

Weekly Bottom Line

June 20, 2025

Highlights

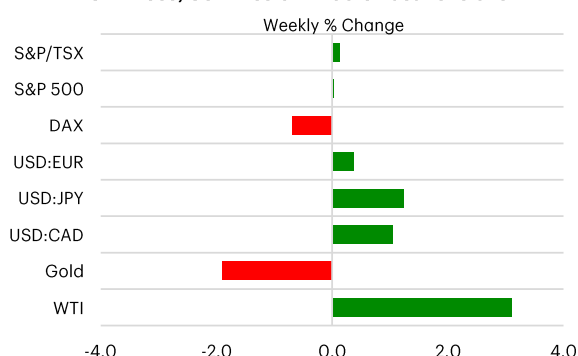
- The Federal Reserve left interest rates unchanged for the fourth consecutive time this year, as members revised their expectations for 2025 inflation higher relative to March.
- U.S. retail sales in May contracted notably as tariff front-loading purchases ended, although the broader composition of sales appeared to remain healthy overall.
- Senate Republicans continued to race against the clock on their self-imposed July 4th deadline to pass the President's multi-trillion-dollar One Big Beautiful Bill Act.

This Week in the Markets

	Current*	Week Ago	52-Week High	52-Week Low
Stock Market Indexes				
S&P 500	5992	5977	6144	4983
S&P/TSX Comp.	26596	26504	26616	21555
DAX	23383	23516	24324	17339
FTSE 100	8805	8851	8885	7679
Nikkei	38403	37834	42224	31137
Fixed Income Yields				
U.S. 10-yr Treasury	4.42	4.40	4.79	3.62
Canada 10-yr Bond	3.33	3.37	3.61	2.83
Germany 10-yr Bund	2.52	2.54	2.90	2.03
UK 10-yr Gilt	4.54	4.55	4.89	3.76
Japan 10-yr Bond	1.40	1.41	1.59	0.79
Foreign Exchange Cross Rates				
C\$ (USD per CAD)	0.73	0.74	0.74	0.69
Euro (USD per EUR)	1.15	1.15	1.16	1.02
Pound (USD per GBP)	1.35	1.36	1.36	1.22
Yen (JPY per USD)	145.9	144.1	161.7	140.6
Commodity Spot Prices**				
Crude Oil (\$US/bbl)	75.3	73.0	83.9	57.1
Natural Gas (\$US/MMBtu)	3.43	2.65	9.33	1.22
Copper (\$US/met. tonne)	9748.4	9718.4	10091.5	8571.4
Gold (\$US/troy oz.)	3370.1	3432.3	3432.3	2298.2

*As of 10:18 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 Prices, USD Rise on Middle East Tensions



Note: Data as of 10:25 AM ET, Friday, June 20, 2025.
Source: Bloomberg, TD Economics.

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 6/20/25	2024				2025				2026			
		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	4.25	3.75	3.75	3.25	3.25	3.25	3.25
2-yr Govt. Bond Yield	3.94	4.59	4.71	3.66	4.25	3.89	4.03	3.83	3.58	3.25	3.25	3.25	3.25
10-yr Govt. Bond Yield	4.42	4.20	4.36	3.81	4.58	4.23	4.52	4.50	4.25	4.00	4.00	4.00	4.00
30-yr Govt. Bond Yield	4.93	4.34	4.51	4.14	4.78	4.59	4.99	4.95	4.65	4.30	4.30	4.30	4.30

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

Economic Policy in Wait-and-See Mode

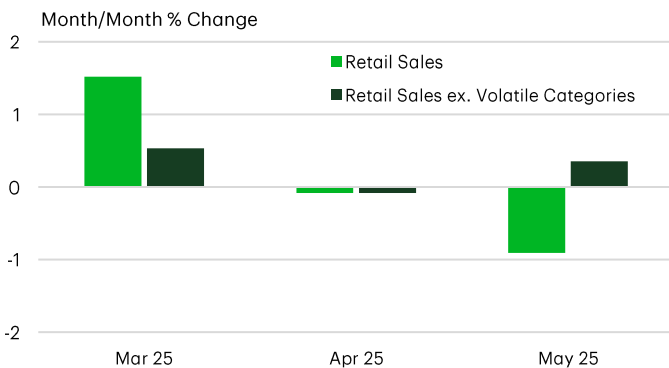
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The last week of spring came with no shortage of headlines on the policy front, but it appears monetary, fiscal and trade policy remain in wait-and-see mode for now. The week began with President Trump leaving the G7 leaders' summit early to monitor rising tensions in the Middle East, which have continued to push oil prices higher. On the home front, a handful of economic data releases and a Federal Reserve interest rate decision were on deck. Meanwhile, Congressional Republicans continued to work on their sizeable tax cut and spending bill. As of the time of writing, equity and Treasury markets were roughly unchanged on the week.

