TD Economics

Weekly Bottom Line

July 10, 2026

Highlights

Canada

- Canada's economy added 18k jobs in June, while the unemployment rate edged down to a five-month low of 6.5%.
- Canada's merchandise trade surplus widened in May, strengthening the case for a rebound in second quarter growth.
- Business and consumer sentiment remained subdued, amid an uptick in household inflation expectations. Still, it's unlikely to alter the BoC's outlook, with rates expected to remain at 2.25% at next week's announcement.

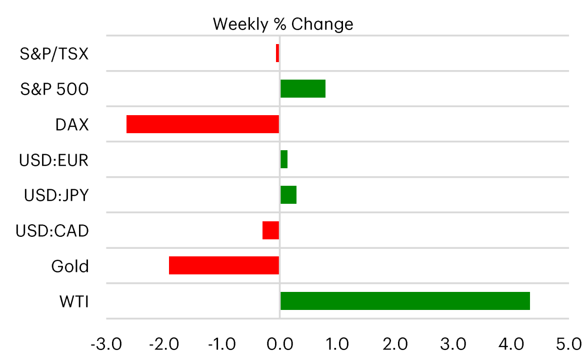
U.S.

- Markets looked through a week of geopolitical whiplash, with AI and chip optimism helping keep U.S. equities close to record highs.
- The ISM Services Index eased only modestly in June, with activity and orders still expanding and employment returning to growth.
- Existing home sales disappointed as affordability remained binding, while the FOMC minutes underscored a Fed that is divided but still inflation-focused.

This Week in the Markets				
	Current*	Week Ago	52-Week High	52-Week Low
Stock Market Indexes				
S&P 500	7534	7483	7610	6238
S&P/TSX Comp.	35201	35275	35390	27020
DAX	25125	25779	25818	22301
FTSE 100	10513	10679	10911	8927
Nikkei	68558	69744	72366	39460
Fixed Income Yields				
U.S. 10-yr Treasury	4.56	4.48	4.67	3.94
Canada 10-yr Bond	3.52	3.44	3.70	3.04
Germany 10-yr Bund	3.08	2.94	3.19	2.55
UK 10-yr Gilt	4.90	4.78	5.17	4.23
Japan 10-yr Bond	2.74	2.79	2.88	1.47
Foreign Exchange Cross Rates				
C$ (USD per CAD)	0.71	0.70	0.74	0.70
Euro (USD per EUR)	1.14	1.14	1.20	1.14
Pound (USD per GBP)	1.34	1.34	1.38	1.30
Yen (JPY per USD)	161.8	161.3	162.6	146.3
Commodity Spot Prices**				
Crude Oil ($US/bbl)	71.73	68.69	113.0	55.3
Natural Gas ($US/MMBtu)	3.16	3.37	33.80	0.26
Copper ($US/met. tonne)	13439.8	13317.4	14109.5	9556.9
Gold ($US/troy oz.)	4089.4	4176.9	5417.2	3275.2

*As of 10:39 AM on Friday. **Oil-WTI, Cushing, Nat. Gas-Henry Hub, LA (Thursday close price). Copper-LME Grade A. Gold-London Gold Bullion. Source: Bloomberg.

Oil Climbs on Renewed Uncertainty in the Strait



Note: Data as of 10:40 AM ET, Friday, July 10, 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 – Steps in the Right Direction

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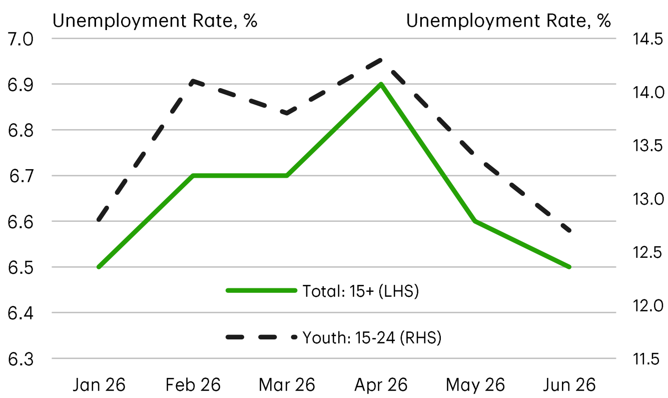
Summer time, and the living is easy– or at least that's the impression from this week's economic data. Trade surprised to the upside, while another month of job gains, albeit modest, suggest the economy remains in a low gear, but has shaken off recession concerns. Markets largely took the releases in stride, with attention squarely focused on developments in energy markets. The collapse of the fragile Middle East ceasefire pushed crude oil prices higher on the week. The S&P TSX ended the week flat, while the loonie appreciated by roughly one cent against the U.S. dollar.

