

## Weekly Bottom Line

August 8, 2025

### Highlights

#### Canada

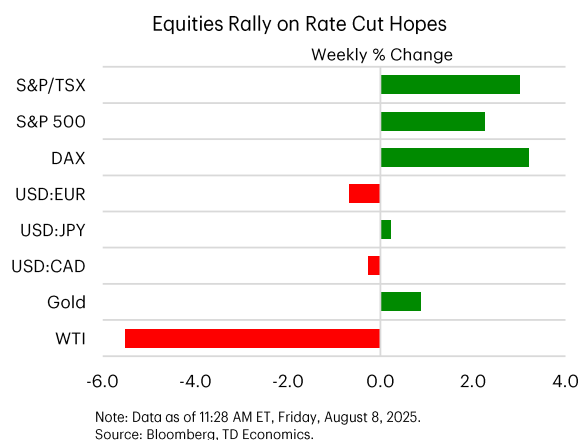
- Canada's labour market took a step back in July after June's job surge. Despite a sizeable job loss, the unemployment rate remained steady.
- Canadian exports recovered modestly in June, but the trade damage in the second quarter has been done.
- This week's data inches the Bank of Canada toward a rate cut in either September or October.

#### U.S.

- As of August 7th, dozens of U.S. trading partners face significantly higher tariff rates, pushing the U.S. effective rate to roughly 19%.
- July's reading of ISM services provided further evidence that the U.S. economy is stagnating, with employment, new-orders and business activity all turning lower.
- Following last week's employment report, Fed officials appear to be pivoting their communication. A September cut is more likely than not.

This Week in the Markets				
	Current*	Week Ago	52-Week High	52-Week Low
<b>Stock Market Indexes</b>				
S&P 500	6379	6238	6390	4983
S&P/TSX Comp.	27838	27020	27921	22226
DAX	24185	23426	24550	17680
FTSE 100	9095	9069	9164	7679
Nikkei	41820	40800	41826	31137
<b>Fixed Income Yields</b>				
U.S. 10-yr Treasury	4.28	4.22	4.79	3.62
Canada 10-yr Bond	3.38	3.38	3.60	2.83
Germany 10-yr Bund	2.69	2.68	2.90	2.03
UK 10-yr Gilt	4.60	4.53	4.89	3.76
Japan 10-yr Bond	1.49	1.56	1.61	0.82
<b>Foreign Exchange Cross Rates</b>				
C\$ (USD per CAD)	0.73	0.73	0.74	0.69
Euro (USD per EUR)	1.17	1.16	1.18	1.02
Pound (USD per GBP)	1.35	1.33	1.37	1.22
Yen (JPY per USD)	147.7	147.4	158.4	140.6
<b>Commodity Spot Prices**</b>				
Crude Oil (\$US/bbl)	64.1	67.3	80.1	57.1
Natural Gas (\$US/MMBtu)	3.05	3.00	9.33	1.22
Copper (\$US/met. tonne)	9618.9	9581.3	10219.3	8571.4
Gold (\$US/troy oz.)	3393.1	3363.5	3432.3	2427.5

\*As of 11:29 AM on Friday. \*\*Oil-WTI, Cushing, Nat. Gas-Henry Hub, LA (Thursday close price). Copper-LME Grade A. Gold-London Gold Bullion. Source: Bloomberg.



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)	4.00%
Bank of Japan (Overnight Rate)	0.50%

Source: Bloomberg.

# Canada – Trade Tensions Weighing on Labour Market

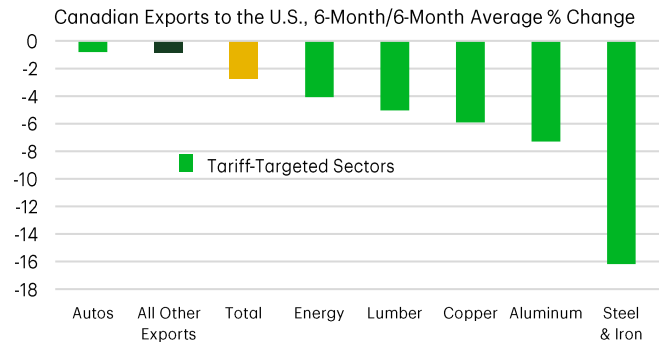
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Canada’s labour market found itself in choppy waters in July. The nation shed around 40k jobs, coming in well below consensus expectations for a modest gain and unwinding around half of June’s hiring surge. A similar drop in July’s labour force growth kept the unemployment rate steady at 6.9%, a silver lining in an otherwise weak report. Markets reacted by pushing yields on the 2 and 10-year bonds down around 5 bps, while the Loonie depreciated three-tenths of a cent against the U.S.

