TD Economics

Weekly Bottom Line

July 24, 2026

Highlights

Canada

- Good Canadian economic data this week were overshadowed by rising oil prices and new U.S. tariffs.
- The new tariff measures differ in scope and risk: Section 301 tariffs largely match prior assumptions, while surprise Section 338 tariffs target about 5% of Canadian goods exports to the U.S. and could disrupt trade flows.
- Canada's domestic economy is showing good momentum, supported by softer inflation and stronger real retail spending, but the outlook remains clouded by trade uncertainty and geopolitical tensions.

U.S.

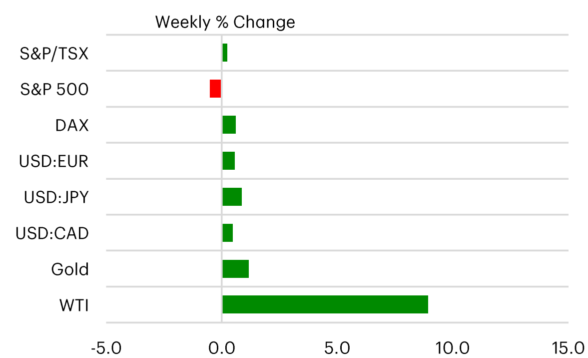
- Escalating Middle East tensions pushed WTI crude to $90 Friday morning. Treasury yields also rose, with the 10-year briefly topping 4.7%.
- The administration replaced the expiring 10% global Section 122 tariffs with Section 301 tariffs of 10% or 12.5% on imports from 60 economies, broadly preserving the existing tariff structure.
- Markets favour no change at next week's Fed meeting, though the probability of a 25-basis-point hike remains non-trivial at roughly 36%.

This Week in the Markets

	Current*	Week Ago	52-Week High	52-Week Low
Stock Market Indexes				
S&P 500	7417	7458	7610	6238
S&P/TSX Comp.	35340	35264	35485	27020
DAX	24987	24831	25818	22301
FTSE 100	10714	10600	10911	9069
Nikkei	64611	64141	72366	40291
Fixed Income Yields				
U.S. 10-yr Treasury	4.66	4.55	4.69	3.94
Canada 10-yr Bond	3.61	3.56	3.70	3.04
Germany 10-yr Bund	3.18	3.13	3.20	2.55
UK 10-yr Gilt	5.05	4.95	5.17	4.23
Japan 10-yr Bond	2.82	2.70	2.88	1.47
Foreign Exchange Cross Rates				
C$ (USD per CAD)	0.71	0.71	0.74	0.70
Euro (USD per EUR)	1.14	1.14	1.20	1.14
Pound (USD per GBP)	1.33	1.35	1.38	1.30
Yen (JPY per USD)	163.8	162.4	163.9	146.5
Commodity Spot Prices**				
Crude Oil ($US/bbl)	89.71	82.49	113.0	55.3
Natural Gas ($US/MMBtu)	2.87	2.77	33.80	0.26
Copper ($US/met. tonne)	13599.1	13500.9	14109.5	9560.2
Gold ($US/troy oz.)	4066.6	4017.4	5417.2	3275.2

*As of 10:25 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 Surges on Supply Concerns



Note: Data as of 10:25 AM ET, Friday, July 24, 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 – New Tariffs and Higher Oil Prices Overshadow Good News at Home

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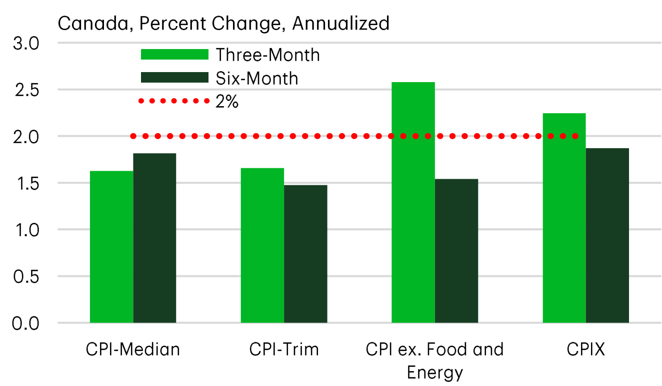
It's another week of geopolitical events making headlines and overshadowing good news at home. Oil prices kept rising as Houthi attacks raised fresh concerns about Saudi oil shipments through the Red Sea and trade tensions also returned to centre stage. The U.S. administration announced 50% tariffs on a targeted subset of Canadian exports under Section 338 of the Tariff Act of 1930 (see commentary), and new Section 301 tariffs came into force as it continues rebuilding its tariff wall). And while these events made headlines, Canada also received encouraging economic news, with another benign inflation report and stronger retail spending pointing to firmer economic activity in the second quarter.