Canada's economy added 18k jobs in June, with hiring concentrated in the private sector, led by accommodation and food services. The unemployment rate edged down to 6.5%, returning to where it began the year (Chart 1). Looking through the month-to-month volatility, the broader picture remains encouraging: employment is up year-on-year, with hiring concentrated in full-time, private sector positions while the unemployment rate has eased a touch faster than anticipated in our June forecast. Another welcome development is the improvement in youth labour market conditions with the youth unemployment rate falling to 12.7%, down from a peak of 14.6% last September. Statistics Canada also noted that the student summer job market appears more favourable than a year ago.

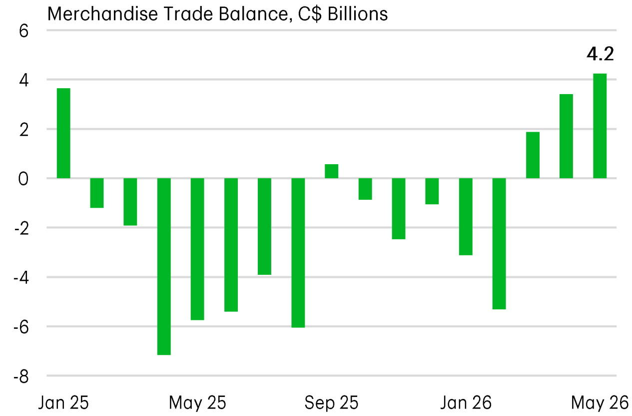
Trade provided further evidence that the economy is moving in the right direction. Canada's merchandise trade surplus widened to $4.2 billion in May, extending the improvement seen in recent months (Chart 2). The increase was driven primarily by stronger exports to

Chart 1: Canada's Unemployment Rate Returns to January Level as Youth Jobless Rate Eases Further



Source: Statistics Canada, TD Economics.

Chart 2: Canada's Trade Surplus Widens Further in May



Source: Statistics Canada, TD Economics.

the U.S., while exports to non-U.S. destinations continued to ease. Imports edged lower, partially reversing April's increase. Taken together with April's GDP report, the latest trade data strengthen the case that economic growth will rebound in the second quarter following softer prints in each of the prior two quarters.

That said, the trade picture remains far from settled. Monthly trade flows continue to be heavily influenced by volatile sectors, suggesting that the contribution from net exports is likely to remain uneven over the remainder of the year. More importantly, elevated trade policy uncertainty continues to weigh on business and household confidence. That caution was evident in the Bank of Canada's latest Business Outlook Survey and Canadian Survey of Consumer Expectations. Business sentiment remained subdued in the second quarter, amid softer hiring intentions and continued reports of weak demand. Consumers also remained cautious, while their inflation expectations edged modestly higher. One caveat is that surveys were conducted during the recent energy-price spike and therefore likely overstate the persistence of underlying inflation pressures.

Taken together, this week's releases remain consistent with our broader outlook. An improvement in trade alongside a labour market that continues to generate jobs suggest that the economy is hanging in there despite elevated uncertainty. With little evidence that higher oil prices are spilling over to broader inflation, we expect the Bank of Canada to keep rates unchanged at 2.25% at next week's policy meeting.