The labour market is showing clear evidence of loosening in response to U.S. tariffs and broader uncertainty. This is even more pronounced in the performance of more trade-exposed sectors. Of the 180k jobs created since Trump won the presidency, highly export-exposed industries accounted for only 10% of the gain, despite accounting for around a third of total employment (Chart 1). Notably, trade-exposed sectors like manufacturing, natural resources, agriculture, and transportation have experienced outright job losses over the last six months. The path forward is a little less clear, but we expect hiring sentiment to remain weak through the third quarter as firms navigate trade-related headwinds.

We also received Canadian trade data for June this week. Exports managed to edge forward for a second consecutive month, but levels remain depressed compared to March. The slight advance in imports was skewed by a near \$2-billion high-value import of equipment for an oil project in Newfoundland. All told, Q2 GDP growth—due out at the end of the month—will

**Chart 2: Exports in Tariff-Targeted Sectors Are Underperforming**



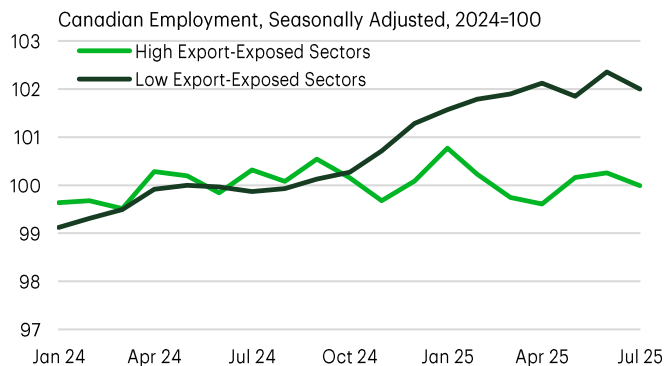
Source: Statistics Canada, TD Economics.

likely see a contraction as exports tumbled. Mirroring the trend in labour markets, exports of tariff-impacted sectors are showing signs of underperformance. Chart 2 illustrates that exports of steel, aluminum, copper and energy have suffered more than the rest of the Canadian export basket over the past six months. Encouragingly, shipments to the U.S. as a share of total exports have dropped sharply in recent months, suggesting Canada may be slowly diversifying trade away from the U.S.

Elsewhere, the federal government stepped up its support for the ailing softwood lumber sector. In total, the lumber industry will receive \$1.2 billion in financial supports (\$700 million in loan guarantees and \$500 million in grants and contributions). The lumber industry now joins the automotives and steel/aluminum sectors in receiving direct federal government supports meant to address negative impacts from U.S. trade policy.

We think this week’s events only marginally move the BoC in the direction of a cut at their meeting in September. Markets agree, having re-priced the probability of a 25% bps cut to north of 40% (30% probability prior to the jobs report). Inflation data later this month will be more telling and could move the needle further toward a September cut should core inflation pressures show any signs of easing. Taken altogether, we think there is a strong argument for further rate easing later this year.

**Chart 1: Employment Growth Driven by Sectors Less Exposed to U.S. Trade**



Source: Statistics Canada, TD Economics.

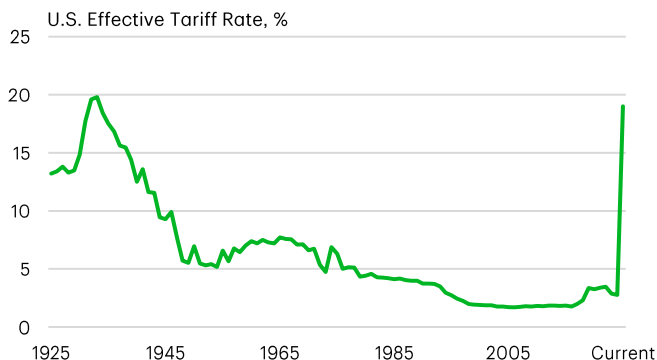
## U.S. – U.S. Economy Stagnating Just as Tariff Rates Reset