The Section 301 tariffs largely preserve the status quo that emerged after the IEEPA tariffs were struck down. For Canada this means a 10% duty on non-USMCA compliant goods. This is consistent with what we assumed in our June forecast.

The Section 338 tariffs were a surprise and pose a different challenge. These tariffs are set to take effect on August 19th. The tariffs come in response to U.S. alcohol sales restrictions, tariffs on U.S.-made automobiles and longstanding disputes surrounding dairy market access under Canada's supply management system. That said, the affected goods represent roughly 5% of Canadian goods exports to the U.S., despite including a wide range of products.

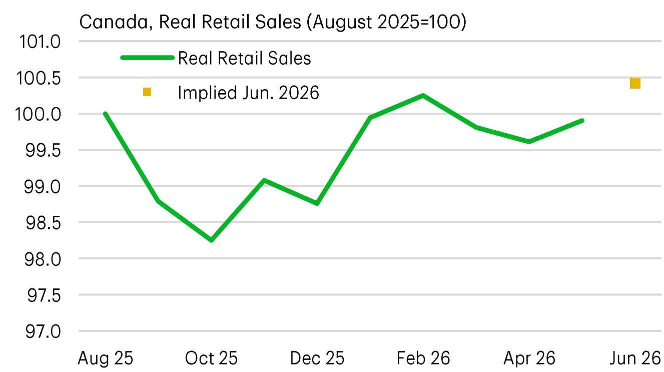
Unlike the broad-based tariff announcements of 2025, these duties appear carefully designed to maximize pressure on Canadian producers, while minimizing the impact on U.S. consumers and manufacturers, and there is no carve out for USMCA-compliant goods. Looking forward, businesses are likely to accelerate shipments before August, creating additional volatility in trade data through the summer. We also don't know for certain that the tariffs will come into effect, with the U.S. and Canada continuing negotiations over trade and the USMCA agreement over the next month.

Chart 1: Core CPI Measures Remain Close to Target



Source: Statistics Canada. TD Economics. As of June 2026.

Chart 2: Real Retail Sales Continue to Recover



Note: Implied June number is based on preliminary retail sales estimate net of CPI inflation. Source: Statistics Canada, TD Economics.

The trade uncertainty comes at a time when the Canadian economy has shown some verve. Consumer prices fell in June as sinking energy costs brought some relief. Moreover, core inflation continued to trend around the Bank of Canada's target rate (Chart 1). Some of this relief will be reversed in July as oil prices have surged from last month's lows, but the temporary relief is important in the context of the retail spending data. May's real retail spending rose 0.3%, while falling June consumer prices and Statistics Canada's advanced estimates suggest that June's real gains could be even better (Chart 2).

The data suggest a meaningful rebound in Canadian economic activity during the second quarter, likely stronger than we had embedded in our forecast. Unfortunately, that improvement remains clouded by trade uncertainty and renewed geopolitical tensions. Still, our baseline assumption remains that cooler heads will eventually prevail. If they do, both oil prices and trade tensions should ease over time, allowing USMCA negotiations to progress and letting Canada's domestic resilience shine through.

U.S. – Inflation Risks Prove Hard to Shake

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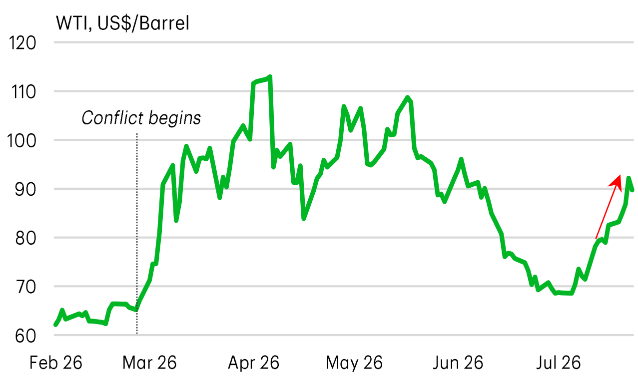
Following last week's heavy economic calendar, the data flow slowed to a trickle, leaving geopolitics and tariffs to drive the narrative. Escalating Middle East tensions sent WTI crude oil prices sharply higher, reigniting inflation concerns and pushing Treasury yields up across the curve. The policy-sensitive two-year yield rose to just shy of 4.4%, while the benchmark 10-year yield briefly climbed above 4.7%. Both reached their highest levels since early 2025. Last week's cooler inflation data significantly reduced the odds of an imminent rate hike, but this week's developments are a reminder that oil-market volatility can quickly disrupt the disinflation process.

