

Weekly Bottom Line

July 3, 2025

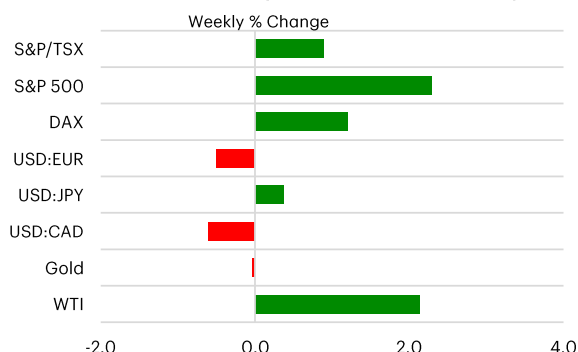
Highlights

- Auto sales declined for the third consecutive month in June, as purchases continued to pull back following the pre-tariff rush to buy.
- Both manufacturing and non-manufacturing ISM sentiment indexes improved in June, but remained at low levels amid lingering trade uncertainty. Hiring intentions remained subdued, and prices stayed elevated.
- The labor market continued to add jobs in June. Payrolls rose by 147k—well-above the 110k consensus—but gains were heavily concentrated in state & local government and healthcare & social assistance.

This Week in the Markets				
	Current*	Week Ago	52-Week High	52-Week Low
Stock Market Indexes				
S&P 500	6283	6141	6283	4983
S&P/TSX Comp.	26991	26752	26991	21881
DAX	23902	23649	24324	17339
FTSE 100	8817	8736	8885	7679
Nikkei	39786	39585	42224	31137
Fixed Income Yields				
U.S. 10-yr Treasury	4.33	4.24	4.79	3.62
Canada 10-yr Bond	3.37	3.34	3.61	2.83
Germany 10-yr Bund	2.62	2.57	2.90	2.03
UK 10-yr Gilt	4.54	4.47	4.89	3.76
Japan 10-yr Bond	1.44	1.42	1.59	0.79
Foreign Exchange Cross Rates				
C\$ (USD per CAD)	0.74	0.73	0.74	0.69
Euro (USD per EUR)	1.18	1.17	1.18	1.02
Pound (USD per GBP)	1.37	1.37	1.37	1.22
Yen (JPY per USD)	144.9	144.4	161.7	140.6
Commodity Spot Prices**				
Crude Oil (\$US/bbl)	66.8	65.2	83.9	57.1
Natural Gas (\$US/MMBtu)	3.11	3.23	9.33	1.22
Copper (\$US/met. tonne)	10109.2	10219.3	10219.3	8571.4
Gold (\$US/troy oz.)	3327.7	3327.9	3432.3	2356.2

*As of 11:49 AM on Thursday. **Oil-WTI, Cushing, Nat. Gas-Henry Hub, LA (Wednesday close price), Copper-LME Grade A, Gold-London Gold Bullion. Source: Bloomberg.

Markets Rise on Trade Optimism and Solid U.S. Payrolls



Note: Data as of 11:50 AM ET, Thursday, July 3, 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	2024				2025				2026			
	7/3/25	Q1	Q2	Q3	Q4	Q1	Q2	Q3F	Q4F	Q1F	Q2F	Q3F	Q4F
Fed Funds Target Rate	4.50	5.50	5.50	5.00	4.50	4.50	4.50	4.25	3.75	3.75	3.25	3.25	3.25
2-yr Govt. Bond Yield	3.87	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	4.33	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	4.85	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.

Signs of Waning Economic Resilience

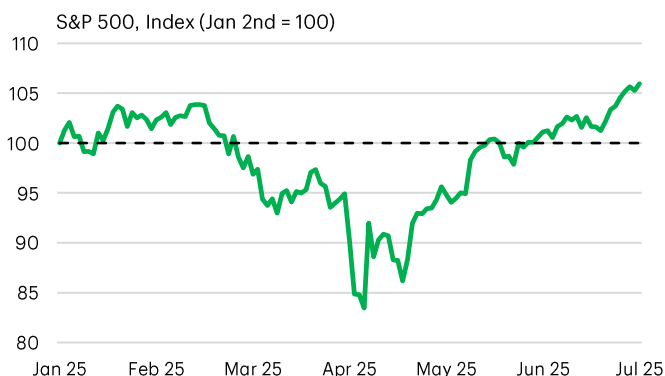
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Monday marked the end of a volatile quarter in financial markets. After a 25% peak-to-trough decline from February to April, the S&P 500 has fully recovered, reaching new record highs (Chart 1). The 90-day pause on “Liberation Day” tariffs, a tentative truce with China, signs of economic resilience, and limited tariff pass-through to consumer prices thus far have helped to fuel the recovery.

However, uncertainty looms with the pause on the “Liberation Day” tariffs set to expire next week. President Trump has signalled a firm stance on the July 9th deadline, and recently threatened higher tariffs on Japanese imports. Lingering uncertainty on Section 232 tariffs — affecting lumber, copper, pharmaceuticals, and critical minerals — will further complicate matters. Trump recently halted trade talks with Canada, before resuming them when Canada canceled its Digital Service Tax. President Trump did announce a framework trade deal with Vietnam on social media. The U.S. will impose 20% tariffs on imports from the Vietnam and a 40% levy on any goods that are “transshipped” via this country in order to prevent Chinese goods from entering the U.S. via backdoor routes. So far, the UK and Vietnam are the only countries to get deals ahead of the deadline.

