

Weekly Bottom Line

July 2, 2026

Highlights

Canada

- The July 1st CUSMA extension deadline came and went, but this outcome was well telegraphed and the status quo, in terms of U.S. tariffs on Canada, remains.
- Canada's economy popped in April and likely grew again in May. This puts Q2 growth on track to print above 2% annualized, easing recession concerns.
- Lower oil prices should help near-term inflation, while underlying slack and contained core inflation pressures strengthen the case for a Bank of Canada hold stance.

U.S.

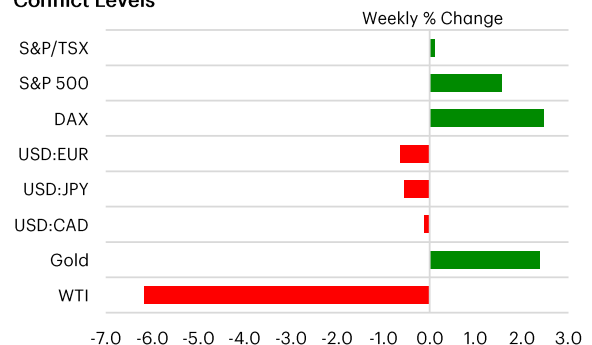
- U.S. equities had a stellar first half performance this year, with the S&P 500 and NASDAQ rising 9.5% and 13%, respectively.
- Nonfarm employment moderated in June, but underlying hiring trends remain reasonably solid. The unemployment rate dipped to a twelve-month low of 4.2%.
- The ISM Manufacturing Index remained in expansionary territory for the sixth month in June, while vehicle sales hit a nine-month high of 16.5 million.

This Week in the Markets

	Current*	Week Ago	52-Week High	52-Week Low
Stock Market Indexes				
S&P 500	7477	7357	7610	6226
S&P/TSX Comp.	34894	34850	35390	26870
DAX	25580	24995	25580	22301
FTSE 100	10675	10530	10911	8775
Nikkei	68733	72366	72366	39460
Fixed Income Yields				
U.S. 10-yr Treasury	4.46	4.39	4.67	3.94
Canada 10-yr Bond	3.44	3.38	3.70	3.04
Germany 10-yr Bund	2.90	2.86	3.19	2.55
UK 10-yr Gilt	4.77	4.70	5.17	4.23
Japan 10-yr Bond	2.79	2.63	2.79	1.43
Foreign Exchange Cross Rates				
C\$ (USD per CAD)	0.70	0.70	0.74	0.70
Euro (USD per EUR)	1.14	1.14	1.20	1.14
Pound (USD per GBP)	1.34	1.32	1.38	1.30
Yen (JPY per USD)	160.9	161.8	162.6	143.7
Commodity Spot Prices**				
Crude Oil (\$US/bbl)	67.54	71.92	113.0	55.3
Natural Gas (\$US/MMBtu)	3.34	3.31	33.80	0.26
Copper (\$US/met. tonne)	13249.2	13227.6	14109.5	9556.9
Gold (\$US/troy oz.)	4126.8	4026.7	5417.2	3275.2

*As of 11:22 AM on Thursday. **Oil-WTI, Cushing, Nat. Gas-Henry Hub, LA (Wednesday close price). Copper-LME Grade A. Gold-London Gold Bullion. Source: Bloomberg.

S&P 500 Notches Best Quarter Since 2020; Oil Nears Pre-Conflict Levels



Note: Data as of 11:20 AM ET, Thursday, July 2, 2026.
Source: Bloomberg, TD Economics.

Global Official Policy Rate Targets

Central Banks	Current Target
Federal Reserve (Fed Funds Rate)	3.50 - 3.75%
Bank of Canada (Overnight Rate)	2.25%
European Central Bank (Refi Rate)	2.40%
Bank of England (Repo Rate)	3.75%
Bank of Japan (Overnight Rate)	1.00%

Source: Bloomberg.