The U.S.-Iran conflict intensified, while supply disruptions broadened into the Red Sea after Yemen's Houthis claimed to have attacked two Saudi oil tankers, raising concerns over shipping through a second critical energy chokepoint. WTI crude climbed by $10 per barrel from the end of last week to briefly above $93 before easing below $90 Friday morning (Chart 1). Marking another potential escalation, President Trump warned that the U.S. would attack critical infrastructure if Iran targeted vessels.

The longer oil prices and yields remain elevated, the greater the squeeze on household budgets. Mortgage rates have already moved higher to near 6.9%, a one-year high that will strain near-term affordability.

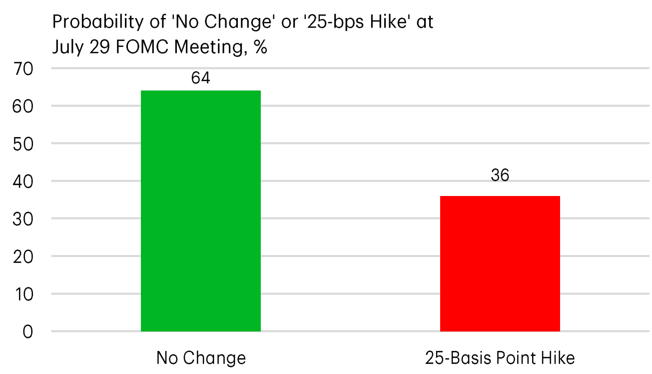
Renewed energy pressures may not be the only threat to the recent narrative of cooling inflation. New tariffs announced this week also raise upside risks to inflation.

Chart 1: Oil Prices Surge as Middle East Conflict Broadens



Source: Haver Analytics, TD Economics.
Daily frequency. Last data point is July 24, as of 10:00 AM ET.

Chart 2: Markets See Only Moderate Risk of Fed Hike at Next Week's FOMC Meeting



Source: CME Group, TD Economics. As of July 24, 10:00 AM ET.

Earlier this week, President Trump signed proclamations imposing additional 50% tariffs on a selected group of Canadian imports, including wine, dairy products, and cement. The duties are set to take effect later in August, leaving some room for negotiations. Potentially more consequential for the broader inflation outlook is the new tariff regime that replaced the temporary 10% global surcharge under Section 122 that expired overnight.

Following investigations into forced-labor import enforcement, the U.S. imposed tariffs of 10% or 12.5% on imports from 60 economies under Section 301 of the Trade Act. The move appears to preserve the broader tariff status quo, suggesting that the immediate inflation impact will be limited. This is further supported by an extensive list of goods exempted from the tariffs, which dilutes the impact. That said, the Section 301 tariffs provide a more durable framework through which rates or product coverage could be increased later, potentially heightening the risk of retaliation from key trading partners.

Next week brings a much busier economic calendar. Attention will be focused on Wednesday's FOMC rate decision and Chair Warsh's post-meeting press conference. Markets currently favor no change at this meeting, though the possibility of a 25-basis-point hike remains non-trivial (Chart 2). Meanwhile, pricing puts the odds of two hikes by year-end at roughly 70%. The near-term path for monetary policy will hinge on inflation, and so depends on whether the conflict with Iran keeps energy prices elevated and how aggressively the administration amplifies its tariff regime.