U.S. – NATO Tensions to Nasdaq Records

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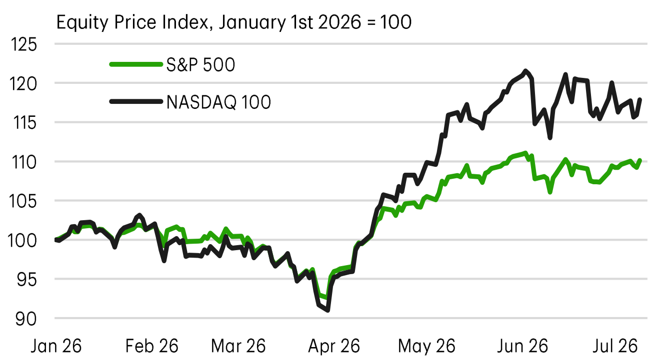
The week began with investors juggling another round of geopolitical whiplash. The NATO summit delivered shifting headlines on the U.S.-Iran conflict, including renewed doubts over the durability of the ceasefire and subsequent reports of technical talks. Oil prices moved with each headline, but the broader equity market held up well. The S&P 500 remained near its early-June record and is up roughly 10% this year, while the Nasdaq was buoyed by renewed enthusiasm around AI-linked chip demand (Chart 1). In short, markets are still willing to look through geopolitical uncertainty so long as energy prices stay contained and the tech earnings story remains intact.

The week's data offered some support for that resilience narrative. The ISM Services Index slipped to 54.0 in June from 54.5 in May but remained comfortably in expansionary territory for the 24th consecutive month. The details were mixed, but not alarming. Business activity and new orders cooled, while the employment index moved back above 50 for the first time in four months. Price pressures also eased, with the prices-paid index falling to 67.7 from 71.3, though that still leaves service-sector inflation running hot (Chart 2). The takeaway is that demand is moderating, but the services economy is not rolling over.

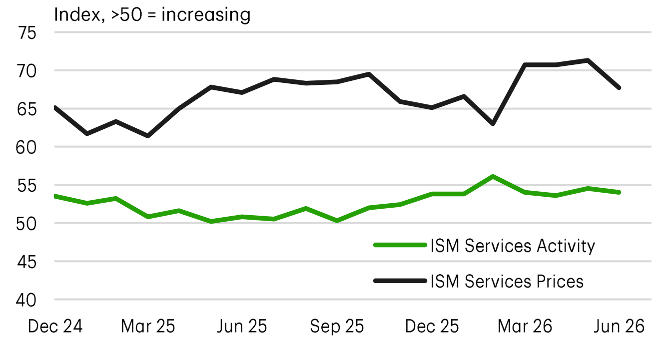
Housing sent a less encouraging signal. Existing home sales fell 2.4% in June to a 4.09 million annualized pace, missing expectations, while the median resale price rose to a record $440,600. Inventory remains too thin to generate meaningful price relief, and elevated mortgage rates continue to keep both buyers and sellers on the sidelines. Meanwhile, the FOMC minutes showed a Committee still wrestling with the inflation outlook. Officials appeared split between scenarios where lower energy prices and fading tariff effects allow inflation to cool, and scenarios where persistent price pressures driven by AI-related investment demand require tighter policy. New York Fed President John Williams later argued that the minutes effectively captured the Committee's 'collective reaction function,' emphasizing that policymakers are weighing a range of inflation scenarios rather than signaling a predetermined rate path.

Chart 1: Tech Sector Optimism Holds Up Equities



Source: Wall Street Journal, TD Economics

Chart 2: Steady Services Activity and Moderating Price Pressures in June



Source: ISM, TD Economics

Taken together, the week's data point to an economy that is cooling at the margin, but still posting moderate growth. Services activity remains expansionary and hiring has stabilized, while housing remains constrained by affordability rather than excess weakness in demand. The FOMC minutes confirm that the Fed is not on a preset course, but they also do not offer much comfort to markets looking for imminent easing, or even an anchor for their expectations. The bar for another hike likely depends on whether inflation proves broader and more persistent. That makes next week critical: CPI will test whether price pressures are easing, while Chair Warsh's testimony to Congress should clarify how the Fed is weighing inflation risks against a still-resilient growth backdrop.

Exhibits

Recent Key Economic Indicators: Jul 06 - 10						
Release Date		Economic Indicator/Event	Data for Period	Units	Current	Prior
United States						
Jul 6		S&P Global US Composite PMI	Jun	Index	51.9	52.2
Jul 6		S&P Global US Services PMI	Jun	Index	51.2	51.3
Jul 6		ISM Services	Jun	Index	54.0	54.5
Jul 7		Trade Balance	May	Blns	-77.6	-54.6
Jul 8		Wholesale Trade Sales	May	M/M % Chg.	3.4	2.2
Jul 9		Initial Jobless Claims	Jul 4	Thsd	215.0	217.0
Jul 9		Existing Home Sales	Jun	Mlns	4.09	4.19
Canada						
Jul 6		BoC Business Outlook Survey Indicator	Q2	Index	-0.4	-0.4
Jul 7		Int'l Merchandise Trade	May	Blns	4.24	3.41
Jul 10		Net Change in Employment	Jun	Thsd	18.2	87.8
Jul 10		Unemployment Rate	Jun	%	6.5	6.6
International						
Jul 06	EZ	Retail Sales	May	Y/Y % Chg.	1.6	0.9
Jul 08	CH	Consumer Price Index	Jun	Y/Y % Chg.	1.0	1.2

Source: Bloomberg, TD Economics.