Canada – GDP Fireworks Ahead of Canada Day

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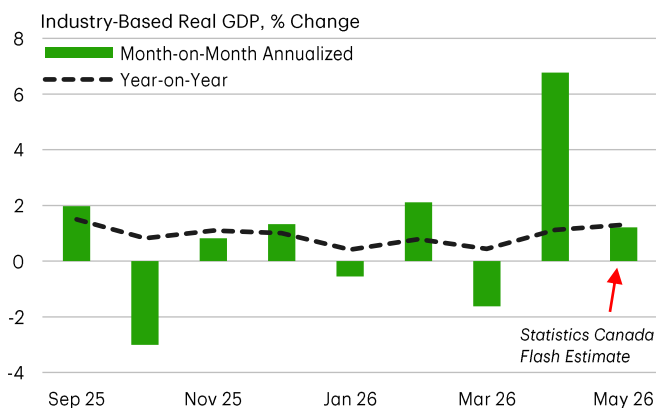
In this holiday shortened week, there were still some notable moves in financial markets. Oil slid lower and, more broadly, has plunged since early June on hopes of a U.S.-Iran peace deal and improved traffic through the Strait of Hormuz. Canadian bond yields climbed during the week but eased back a bit today, driven by dynamics in the U.S. For its part, the Canadian dollar was unchanged at about 70 cents U.S. but has been tumbling since early May, pressured by hawkish U.S. central bank messaging.

The recent slide in oil prices is certainly a welcome development from an inflation perspective and will be reflected in June's CPI print. However, there could still be some upside to oil prices after this initial downswing. Global inventory buffers were steadily drawn down during the conflict and the summer driving season is set to ramp up.

Nonetheless, our forecast assumes that oil prices are past their peak. The Bank of Canada will breathe a sigh of relief if that turns out to be true, although policymakers were treated to some fireworks ahead of the Canada Day holiday, courtesy of a well-timed surge in monthly GDP. Indeed, Canadian GDP shook off some winter blues, popping by 0.5% month-on-month in April. This should help quell recession chatter, with April's gain marking the largest such increase since July 2025 (Chart 1).

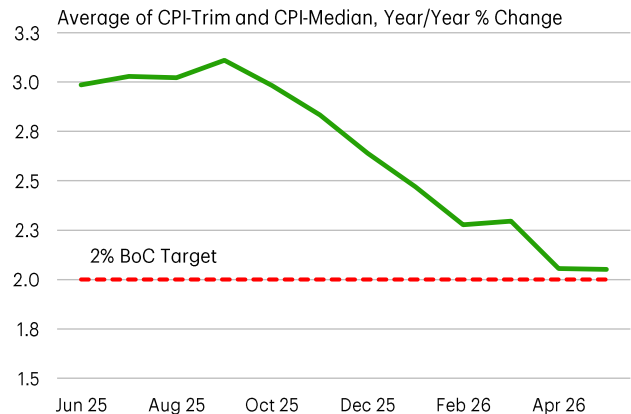
On the less-positive side, the July 1st deadline to extend the CUSMA agreement for another 16 years came and

Chart 1: Canadian GDP Likely Popped in Q2



Source: Statistics Canada, TD Economics.

Chart 2: Well Behaved Core Inflation Argues for BoC Hold



Source: Statistics Canada, TD Economics.

went this week. However, this outcome was telegraphed well ahead of time by Canada, U.S. and Mexico. For now, the status quo remains, with most of Canada's exports to the U.S. tariff-free, but with punishing levies on sectors such as steel, aluminum and autos still in place. The process now moves to annual reviews (which will keep the cloud of uncertainty hanging), although parties can strike a deal at any time. We have tentative evidence that the worst of the trade conflict may be in the rearview. For instance, manufacturing GDP has risen in two of the last three months through April, and may have increased again in May given a pick up in hiring.

Incorporating StatCan's GDP guidance for May, Canada's economy is now on track to grow at a pace above 2% annualized in the second quarter. This is stronger than what the Bank of Canada expected in its April projection. Even still, it doesn't materially change our view on rates. Remember that the bounce back in GDP comes of heels of several quarters of soft activity, meaning that the economy is still likely in excess supply. Core inflation remains well behaved (Chart 2), with economic slack likely to apply downward pressure. Next week brings a slew of important data, including the Bank of Canada's Business Outlook Survey (BOS) and the June read on the job market. The prior BOS offered evidence that businesses are adjusting to the trade war, while Canadian hiring surged in May (raising the risk of some giveback in next week's report). We'll be monitoring these closely, but it would take some surprises to shake us from the view the Bank will remain on hold this year.

