

Weekly Bottom Line

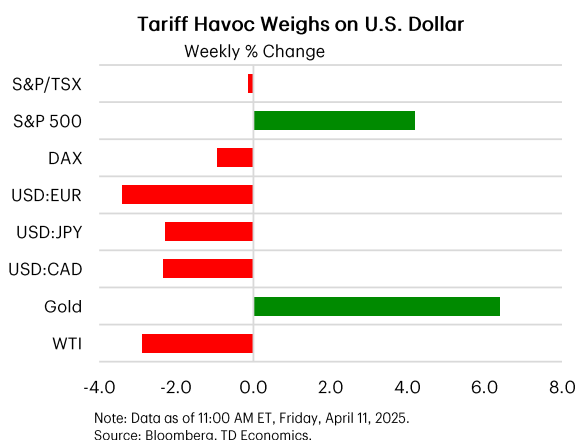
April 11, 2025

Highlights

- Market sentiment soured earlier this week as 'reciprocal' tariffs went into effect. Equities sold off initially, but so did Treasuries, with the 10-year Treasury yield up sharply on the week.
- A decision to ease U.S. tariff measures on most countries targeted last week, while increasing tariffs on China, sent markets on a rollercoaster.
- Inflation came in lower than anticipated in March, with core CPI easing to 2.8% year-on-year from 3.1% previously.

This Week in the Markets				
	Current*	Week Ago	52-Week High	52-Week Low
Stock Market Indexes				
S&P 500	5256	5074	6144	4967
S&P/TSX Comp.	23186	23193	25808	21517
DAX	20382	20642	23419	17339
FTSE 100	7975	8055	8871	7679
Nikkei	33586	33781	42224	31137
Fixed Income Yields				
U.S. 10-yr Treasury	4.55	3.99	4.79	3.62
Canada 10-yr Bond	3.29	2.88	3.87	2.83
Germany 10-yr Bund	2.54	2.58	2.90	2.03
UK 10-yr Gilt	4.74	4.45	4.89	3.76
Japan 10-yr Bond	1.32	1.22	1.59	0.79
Foreign Exchange Cross Rates				
C\$ (USD per CAD)	0.72	0.70	0.74	0.69
Euro (USD per EUR)	1.13	1.10	1.13	1.02
Pound (USD per GBP)	1.31	1.29	1.34	1.22
Yen (JPY per USD)	143.5	146.9	161.7	140.6
Commodity Spot Prices**				
Crude Oil (\$US/bbl)	60.3	62.0	85.7	59.6
Natural Gas (\$US/MMBtu)	3.47	4.03	9.39	1.23
Copper (\$US/met. tonne)	9003.5	8717.1	10800.8	8571.4
Gold (\$US/troy oz.)	3229.5	3038.2	3229.5	2286.3

*As of 10:56 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)	2.65%
Bank of England (Repo Rate)	4.50%
Bank of Japan (Overnight Rate)	0.50%

Source: Bloomberg.

TD Economics Key Financial Forecasts													
	Current Rate	2024				2025				2026			
	4/11/25	Q1	Q2	Q3	Q4	Q1F	Q2F	Q3F	Q4F	Q1F	Q2F	Q3F	Q4F
Fed Funds Target Rate	4.50	5.50	5.50	5.00	4.50	4.50	4.25	4.00	4.00	3.50	3.00	3.00	3.00
2-yr Govt. Bond Yield	3.93	4.59	4.71	3.66	4.25	4.00	3.75	3.50	3.25	3.00	3.00	3.00	3.00
10-yr Govt. Bond Yield	4.55	4.20	4.36	3.81	4.58	4.30	4.20	4.00	3.85	3.75	3.75	3.75	3.75
30-yr Govt. Bond Yield	4.95	4.34	4.51	4.14	4.78	4.55	4.50	4.30	4.15	4.05	4.05	4.05	4.05

Forecast by TD Economics as of March 2025; all forecasts are end-of-period. Source: Bloomberg, Federal Reserve Board, TD Economics.

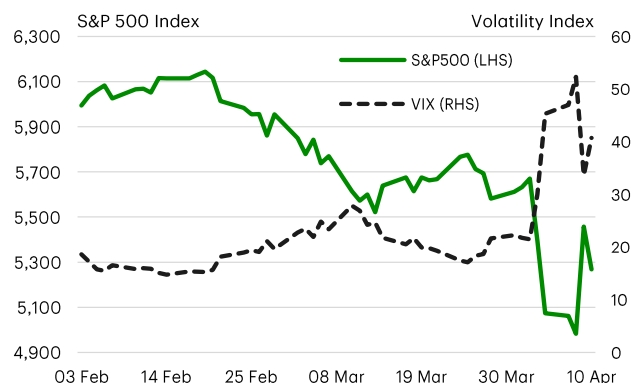
Tariff Rollercoaster Continues, Trade Fight with China Escalates