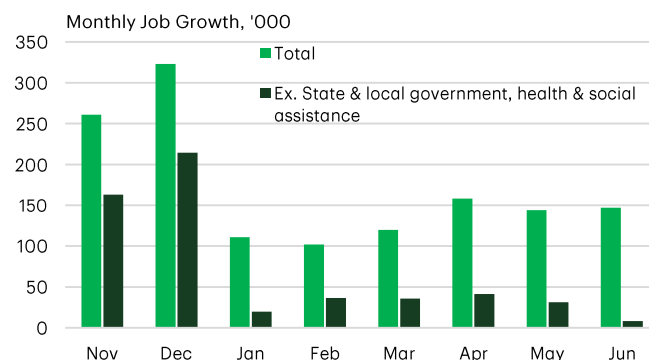
Domestically, the U.S. economy has shown resilience, but recent data revisions suggest it may not be as robust as initially believed. Q1 consumer spending growth was downgraded to 0.5% annualized, down from 1.2%. Spending is tracking weaker than [forecast for the second quarter](#). Consumer spending slowed in April and declined in May, with much of the softness stemming from

Chart 1: Equity Markets Make a Full Comeback



Source: S&P, Haver Analytics, TD Economics.

Chart 2: U.S. Job Growth Lacks Breadth



Source: BLS, TD Economics.

goods, which saw front-loaded demand ahead of tariffs. [Auto sales](#) declined for the third straight month in June, adding downside risk to activity. Services spending has also been lackluster, rising just 0.1% in April and remaining flat in May.

The labor market has been a relative bright spot, but is also showing signs of strain. Slowing immigration and weak population growth may be encouraging employers to hold onto workers, limiting layoffs — the unemployment rate remained little changed. June [payrolls](#) rose by 147k—above the 110k consensus—but gains were heavily concentrated in state and local government (+74k) and healthcare & social assistance (+60k). Excluding these two non-cyclical sectors, employment was nearly flat, suggesting continued private-sector hesitation (Chart 2).

ISM survey data also points to modest economic activity. Both the [manufacturing](#) and [services](#) indices improved slightly in June, but remained at low levels. Manufacturing remained in contraction, while services returned to expansion after a brief dip in May. Price pressures persisted in both sectors, especially for manufacturers, where input costs continue to rise. Employment subcomponents fell further into contraction, signaling reluctance to expand payrolls.

Overall, this week's data is unlikely to shift the Fed from its patient stance. Activity is softening, but not collapsing. We share the market's view that the Fed will likely keep monitoring inflation developments before making any policy moves, with September remaining the most likely decision point.

Exhibits

Recent Key Economic Indicators: June 30 - July 04, 2025					
Release Date	Economic Indicator/Event	Data for Period	Units	Current	Prior
United States					
Jul 01	S&P Global US Manufacturing PMI	Jun	Index	52.9	52.0
Jul 01	ISM Manufacturing	Jun	Index	49.0	48.5
Jul 01	Wards Total Vehicle Sales	Jun	MIns	15.3	15.7
Jul 02	ADP Employment Change	Jun	Thsd	-33.0	29.0
Jul 03	Trade Balance	May	BIns	-71.5	-60.3
Jul 03	Change in Nonfarm Payrolls	Jun	Thsd	147.0	144.0
Jul 03	Unemployment Rate	Jun	%	4.1	4.2
Jul 03	Average Hourly Earnings	Jun	M/M % Chg.	0.2	0.4
Jul 03	Initial Jobless Claims	Jun 28	Thsd	233.0	237.0
Jul 03	S&P Global US Services PMI	Jun	Index	52.9	53.1
Jul 03	S&P Global US Composite PMI	Jun	Index	52.9	52.8
Jul 03	Factory Orders	May	M/M % Chg.	8.2	-3.9
Jul 03	Factory Orders Ex Trans	May	M/M % Chg.	0.2	-0.6
Jul 03	ISM Services Index	Jun	Index	50.8	49.9
Jul 03	Durable Goods Orders	May	M/M % Chg.	16.4	16.4
Jul 03	Cap Goods Orders Nondef Ex Air	May	M/M % Chg.	1.7	1.7
Canada					
Jul 02	S&P Global Canada Manufacturing PMI	Jun	Index	45.6	46.1
Jul 03	Int'l Merchandise Trade	May	BIns	-5.9	-7.6
International					
Jun 30	UK Gross Domestic Product	1Q	Y/Y % Chg.	1.3	1.3
Jun 30	CH Caixin China PMI Mfg	Jun	Index	50.4	48.3
Jul 01	EZ Consumer Price Index Estimate	Jun	Y/Y % Chg.	2.0	1.9
Jul 02	EZ Unemployment Rate	May	%	6.3	6.2

Source: Bloomberg, TD Economics.

Upcoming Economic Releases and Events: Jul 07 - 11, 2025						
Release Date	Time*	Economic Indicator/Event	Data for Period	Units	Consensus Forecast	Last Period
United States						
Jul 08	6:00	NFIB Small Business Optimism	Jun	Index	97.9	98.8
Jul 09	10:00	Wholesale Trade Sales	May	M/M % Chg.	0.2	0.1
Jul 09	14:00	FOMC Meeting Minutes	Jun 18			
Jul 10	8:30	Initial Jobless Claims	Jul 05	Thsd	-	233.0
Jul 10	9:00	<i>Fed's Musalem Speaks on US Economy and Monetary Policy</i>				
Jul 10	14:30	<i>Fed's Daly Speaks on US Economic Outlook</i>				
Canada						
Jul 11	8:30	Net Change in Employment	Jun	Thsd	-	8.8
Jul 11	8:30	Unemployment Rate	Jun	%	-	7.0
International						
Jul 07	5:00	EZ Retail Sales	May	Y/Y % Chg.	1.4	2.3
Jul 08	21:30	CH Consumer Price Index	Jun	Y/Y % Chg.	0.0	-0.1
Jul 11	2:00	UK Gross Domestic Product	May	Q/Q % Chg.	-	0.7
*Eastern Standard Time. Source: Bloomberg, TD Economics.						

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