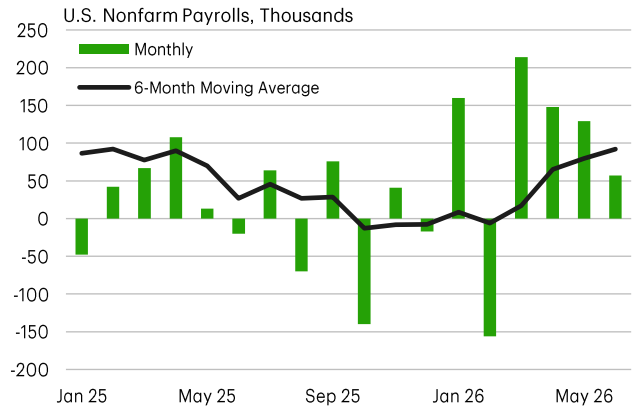
U.S. – Celebrating America’s Exceptionalism

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This weekend will mark America’s 250th anniversary, but for financial markets, this holiday shortened week also brought a brief halftime for calendar 2026. It’s been an eventful first six months of the year, marked by a flurry of trade deals, further shifts in tariff policies, a new chapter for the Federal Reserve and plenty of geopolitical tensions. Through it all, financial markets have remained remarkably calm. The S&P 500 rose 9.5% through the first half of the year while the NASDAQ was up nearly 13% - or more than double last year’s mid-year performance. It remains to be seen whether the run is something to cheer or fear, but one thing is for certain, the AI built out and the expected productivity enhancements that it could eventually deliver have been pivotal catalysts underpinning the bull rally.

Beyond the AI push, a return to the American exceptionalism trade has also offered a tailwind for equities. U.S. growth is tracking north of 2% for 2026, or a multiple of any of the other G7 nations (Chart 1). And perhaps more encouragingly, is that the balance of risks for the U.S. outlook feel tilted to the upside. The U.S.-Iran peace deal has quickly returned energy prices to pre-conflict levels, dragging gas prices lower. This is good news for the consumer. At the same time, the labor market has clearly turned a corner after grinding through a soft patch last year. Nonfarm payrolls rose by 57k in June, a moderation from prior months, but a decent print nonetheless. Smoothing through the volatility, hiring has averaged 111k and 92k over the last three and six months, respectively (Chart 2). This is well above the breakeven

Chart 2: Hiring Has Improved Through H1-2026



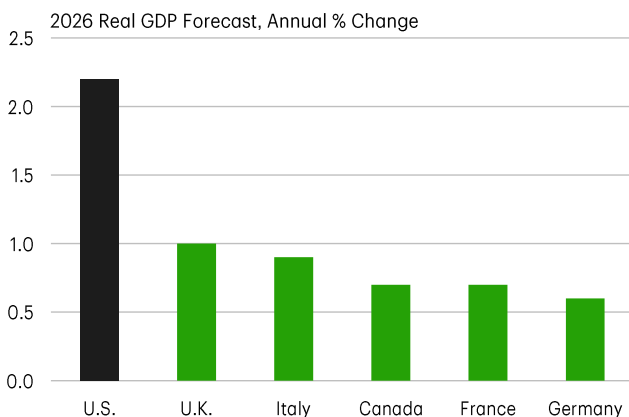
Source: Bureau of Labor Statistics, TD Economics.

rate, which helped to push the unemployment rate to a twelve-month low of 4.2%. But it wasn’t all good news, a sharp drop in the labor force was entirely driven by a decline of over 800k prime working age individuals (i.e., 25 to 54 years old). It’s too early to know what drove the decline or whether it’s simply related to volatility. But the magnitude is noteworthy and something worth monitoring in the months ahead.

Other data out this week also reinforced America’s economic resilience. June vehicle sales rose to a nine-month high of 16.5M, while the ISM Manufacturing Index remained in expansionary territory for the sixth consecutive month. Importantly, both production and new orders continue to expand at decent clips. And while input prices remain elevated, the sub-index fell to a four-month low, suggesting the worst of the cost pressures stemming from the energy shock are now in the rearview mirror.