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Another tumultuous week has followed for financial markets. On the heels of last week's announcement that the U.S. would implement higher reciprocal tariffs on a number of countries, some appeared to have reached out for negotiation, while a few others announced their own countermeasures. What stood out was China's commensurate retaliation to the 34% additional U.S. tariff on Chinese goods. But this was only the beginning, with the trade fight escalating throughout the week. As higher reciprocal tariffs came into effect, equity markets sold off. Normally when this happens, Treasuries (considered a safe-haven asset) tend to rally. But, in a very concerning move, Treasuries sold off too. Yields (which move opposite to bond prices) shot higher. The dollar also lost considerable ground against a basket of foreign currencies. Before long, the White House appeared to extend an olive branch. In a surprising move, Pres. Trump announced a 90 day pause to last week's reciprocal tariffs, while also lowering the country-specific rate to a universal 10% for all targeted countries, except for China. Tariffs on the latter were jacked up further. Stock markets rejoiced initially, staging a sharp recovery on Wednesday. But when it came to yields and the dollar, the weak trends described above resumed later in the week (Chart 1).

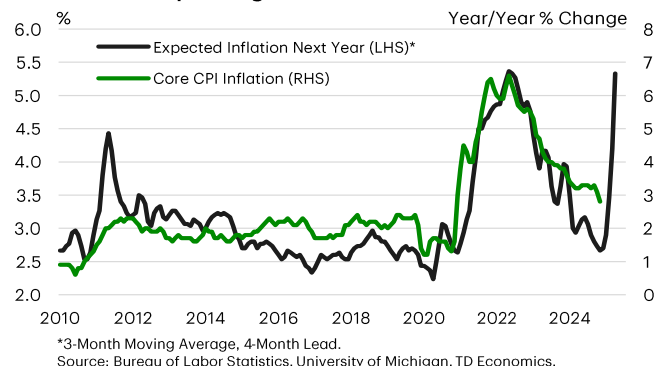
Pulling back the lens on the many twists and turns from this week's events, one thing is clear – the U.S. is softening its tariff stance with most partners targeted last week, but is tightening the screws on China. The White House has clarified that the tariff increases on China so far add up to 145%, while this morning China announced it will increase retaliatory tariffs on U.S. goods to 125%. If tariffs were to hold at these high levels for a while, a

Chart 1: Tariff Rollercoaster Continues to Impact Markets



Source: Bloomberg, TD Economics. Last Observation: April 11th, 11:30 AM.

Chart 2: U.S. CPI Inflation Cooled in March, But Consumers Expect Higher Inflation Next Year



*3-Month Moving Average, 4-Month Lead.

Source: Bureau of Labor Statistics, University of Michigan, TD Economics.

large chunk of trade with China would effectively be cut off. While China's economy would undoubtedly take a hit, as its \$439 billion worth of goods sent to the U.S. last year dwindle to something much lower, there will be major consequences at home too. Reduced access to the Chinese market for U.S. exporters is a first. But perhaps a more concerning aspect is the prospect of product shortages, along with higher prices for inelastic products that can't be sourced from elsewhere in short order. Domestic production cannot fill the void that will be left by China over the near-to-medium term. In this vein, the trade war will also remap supply chains, with the U.S. inclined to seek product substitutes from other countries, while Chinese exporters will seek to expand in other markets, such as in Europe.

Apart from leaving a mark on financial markets, trade uncertainty is also weighing on consumers and businesses, with the NFIB small business confidence measure continuing to trend lower in March. On a more positive note, producer prices, and inflation as measured by CPI, both came in softer than anticipated last month. Lower energy prices dragged down total CPI inflation (2.4% year-on-year (y/y)), but core inflation also eased, cooling to 2.8% y/y from 3.1% previously. Still, considering the tariffs and the fact that consumers are positioning for higher inflation, this trend looks set to reverse course soon (Chart 2). This leaves the Fed in a difficult position. Minutes from the mid-March FOMC meeting suggest that the central bank wasn't ready to alter its course yet, with Fed officials leaning against preemptive rate cuts. While a lot has changed in the last three weeks, messaging from Fed officials appears consistent, with several speeches this week driving home the point that the bar for rate cuts remains high.

Exhibits

Recent Key Economic Indicators: Apr 07 - 11, 2025					
Release Date	Economic Indicator/Event	Data for Period	Units	Current	Prior
United States					
Apr 08	NFIB Small Business Optimism	Mar	Index	97.4	100.7
Apr 09	Wholesale Trade Sales	Feb	M/M % Chg.	2.4	-0.9
Apr 09	FOMC Meeting Minutes	Mar 19		-	-
Apr 10	Consumer Price Index	Mar	M/M % Chg.	-0.1	0.2
Apr 10	Consumer Price Index Ex Food and Energy	Mar	M/M % Chg.	0.1	0.2
Apr 10	Consumer Price Index	Mar	Y/Y % Chg.	2.4	2.8
Apr 10	Consumer Price Index Ex Food and Energy	Mar	Y/Y % Chg.	2.8	3.1
Apr 10	Initial Jobless Claims	Apr 05	Thsd	223.0	219.0
Apr 11	PPI Final Demand	Mar	M/M % Chg.	-0.4	0.1
Apr 11	PPI Ex Food and Energy	Mar	M/M % Chg.	-0.1	0.1
Canada					
Apr 07	BoC Overall Business Outlook Survey	Q1	Q/Q % Chg.	-2.1	-1.2
International					
Apr 07	EZ Retail Sales	Feb	Y/Y % Chg.	2.3	1.8
Apr 09	CH Consumer Price Index	Mar	Y/Y % Chg.	-0.1	-0.7
Apr 11	UK Gross Domestic Product	Feb	3M/3M % Chg.	0.6	0.3