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It was a quiet week on the economic data calendar, but with earnings season in full swing, further trade announcements, and several Fed officials out speaking, there were no shortage of developments for investors to sift through. To say this earnings season has gone better than expected would be an understatement. At this point, over 80% of companies included in the S&P 500 have reported second-quarter earnings. According to Reuters, after factoring in analysts' forecasts for the remaining 20%, profit growth is tracking close to 12% annualized. That's more than double what was expected just one month ago, and has without question been a driving force sustaining the recent strength in equities. At the time of writing, the S&P 500 is up 2% on the week and 8.5% on the year. Meanwhile, term-yields climbed a bit higher on the week, even after President Trump appointed Stephen Miran to complete Adriana Kugler's brief remaining term on the FOMC, and more dovish leaning Governor Waller was reported to be the front-runner for Fed Chair.

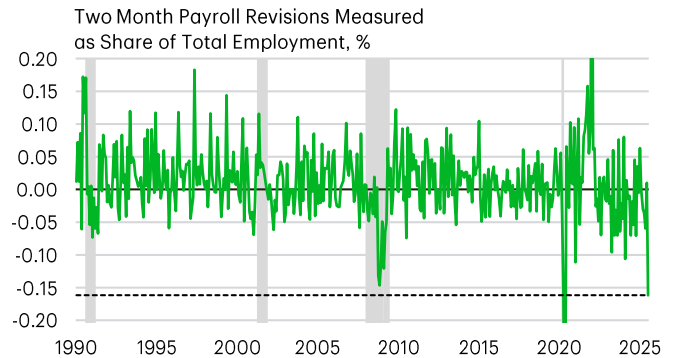
But we would argue that the run in equity markets this year is built on a shaky foundation. Inventory stockpiling and a haphazard rollout of the administration's tariff policies meant that many businesses were able to circumvent or significantly limit tariff exposure last quarter. But that's not going to continue. As of August 7th, dozens of trading partners now face significantly higher tariffs as per the Executive Order released by the White House on July 31st. By our estimates, the current effective tariff rate in the U.S. is around 19%, or the highest level since 1933 (Chart 1).

Chart 1: U.S. Tariff Rate Reaches Highest Level Since 1933



Source: Census Bureau, TD Economics.

Chart 2: July Employment Revisions Signal Possible Turning Point



Source: Bureau of Labor Statistics, TD Economics.

Over the near-term, it's very likely that the U.S. tariff rate pushes even higher. The Trump administration singled out India this week, threatening an additional 25% tariff on August 27th and hinted at further tariffs on semiconductors – potentially as a 100% – and pharmaceuticals over the coming weeks.

While the economy had demonstrated unwavering resilience earlier in the year, more recent data has shown that ground is starting to shift. This week's ISM services report provided further evidence that the economy is slowing, with the services index slipping to 50.1 or just barely remaining in expansionary territory. Details of the report came with plenty of 'stagflationary undertones', with new-orders, business activity and employment all turning lower, while the prices paid sub-component remained near its cyclical high.

The shift in economic data has led Fed officials to pivot on their communication, with regional Fed President's including Neel Kashkari and Mary Daly – neither of whom are voting members – to suggest that rate cuts are coming in the months ahead. Meanwhile, Governor Cook characterized last week's tepid jobs report as 'concerning' and noted that the significant downward revisions to the May/June figures, which were some of the largest on record, are 'typical of turning points in the economy' (Chart 2). Next week's CPI inflation data will shed more light on the extent of tariff passthrough, but even that is feeling somewhat backward looking given this week's reset on tariff rates. Ultimately, the weakness in the labor market cannot be ignored and (in our view) solidifies the case for a September rate cut.

