

Weekly Bottom Line

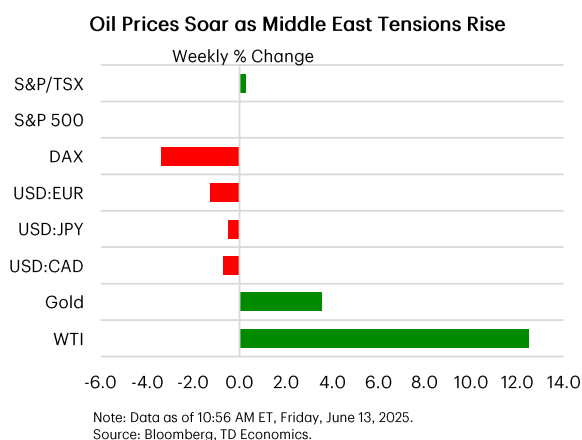
June 13, 2025

Highlights

- The U.S. and China reached a tentative 'framework' of a trade deal on Wednesday. The U.S. administration also signaled an openness to extend the 90-day pause on reciprocal tariffs for some countries.
- WTI prices jumped by more than 6% or \$4.5 per-barrel to \$72.5 on Friday, following Israeli airstrikes on Iran.
- Inflationary pressures remained subdued in May, with both CPI and PPI readings coming in lower than expected, which helped to push Treasury yields lower.

This Week in the Markets				
	Current*	Week Ago	52-Week High	52-Week Low
Stock Market Indexes				
S&P 500	5999	6000	6144	4983
S&P/TSX Comp.	26499	26429	26616	21517
DAX	23476	24304	24324	17339
FTSE 100	8856	8838	8885	7679
Nikkei	37834	37742	42224	31137
Fixed Income Yields				
U.S. 10-yr Treasury	4.41	4.51	4.79	3.62
Canada 10-yr Bond	3.36	3.34	3.61	2.83
Germany 10-yr Bund	2.53	2.58	2.90	2.03
UK 10-yr Gilt	4.54	4.64	4.89	3.76
Japan 10-yr Bond	1.41	1.46	1.59	0.79
Foreign Exchange Cross Rates				
C\$ (USD per CAD)	0.74	0.73	0.74	0.69
Euro (USD per EUR)	1.15	1.14	1.16	1.02
Pound (USD per GBP)	1.36	1.35	1.36	1.22
Yen (JPY per USD)	144.2	144.9	161.7	140.6
Commodity Spot Prices**				
Crude Oil (\$US/bbl)	72.7	64.6	83.9	57.1
Natural Gas (\$US/MMBtu)	2.90	2.68	9.33	1.22
Copper (\$US/met. tonne)	9787.5	9762.8	10091.5	8571.4
Gold (\$US/troy oz.)	3428.3	3310.4	3431.8	2298.2

*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)	2.15%
Bank of England (Repo Rate)	4.25%
Bank of Japan (Overnight Rate)	0.50%

Source: Bloomberg.

TD Economics Key Financial Forecasts													
Current Rate		2024				2025				2026			
	6/13/25	Q1	Q2	Q3	Q4	Q1	Q2F	Q3F	Q4F	Q1F	Q2F	Q3F	Q4F
Fed Funds Target Rate	4.50	5.50	5.50	5.00	4.50	4.50	4.50	4.00	3.75	3.75	3.25	3.00	3.00
2-yr Govt. Bond Yield	3.96	4.59	4.71	3.66	4.25	3.89	3.80	3.55	3.30	3.05	3.00	3.00	3.00
10-yr Govt. Bond Yield	4.41	4.20	4.36	3.81	4.58	4.23	4.32	4.20	4.00	3.80	3.75	3.75	3.75
30-yr Govt. Bond Yield	4.89	4.34	4.51	4.14	4.78	4.59	4.82	4.60	4.38	4.15	4.05	4.05	4.05
Forecast by TD Economics as of May 2025; all forecasts are end-of-period. Source: Bloomberg, Federal Reserve Board, TD Economics.													