Source: Bloomberg, TD Economics.

Upcoming Economic Releases and Events: Apr 14 - 18, 2024						
Release Date	Time*	Economic Indicator/Event	Data for Period	Units	Consensus Forecast	Last Period
United States						
Apr 14	11:00	NY Fed 1-Yr Inflation Expectations	Mar	%	-	3.1
Apr 14	13:00	<i>Fed's Waller Speaks on Economic Outlook</i>				
Apr 14	18:00	<i>Fed's Harker Speaks on Role of Fed</i>				
Apr 14	19:40	<i>Fed's Bostic Speaks in Fireside Chat on Policy</i>				
Apr 15	8:30	Empire Manufacturing	Apr	Index	-15.0	-20.0
Apr 15	19:10	<i>Fed's Cook Speaks at Alumni Event</i>				
Apr 16	8:30	Retail Sales Advance	Mar	M/M % Chg.	1.4	0.2
Apr 16	8:30	Retail Sales Ex Auto and Gas	Mar	M/M % Chg.	0.6	0.5
Apr 16	9:15	Capacity Utilization	Mar	%	77.9	78.2
Apr 16	9:15	Industrial Production	Mar	M/M % Chg.	-0.2	0.7
Apr 16	9:15	Manufacturing (SIC) Production	Mar	M/M % Chg.	0.3	0.9
Apr 16	10:00	Business Inventories	Feb	M/M % Chg.	0.3	0.3
Apr 16	10:00	NAHB Housing Market Index	Apr	Index	38.0	39.0
Apr 16	12:00	<i>Fed's Hammack Speaks in Moderated Q&A</i>				
Apr 16	13:30	<i>Fed's Powell Speaks to Economic Club of Chicago</i>				
Apr 16	19:00	<i>Fed's Schmid Chats With Fed's Logan on Economy, Banking</i>				
Apr 17	8:30	Building Permits	Mar	Thsd	1450.0	1459.0
Apr 17	8:30	Housing Starts	Mar	Thsd	1420.0	1501.0
Apr 17	8:30	Initial Jobless Claims	Apr 12	Thsd	-	223.0
Apr 17	11:45	<i>Fed's Barr Speaks in Fireside Chat</i>				
Apr 18	11:00	<i>Fed's Daly Speaks in Moderated Conversation</i>				
Canada						
Apr 14	8:30	Wholesale Sales ex Petroleum	Feb	M/M % Chg.	-	1.2
Apr 15	8:15	Housing Starts	Mar	Thsd	237.8	229.0
Apr 15	8:30	Consumer Price Index	Mar	Y/Y % Chg.	2.7	2.6
Apr 15	8:30	Consumer Price Index NSA	Mar	M/M % Chg.	0.7	1.1
Apr 15	8:30	CPI-Median	Mar	Y/Y % Chg.	2.9	2.9
Apr 15	8:30	CPI-Trim	Mar	Y/Y % Chg.	2.9	2.9
Apr 15	8:30	Manufacturing Sales	Feb	M/M % Chg.	-0.2	1.7
Apr 15	9:00	Existing Home Sales	Mar	M/M % Chg.	-	-9.8
Apr 16	9:45	Bank of Canada Rate Decision	Apr 16	%	2.75	2.75
Apr 16	9:45	<i>Bank of Canada Releases Monetary Policy Report</i>				
International						
Apr 15	2:00	UK ILO Unemployment Rate (3 Mths.)	Feb	%	4.4	4.4
Apr 15	22:00	CH Gross Domestic Product	Q1	Y/Y % Chg.	5.2	5.4
Apr 15	22:00	CH Retail Sales	Mar	Y/Y % Chg.	4.2	-
Apr 15	22:00	CH Surveyed Jobless Rate	Mar	%	5.3	5.4
Apr 16	2:00	UK Consumer Price Index	Mar	Y/Y % Chg.	2.7	2.8
Apr 16	5:00	EZ Consumer Price Index	Mar	Y/Y % Chg.	2.2	-
Apr 17	8:15	EZ ECB Main Refinancing Rate	Apr 17	%	2.40	2.65
Apr 17	19:30	JN National Consumer Price Index	Mar	Y/Y % Chg.	3.7	3.7

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

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