Checking in on the health of the U.S. consumer, we saw U.S. retail sales fall materially in May, largely owing to a pull-back in categories that had seen front-loaded sales in advance of tariffs in months prior (i.e. autos, electronics, appliances, etc.). Excluding the more volatile categories, retail sales saw a healthy gain in May (Chart 1), likely continuing to be aided by a stable job market and solid real income growth. However, moving forward we expect both trends to ease as tariffs apply upward pressure to inflation that builds moving into the second half of the year (see [here](#)).

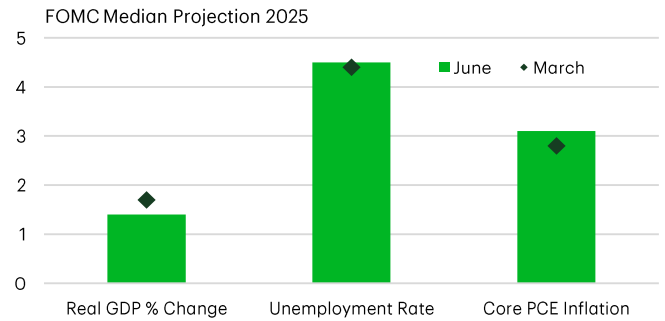
The Federal Reserve emphasized a similar expectation during their decision on Wednesday, with the FOMC's median projections showing subdued economic growth for 2025, in addition to higher unemployment and inflation (Chart 2). The latter is what in part motivated the Fed to keep interest rates unchanged for a fourth time this year in June, with Chair Powell noting that the Fed

Chart 1: U.S. Retail Sales Moderated in May



Note: Volatile categories include; autos, building supplies, & gasoline.
Source: U.S. Census Bureau, TD Economics.

Chart 2: Federal Reserve Downgrades Expectations for Growth, Upgrades Unemployment & Inflation



Note: Real GDP and core PCE inflation are Q4/Q4 changes, unemployment rate is year end.
Source: Federal Reserve, TD Economics.

was well positioned to wait to see how the economy evolved moving forward. Although tariffs are likely to only be a transitory shock to inflation, loosening monetary policy too quickly in this environment could add to upward pressure on prices – a risk the Fed is determined to avoid. For this reason, monetary policy easing is expected to be gradual through the second half of the year, with markets expecting the first cut of the year in September and only 50bps of cuts cumulatively.

Elsewhere in Washington D.C. this week, Senate Republicans continued to table their versions of sections of the multi-trillion dollar 'One, Big, Beautiful Bill Act' (OBBBA), including the Senate Finance Committee, which oversees tax policy and Medicaid. On the surface, the Senate Finance Committee's markup of the bill broadly includes less generous household tax cuts, more generous business tax cuts, and more stringent cuts to Medicaid compared to the House version. Given the OBBBA only passed the House by a margin of one vote in late May, passing a consolidated, bicameral bill is likely to be a challenging process, especially as Congress only has one week left in-session before their self-imposed July 4th deadline.

Looking ahead to next week, the OBBBA's progression through Congress will continue to be closely monitored. We will also get an update on personal income & spending for May, which will include the Fed's preferred inflation metric, core PCE. Possible trade deals remain a topic of interest, with the suspension of reciprocal tariffs scheduled to expire in less than three weeks.

Exhibits

Recent Key Economic Indicators: June 16 - 20, 2025					
Release Date	Economic Indicator/Event	Data for Period	Units	Current	Prior
United States					
Jun 16	Empire Manufacturing	Jun	Index	16.0	-9.2
Jun 17	Retail Sales Advance	May	M/M % Chg.	-0.9	-0.1
Jun 17	Retail Sales Ex Auto and Gas	May	M/M % Chg.	-0.1	0.1
Jun 17	Capacity Utilization	May	%	77.4	77.7
Jun 17	Industrial Production	May	M/M % Chg.	-0.2	0.1
Jun 17	Manufacturing (SIC) Production	May	M/M % Chg.	0.1	-0.5
Jun 17	Business Inventories	Apr	M/M % Chg.	0.0	0.1
Jun 17	NAHB Housing Market Index	Jun	Index	32.0	34.0
Jun 18	Building Permits	May	Thsd	1393.0	1422.0
Jun 18	Housing Starts	May	Thsd	1256.0	1392.0
Jun 18	Initial Jobless Claims	Jun 14	Thsd	245.0	250.0
Jun 18	FOMC Rate Decision (Upper Bound)	Jun 18	%	4.50	4.50
Canada					
Jun 16	Housing Starts	May	Thsd	279.5	280.2
Jun 16	Existing Home Sales	May	M/M % Chg.	3.6	-0.1
Jun 19	CFIB Business Barometer	Jun	Index	47.3	40.1
Jun 20	Industrial Product Price	May	M/M % Chg.	-0.5	-0.8
Jun 20	Retail Sales	Apr	M/M % Chg.	0.3	0.8
Jun 20	Retail Sales Ex Auto	Apr	M/M % Chg.	-0.3	-0.7
International					
Jun 18	UK Consumer Price Index	May	Y/Y % Chg.	3.4	3.5
Jun 18	EZ Consumer Price Index	May	Y/Y % Chg.	1.9	2.2
Jun 19	UK Bank of England Bank Rate	Jun 19	%	4.25	4.25
Jun 19	JN National Consumer Price Index	May	Y/Y % Chg.	3.5	3.6
Jun 20	UK Retail Sales Ex Auto Fuel	May	Y/Y % Chg.	-1.3	5.2

Source: Bloomberg, TD Economics.