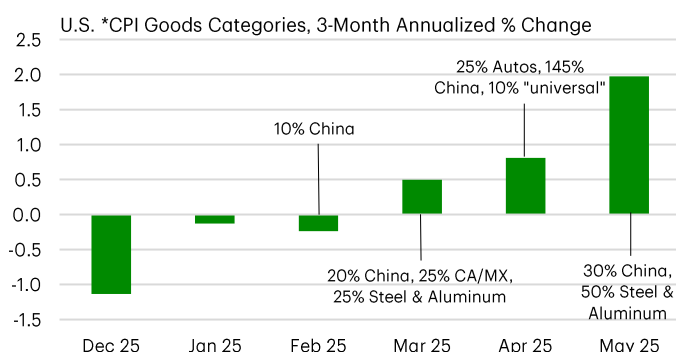
Trade Tensions De-escalate Just as Geopolitical Tensions Heat-up

Thomas Feltmate, Director & Senior Economist
416-944-5730

A further de-escalation in trade tensions came this week, with the U.S. and China announcing on Wednesday that they had reached a 'framework' of a trade deal. That same day, Treasury Secretary Scott Bessent signaled an openness to extend the administration's current 90-day pause on reciprocal tariffs beyond July 9th for those countries who are 'negotiating in good faith'. While the combined announcements helped to provide a temporary lift to equity markets, a further escalation in geopolitical tensions in the Middle East on Thursday evening sent shockwaves through global financial markets, pushing the S&P 500 modestly lower on the week. Oil prices shot higher by \$4.5 per-barrel, with WTI currently trading at an 18-week high of \$72.5. Meanwhile, cooler readings on CPI and PPI for the month of May, alongside healthy demand in 10-and-30-year Treasury auctions helped to pressure term-yields 10-15 basis points lower on the week, with the 10-year currently sitting at 4.38%.

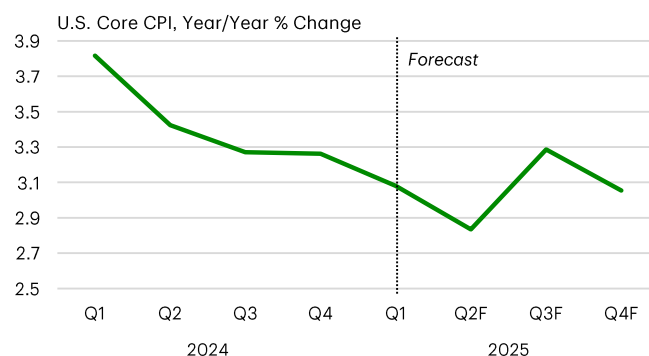
At this point, details of the U.S.-China trade deal remain limited. Based on what media outlets have reported, China has agreed to lift export restrictions on magnets and rare earth minerals, both of which are critical components in the production of electric vehicles, semiconductors and military equipment. In exchange, the U.S. has agreed to lift its ban on Chinese students but did not remove the export restrictions on high-end semiconductors. Moreover, the agreed framework did not alter the existing tariffs imposed by either country. As it currently stands, the U.S. effective tariff rate on China is around 40%, well off the post-Liberation Day peak of 155%, but still elevated by historical standards. And with trade levies on most other countries sitting around 10-12%, that

Chart 1: Some Consumer Goods Seeing Tariff Passthrough



Source: Bureau of Labor Statistics, TD Economics. * Includes household furnishings, medical supplies, recreational, educational and other goods.

Chart 2: Tariffs to Push Inflation Higher Later this Year



Source: Bureau of Labor Statistics, TD Economics.

puts today's U.S. effective tariff rate at around 15%, which remains an ongoing concern for investors.

Encouragingly, broader price pressures in the economy remain subdued. May's [CPI inflation](#) print came in on the softer side, as both goods and services prices rose by less than expected. Tariff related impacts remained minimal, though there was some evidence of price passthrough in home furnishings, recreational goods and medical supplies (Chart 1). But inflation is a lagging indicator, and with the bulk of the tariffs coming into effect between March and May, it's still too soon to see a meaningful shift in pricing behavior. Moreover, the inventory stockpiling that occurred immediately following the tariff announcements has likely been another factor keeping the price gains at bay.

But that doesn't mean they're not coming. Over the coming months, inventory restocking will expose more firms to the tariffs, squeezing profit margins and leading to some price increases for consumer goods. Even assuming a mild passthrough to prices, where goods prices increase by just 3.5% by year-end, would likely be enough to push core measures of inflation up to the 3%-3.5% range over the coming quarters (Chart 2).

We'll hear from the Federal Reserve next week, where it's widely expected that they'll keep the policy rate unchanged and continue to communicate a 'wait-and-see' approach. But investors will parse every word change of the statement and Powell's press conference for signs of whether the recent softening in inflation has nudged policymakers any closer to reducing its policy rate.