This is good news for Fed officials, who are hunting for any signs of slowing price pressures amid continued concerns of elevated inflation. In his first public appearance since the June press conference, Chair Warsh underscored the Fed’s commitment to return price stability, but stopped short of giving any forward guidance. While this leaves the impression that every meeting is “live” we would argue that the data released since the last FOMC meeting alongside the sharp pull-back in energy prices reduces the odds of the Fed hiking rates this summer.

Chart 1: U.S. Exceptionalism to Remain in 2026



Source: Bureau of Economic Analysis, Statistics Canada, Eurostat, and the UK Office for National Statistics, TD Economics.

Exhibits

Recent Key Economic Indicators: Jun 29 - Jul 3					
Release Date	Economic Indicator/Event	Data for Period	Units	Current	Prior
United States					
Jun 30	Conf. Board Consumer Confidence	Jun	Index	91.2	90.6
Jul 01	ADP Employment Change	Jun	Thsd	98.0	122.0
Jul 01	S&P Global US Manufacturing PMI	Jun	Index	53.9	55.7
Jul 01	ISM Manufacturing	Jun	Index	53.3	54.0
Jul 02	Change in Nonfarm Payrolls	Jun	Thsd	57.0	129.0
Jul 02	Average Hourly Earnings	Jun	M/M % Chg.	0.3	0.3
Jul 02	Unemployment Rate	Jun	%	4.2	4.3
Jul 02	Initial Jobless Claims	Jun 27	Thsd	215.0	216.0
Jul 02	Factory Orders	May	M/M % Chg.	-1.3	5.3
Jul 02	Factory Orders Ex Trans	May	M/M % Chg.	1.9	1.7
Jul 02	Durable Goods Orders	May	M/M % Chg.	-4.5	-4.5
Jul 02	Cap Goods Orders Nondef Ex Air	May	M/M % Chg.	1.4	1.6
Canada					
Jun 30	Gross Domestic Product	Apr	M/M % Chg.	0.5	-0.1
Jul 02	S&P Global Canada Manufacturing PMI	Jun	Index	53.0	52.9
International					
Jun 29	JN Jobless Rate	May	%	2.5	2.5
Jun 29	CH Manufacturing PMI	Jun	Index	50.3	50.0
Jun 30	UK Gross Domestic Product	Q1	Y/Y % Chg.	0.9	1.1
Jul 01	EZ Consumer Price Index	Jun	Y/Y % Chg.	2.8	3.2
Jul 02	EZ Unemployment Rate	May	%	6.2	6.2

Source: Bloomberg, TD Economics.

Upcoming Economic Releases and Events: Jul 06 - 10, 2026

Release Date	Time*	Economic Indicator/Event	Data for Period	Units	Consensus Forecast	Last Period
United States						
Jul 6	9:45	S&P Global US Composite PMI	Jun	Index	-	52.2
Jul 6	9:45	S&P Global US Services PMI	Jun	Index	-	51.3
Jul 6	10:00	ISM Services	Jun	Index	54.2	54.5
Jul 7	8:30	Trade Balance	May	Blns	-78.80	-55.90
Jul 8	10:00	Wholesale Trade Sales	May	M/M % Chg.	-	2.0
Jul 8	14:00	<i>FOMC Meeting Minutes</i>				
Jul 9	8:30	Initial Jobless Claims	Jul 4	Thsd	-	215.0
Jul 9	9:00	<i>Fed's Williams in Moderated Discussion</i>				
Jul 9	10:00	Existing Home Sales	Jun	Mlns	4.20	4.17
Jul 9	13:30	<i>Fed's Logan Moderates Panel on Market Liquidity</i>				
Canada						
Jul 6	11:30	<i>BoC Releases Business Outlook Survey and Canadian Survey of Consumer Expectations</i>				
Jul 6	11:30	BoC Business Outlook Survey Indicator	Q2	Index	-	-0.4
Jul 7	8:30	Int'l Merchandise Trade	May	Blns	2.24	2.72
Jul 10	8:30	Net Change in Employment	Jun	Thsd	10.0	87.8
Jul 10	8:30	Unemployment Rate	Jun	%	6.7	6.6
International						
Jul 06	5:00	EZ Retail Sales	May	Y/Y % Chg.	1.6	1.0
Jul 08	21:30	CH Consumer Price Index	Jun	Y/Y % Chg.	-	1.2

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

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