Upcoming Economic Releases and Events: June 23 - 27, 2025						
Release Date	Time*	Economic Indicator/Event	Data for Period	Units	Consensus Forecast	Last Period
United States						
Jun 23	3:00	<i>Fed's Waller Gives Opening Remarks</i>				
Jun 23	9:45	S&P Global US Composite PMI	Jun	Index	-	53.0
Jun 23	9:45	S&P Global US Manufacturing PMI	Jun	Index	51.0	52.0
Jun 23	9:45	S&P Global US Services PMI	Jun	Index	52.9	53.7
Jun 23	10:00	<i>Fed's Bowman Speaks on Monetary Policy and Banking</i>				
Jun 23	10:00	Existing Home Sales	May	Mlns	3.95	4.00
Jun 23	13:10	<i>Fed's Goolsbee Speaks in Moderated Discussion</i>				
Jun 23	14:30	<i>Fed's Kugler Gives Welcoming Remarks</i>				
Jun 23	14:30	<i>Fed's Williams, Kugler Host Fed Listens Event</i>				
Jun 24	9:00	S&P CoreLogic CS 20-City NSA	Apr	Y/Y % Chg.	-	4.1
Jun 24	9:00	S&P CoreLogic CS US HPI NSA	Apr	Y/Y % Chg.	-	3.4
Jun 24	9:15	<i>Fed's Hammack Speaks on Monetary Policy</i>				
Jun 24	10:00	Conf. Board Consumer Confidence	Jun	Index	99.0	98.0
Jun 24	10:00	<i>Fed's Powell to Deliver Semiannual Policy Testimony</i>				
Jun 24	12:30	<i>Fed's Williams Gives Keynote Remarks</i>				
Jun 24	14:00	<i>Fed's Collins Speaks on State of Nation's Housing</i>				
Jun 24	16:00	<i>Fed's Barr Gives Welcoming Remarks</i>				
Jun 25		Building Permits	May	Thsd	-	1393.0
Jun 26	8:30	Advance Goods Trade Balance	May	Blns	-92.0	-87.0
Jun 26	8:30	Cap Goods Orders Nondef Ex Air	May	M/M % Chg.	-	-1.5
Jun 26	8:30	Durable Goods Orders	May	M/M % Chg.	6.9	-6.3
Jun 26	8:30	Gross Domestic Product (Annualized)	1Q	Q/Q % Chg.	-0.2	-0.2
Jun 26	8:30	Initial Jobless Claims	Jun 21	Thsd	248.0	245.0
Jun 26	8:30	Personal Consumption	1Q	Q/Q % Chg.	-	1.2
Jun 26	8:45	<i>Fed's Barkin Speaks on the Economy</i>				
Jun 26	9:00	<i>Fed's Hammack Gives Opening Remarks</i>				
Jun 26	10:00	Pending Home Sales	May	M/M % Chg.	0.0	-6.3
Jun 26	13:15	<i>Fed's Barr Speaks on Community Development</i>				
Jun 27	7:30	<i>Fed's Williams Serves as Session Chair</i>				
Jun 27	8:30	Personal Income	May	M/M % Chg.	0.2	0.8
Jun 27	8:30	Real Personal Spending	May	M/M % Chg.	-	0.1
Jun 27	9:15	<i>Fed's Hammack, Cook Participate in Fed Listens</i>				
Canada						
Jun 24	8:30	Consumer Price Index	May	Y/Y % Chg.	1.7	1.7
Jun 24	8:30	Consumer Price Index NSA	May	M/M % Chg.	0.5	-0.1
Jun 24	8:30	CPI-Median	May	Y/Y % Chg.	-	3.2
Jun 24	8:30	CPI-Trim	May	Y/Y % Chg.	-	3.1
Jun 26	8:30	Payroll Employment Change (SEPH)	Apr	Thsd	-	-54.1
Jun 27	8:30	Gross Domestic Product	Apr	M/M % Chg.	-	0.1
International						
Jun 26	19:30	JN Jobless Rate	May	%	2.5	2.5
Jun 26	19:30	JN Tokyo Consumer Price Index	Jun	Y/Y % Chg.	3.3	3.4
Jun 26	19:50	JN Retail Sales	May	Y/Y % Chg.	2.5	3.5

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

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