Exhibits

Recent Key Economic Indicators: June 09 - 13, 2025					
Release Date	Economic Indicator/Event	Data for Period	Units	Current	Prior
United States					
Jun 9	Wholesale Trade Sales	Apr	M/M % Chg.	0.1	0.8
Jun 9	NY Fed 1-Yr Inflation Expectations	May	%	3.2	3.6
Jun 10	NFIB Small Business Optimism	May	Index	98.8	95.8
Jun 11	Consumer Price Index	May	M/M % Chg.	0.1	0.2
Jun 11	Consumer Price Index Ex Food and Energy	May	M/M % Chg.	0.1	0.2
Jun 11	Consumer Price Index	May	Y/Y % Chg.	2.4	2.3
Jun 11	Consumer Price Index Ex Food and Energy	May	Y/Y % Chg.	2.8	2.8
Jun 12	PPI Final Demand	May	M/M % Chg.	0.1	-0.2
Jun 12	PPI Ex Food and Energy	May	M/M % Chg.	0.1	-0.2
Jun 12	Initial Jobless Claims	Jun 07	Thsd	248.0	248.0
Canada					
Jun 13	Manufacturing Sales	Apr	M/M % Chg.	-2.8	-1.4
Jun 13	Wholesale Sales ex Petroleum	Apr	M/M % Chg.	-2.3	0.0
International					
Jun 10	UK ILO Unemployment Rate (3 Mths.)	Apr	%	4.6	4.5
Jun 12	UK Gross Domestic Product	Apr	3M/3M % Chg.	0.7	0.7
Source: Bloomberg, TD Economics.					

Upcoming Economic Releases and Events: June 16 - 20, 2025						
Release Date	Time*	Economic Indicator/Event	Data for Period	Units	Consensus Forecast	Last Period
United States						
Jun 16	8:30	Empire Manufacturing	Jun	Index	-6.5	-9.2
Jun 17	8:30	Retail Sales Advance	May	M/M % Chg.	-0.7	0.1
Jun 17	8:30	Retail Sales Ex Auto and Gas	May	M/M % Chg.	0.4	0.2
Jun 17	9:15	Capacity Utilization	May	%	77.7	77.7
Jun 17	9:15	Industrial Production	May	M/M % Chg.	0.1	0.0
Jun 17	9:15	Manufacturing (SIC) Production	May	M/M % Chg.	0.0	-0.4
Jun 17	10:00	Business Inventories	Apr	M/M % Chg.	0.0	0.1
Jun 17	10:00	NAHB Housing Market Index	Jun	Index	36.0	34.0
Jun 18	8:30	Building Permits	May	Thsd	1430.0	1422.0
Jun 18	8:30	Housing Starts	May	Thsd	1360.0	1361.0
Jun 18	8:30	Initial Jobless Claims	Jun 14	Thsd	245.0	248.0
Jun 18	14:00	FOMC Rate Decision (Upper Bound)	Jun 18	%	4.50	4.50
Canada						
Jun 16	8:15	Housing Starts	May	Thsd	252.0	278.6
Jun 16	9:00	Existing Home Sales	May	M/M % Chg.	-	-0.1
Jun 17	13:30	<i>BoC Releases Summary of Deliberations</i>				
Jun 18	11:30	<i>BoC's Macklem Speaks at St. John's Board of Trade</i>				
Jun 19	7:00	CFIB Business Barometer	Jun	Index	-	40.0
Jun 20	8:30	Industrial Product Price	May	M/M % Chg.	-	-0.8
Jun 20	8:30	Retail Sales	Apr	M/M % Chg.	0.5	0.8
Jun 20	8:30	Retail Sales Ex Auto	Apr	M/M % Chg.	0.4	-0.7
International						
Jun 18	2:00	UK Consumer Price Index	May	Y/Y % Chg.	3.4	3.5
Jun 18	5:00	EZ Consumer Price Index	May	Y/Y % Chg.	1.9	2.2
Jun 19	7:00	UK Bank of England Bank Rate	Jun 19	%	4.25	4.25
Jun 19	19:30	JN National Consumer Price Index	May	Y/Y % Chg.	3.5	3.6
Jun 20	2:00	UK Retail Sales Ex Auto Fuel	May	Y/Y % Chg.	1.8	5.3

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

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