## Exhibits

Recent Key Economic Indicators: Aug 04 - 08, 2025					
Release Date	Economic Indicator/Event	Data for Period	Units	Current	Prior
<b>United States</b>					
Aug 04	Factory Orders	Jun	M/M % Chg.	-4.8	8.3
Aug 04	Factory Orders Ex Trans	Jun	M/M % Chg.	0.4	0.3
Aug 04	Durable Goods Orders	Jun	M/M % Chg.	-9.4	-9.3
Aug 04	Cap Goods Orders Nondef Ex Air	Jun	M/M % Chg.	-0.8	-0.7
Aug 05	Trade Balance	Jun	Blns	-60.2	-71.7
Aug 05	S&P Global US Services PMI	Jul	Index	55.7	55.2
Aug 05	S&P Global US Composite PMI	Jul	Index	55.1	54.6
Aug 05	ISM Services Index	Jul	Index	50.1	50.8
Aug 07	Unit Labor Costs	2Q	Q/Q % Chg.	1.6	6.9
Aug 07	Initial Jobless Claims	Aug 02	Thsd	226.0	219.0
Aug 07	Wholesale Trade Sales	Jun	M/M % Chg.	0.3	-0.4
<b>Canada</b>					
Aug 05	Int'l Merchandise Trade	Jun	Blns	-5.86	-5.49
Aug 08	Net Change in Employment	Jul	Thsd	-40.8	83.1
Aug 08	Unemployment Rate	Jul	%	6.9	6.9
<b>International</b>					
Aug 06	EZ Retail Sales	Jun	Y/Y % Chg.	3.1	1.9
Aug 07	UK Bank of England Bank Rate	Aug 07	%	4.00	4.25

Source: Bloomberg, TD Economics.

Upcoming Economic Releases and Events: Aug 11 - 15, 2025						
Release Date	Time*	Economic Indicator/Event	Data for Period	Units	Consensus Forecast	Last Period
<b>United States</b>						
Aug 12	6:00	NFIB Small Business Optimism	Jul	Index	98.6	98.6
Aug 12	8:30	Consumer Price Index	Jul	M/M % Chg.	0.2	0.3
Aug 12	8:30	Consumer Price Index Ex Food and Energy	Jul	M/M % Chg.	0.3	0.2
Aug 12	8:30	Consumer Price Index	Jul	Y/Y % Chg.	2.8	2.7
Aug 12	8:30	Consumer Price Index Ex Food and Energy	Jul	Y/Y % Chg.	3.0	2.9
Aug 12	10:00	<i>Fed's Barkin Speaks on the Economy</i>				
Aug 12	10:30	<i>Fed's Schmid Speaks on Monetary Policy and Economic Outlook</i>				
Aug 13	13:00	<i>Fed's Goolsbee Speaks at Monetary Policy Luncheon</i>				
Aug 13	13:30	<i>Fed's Bostic Speaks on the Economic Outlook</i>				
Aug 14	8:30	PPI Final Demand	Jul	M/M % Chg.	0.2	0.0
Aug 14	8:30	PPI Ex Food and Energy	Jul	M/M % Chg.	0.2	0.0
Aug 14	8:30	Initial Jobless Claims	Aug 09	Thsd	-	226.0
Aug 14	14:00	<i>Fed's Barkin Speaks in NABE Webinar</i>				
Aug 15	8:30	Retail Sales Advance	Jul	M/M % Chg.	0.5	0.6
Aug 15	8:30	Empire Manufacturing	Aug	Index	-1.0	5.5
Aug 15	8:30	Retail Sales Ex Auto and Gas	Jul	M/M % Chg.	0.3	0.6
Aug 15	9:15	Industrial Production	Jul	M/M % Chg.	0.0	0.3
Aug 15	9:15	Manufacturing (SIC) Production	Jul	M/M % Chg.	0.0	0.1
Aug 15	9:15	Capacity Utilization	Jul	%	77.6	77.6
Aug 15	10:00	Business Inventories	Jun	M/M % Chg.	0.2	0.0
<b>Canada</b>						
Aug 11	10:30	<i>BoC Releases Market Participants Survey</i>				
Aug 13	13:30	<i>BoC Publishes Summary of Deliberations</i>				
Aug 15	8:30	Manufacturing Sales	Jun	M/M % Chg.	0.4	-0.9
Aug 15	9:00	Existing Home Sales	Jul	Mlns	-	2.8
<b>International</b>						
Aug 12	2:00	UK ILO Unemployment Rate	Jun	Q/Q % Chg.	4.7	4.7
Aug 14	2:00	UK Gross Domestic Product	2Q	M/M % Chg.	1.0	1.3
Aug 14	5:00	EZ Gross Domestic Product SA	2Q	Y/Y % Chg.	1.4	1.4
Aug 14	5:00	EZ Employment	2Q	Y/Y % Chg.	-	0.7
Aug 14	19:50	JN Gross Domestic Product Annualized SA	2Q	Y/Y % Chg.	0.3	-0.2
Aug 14	22:00	CH Retail Sales	Jul	Y/Y % Chg.	4.6	4.8
Aug 14	22:00	CH Surveyed Jobless Rate	Jul	%	5.1	5.0

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

## Disclaimer

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