Release Date	Time*		Economic Indicator/Event	Data for Period	Units	Consensus Forecast	Last Period
Upcoming Economic Releases and Events: Jun 13 - 17							
United States							
Jul 13	5:25		*Fed's Bowman Speaks on Financial Regulation*				
Jul 13	12:30		*Fed's Waller Speaks at NYABE*				
Jul 14	6:00		NFIB Small Business Optimism	Jun	Index	95.5	95.3
Jul 14	8:30		Consumer Price Index	Jun	M/M % Chg.	-0.1	0.5
Jul 14	8:30		Consumer Price Index	Jun	Y/Y % Chg.	3.8	4.2
Jul 14	10:00		*Fed Chair Warsh Testifies at House Financial Services Cmte.*				
Jul 14	12:40		*Fed's Barr Speaks on Artificial Intelligence*				
Jul 14	13:00		*Fed's Goolsbee in Fireside Chat*				
Jul 14	13:30		*Fed's Cook Speaks at Conference on Financial Inclusion*				
Jul 14	14:55		*Fed's Bowman Speaks at Conference on FInancial Inclusion*				
Jul 15	8:30		Empire Manufacturing	Jul	Index	8.6	5.7
Jul 15	8:30		PPI Final Demand	Jun	M/M % Chg.	-0.1	1.1
Jul 15	8:30		PPI Ex Food and Energy	Jun	M/M % Chg.	0.4	0.4
Jul 15	8:45		*Fed's Williams Delivers Keynote Remarks*				
Jul 15	10:00		*Fed Chair Warsh Testifies Before Senate Banking Committee*				
Jul 15	13:00		*Fed's Cook Speaks on the Economic Outlook*				
Jul 15	14:00		*Fed Releases Beige Book*				
Jul 15	18:30		*Fed's Musalem Delivers Welcoming Remarks*				
Jul 16	8:30		Retail Sales Advance	Jun	M/M % Chg.	0.3	0.9
Jul 16	8:30		Initial Jobless Claims	Jul 11	Thsd	-	215.0
Jul 16	8:30		Retail Sales Ex Auto and Gas	Jun	M/M % Chg.	0.5	0.5
Jul 16	10:00		NAHB Housing Market Index	Jul	Index	35.0	35.0
Jul 16	10:00		Business Inventories	May	M/M % Chg.	0.3	0.5
Jul 16	12:30		*Fed's Logan Speaks on the Economy and Monetary Policy*				
Jul 16	13:25		*Fed's Schmid Speaks at Kansas City Fed Economic Forum*				
Jul 16	19:00		*Fed's Jefferson Speaks on Economy and Monetary Policy*				
Jul 17	8:30		Housing Starts	Jun	Thsd	1325.0	1177.0
Jul 17	8:30		Building Permits	Jun	Thsd	1400.0	1410.0
Jul 17	9:15		Industrial Production	Jun	M/M % Chg.	0.2	0.1
Jul 17	9:15		Capacity Utilization	Jun	%	76.2	76.2
Canada							
Jul 15	5:00		Existing Home Sales	Jun	M/M % Chg.	-	5.5
Jul 15	8:30		Manufacturing Sales	May	M/M % Chg.	1.1	4.2
Jul 15	9:45		Bank of Canada Rate Decision	Jul 15	%	2.3	2.3
International							
Jul 14	22:00	CH	Retail Sales	Jun	Y/Y % Chg.	-0.1	-0.6
Jul 14	22:00	CH	Surveyed Jobless Rate	Jun	%	5.1	5.1
Jul 16	2:00	UK	Gross Domestic Product	May	3M/3M % Chg.	0.5	0.7
Jul 17	5:00	EZ	Consumer Price Index	Jun	Y/Y % Chg.	2.8	2.8

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