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