Exhibits

Recent Key Economic Indicators: Jul 20 - 24, 2026						
Release Date		Economic Indicator/Event	Data for Period	Units	Current	Prior
United States						
Jul 23		Initial Jobless Claims	Jul 18	Thsd	187.0	209.0
Jul 24		Building Permits	Jun	Thsd	1374.0	1367.0
Jul 24		S&P Global US Composite PMI	Jul	Index	53.6	51.9
Jul 24		S&P Global US Manufacturing PMI	Jul	Index	53.8	53.9
Jul 24		S&P Global US Services PMI	Jul	Index	53.6	51.2
Canada						
Jul 20		Consumer Price Index	Jun	Y/Y % Chg.	2.8	3.2
Jul 20		Consumer Price Index NSA	Jun	M/M % Chg.	-0.4	1.0
Jul 20		CPI-Median	Jun	Y/Y % Chg.	1.9	2.1
Jul 20		CPI-Trim	Jun	Y/Y % Chg.	1.8	2.0
Jul 23		CFIB Business Barometer	Jul	Index	58.3	50.1
Jul 23		Retail Sales	May	M/M % Chg.	1.0	0.4
Jul 23		Retail Sales Ex Auto	May	M/M % Chg.	1.2	0.1
Jul 24		Industrial Product Price	Jun	M/M % Chg.	-1.4	1.4
International						
Jul 21	UK	ILO Unemployment Rate (3 Mths.)	May	%	4.9	4.9
Jul 22	UK	Consumer Price Index	Jun	Y/Y % Chg.	2.6	2.8
Jul 23	EZ	ECB Main Refinancing Rate	Jul 23	%	2.40	2.40
Jul 23	JN	National Consumer Price Index	Jun	Y/Y % Chg.	1.7	1.5
Jul 23	JN	S&P Global Japan Composite PMI	Jul	Index	53.1	52.8
Jul 24	UK	Retail Sales Ex Auto Fuel	Jun	Y/Y % Chg.	5.4	4.9
Jul 24	UK	S&P Global UK Composite PMI	Jul	Index	52.1	49.3

Source: Bloomberg, TD Economics.

Upcoming Economic Releases and Events: Jul 27 - 31, 2026							
Release Date	Time*		Economic Indicator/Event	Data for Period	Units	Consensus Forecast	Last Period
United States							
Jul 27	8:30		Durable Goods Orders	Jun	M/M % Chg.	1.5	-4.5
Jul 27	8:30		Cap Goods Orders Nondef Ex Air	Jun	M/M % Chg.	0.9	1.4
Jul 28	8:30		Advance Goods Trade Balance	Jun	Blns	-97.8	-105.9
Jul 28	10:00		Conf. Board Consumer Confidence	Jul	Index	92.0	91.2
Jul 29	14:00		FOMC Rate Decision (Upper Bound)	Jul 29	%	3.8	3.8
Jul 30	8:30		Personal Income	Jun	M/M % Chg.	0.3	0.7
Jul 30	8:30		Real Personal Spending	Jun	M/M % Chg.	0.2	0.3
Jul 30	8:30		Initial Jobless Claims	Jul 25	Thsd	-	187.0
Jul 30	8:30		Gross Domestic Product Annualized	2Q	Q/Q % Chg.	2.3	2.1
Jul 30	8:30		Personal Consumption	2Q	Q/Q % Chg.	2.3	0.5
Jul 31	8:30		Employment Cost Index	2Q	Index	0.8	0.9
Canada							
Jul 27	10:30		*BoC Market Participants Survey*	2Q			
Jul 29	13:30		*BoC Summary of Deliberations*	Jul			
Jul 30	8:30		Payroll Employment Change - SEPH	May	Thsd	-	22.0
Jul 31	8:30		Gross Domestic Product	May	M/M % Chg.	0.2	0.5
International							
Jul 30	5:00	EZ	Gross Domestic Product SA	2Q	Y/Y % Chg.	0.5	0.5
Jul 30	5:00	EZ	Unemployment Rate	Jun	%	6.2	6.2
Jul 30	7:00	UK	Bank of England Bank Rate	Jul 30	%	3.8	3.8
Jul 30	19:30	JN	Tokyo Consumer Price Index	Jul	Y/Y % Chg.	1.8	1.7
Jul 30	19:30	JN	Jobless Rate	Jun	%	2.5	2.5
Jul 30	19:50	JN	Retail Sales	Jun	Y/Y % Chg.	2.7	5.0
Jul 30	21:30	CH	Manufacturing PMI	Jul	Index	49.9	50.3
Jul 31	5:00	EZ	Consumer Price Index	Jul	Y/Y % Chg.	2.9	2.8

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