

## Weekly Bottom Line

July 11, 2025

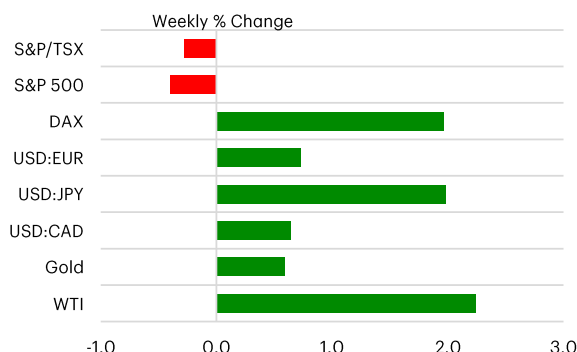
### Highlights

- Trade tensions heated up this week, as President Trump announced higher tariffs on 23 trading partners as well as a 50% tariff on copper imports as of August 1st.
- If implemented, the combined announcements would add over 2 percentage points to the U.S. effective tariff rate, bringing it to a near century high of 17%.
- Minutes from the June 17th-18th FOMC meeting showed a growing divide among policymakers on when to resume rate cuts. A September rate cut is currently 63% priced in by Fed futures markets.

This Week in the Markets				
	Current*	Week Ago	52-Week High	52-Week Low
Stock Market Indexes				
S&P 500	6252	6279	6280	4983
S&P/TSX Comp.	26990	27036	27082	21881
DAX	24263	23787	24550	17339
FTSE 100	8935	8823	8976	7679
Nikkei	39570	39811	42224	31137
Fixed Income Yields				
U.S. 10-yr Treasury	4.41	4.35	4.79	3.62
Canada 10-yr Bond	3.50	3.35	3.54	2.83
Germany 10-yr Bund	2.73	2.61	2.90	2.03
UK 10-yr Gilt	4.63	4.55	4.89	3.76
Japan 10-yr Bond	1.52	1.44	1.59	0.79
Foreign Exchange Cross Rates				
C\$ (USD per CAD)	0.73	0.74	0.74	0.69
Euro (USD per EUR)	1.17	1.18	1.18	1.02
Pound (USD per GBP)	1.35	1.37	1.37	1.22
Yen (JPY per USD)	147.4	144.5	158.8	140.6
Commodity Spot Prices**				
Crude Oil (\$US/bbl)	68.3	67.0	82.9	57.1
Natural Gas (\$US/MMBtu)	3.11	3.23	9.33	1.22
Copper (\$US/met. tonne)	9699.6	9959.9	10219.3	8571.4
Gold (\$US/troy oz.)	3366.1	3337.2	3432.3	2364.6

\*As of 11:28 AM on Friday. \*\*Oil-WTI, Cushing, Nat. Gas-Henry Hub, LA (Thursday close price). Copper-LME Grade A. Gold-London Gold Bullion. Source: Bloomberg.

### Equities Pause, Dollar Rallies on New Tariff Announcements



Note: Data as of 12:08 PM ET, Friday, July 11, 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			
	7/11/25	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	3.90	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	4.41	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	4.94	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.													

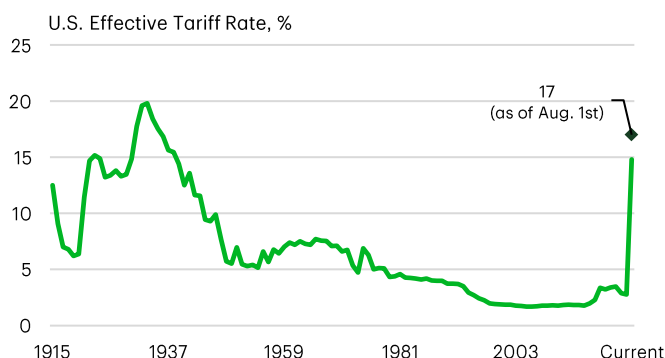
## Trade Fireworks in July

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Financial markets were jittery to start the week, with the 90-day delay on the April 2nd “reciprocal tariffs” set to expire on Wednesday. While President Trump ultimately extended the deadline for another few weeks, he simultaneously ratcheted up trade threats on various fronts. He announced a 50% tariff on all copper imports, raised the tariff rate on Brazil to 50% and Canada to 35%, all effective August 1st. For Canada, the details remain sparse, but it’s assumed that all exports that are USMCA compliant – which is just under 60% of goods – would remain exempt from these tariffs. In addition, the administration sent letters to 21 other countries, including larger trading partners like Japan and South Korea, also threatening significantly higher tariffs come August. In total, the 23 countries put on notice account for \$827B (or 25%) of annual U.S. imports – after accounting for USMCA compliance. Combined, these additional tariffs would raise the effective tariff rate by 2.2 percentage points if they come into effect August 1st, bringing it to 17%, or the highest level in nearly a century (Chart 1).

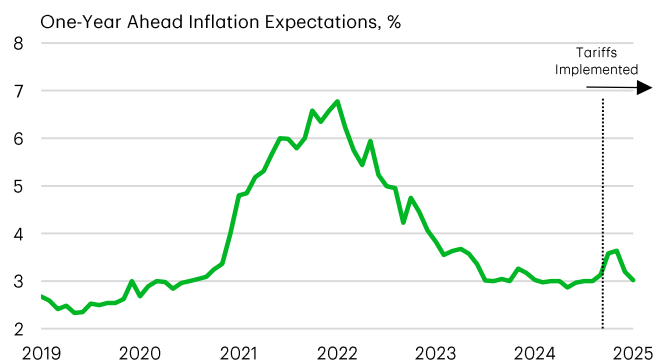
Investors appear to be taking the latest trade escalation in stride. U.S. equity markets briefly hit a new record high on Thursday, but then retraced on Friday in response to President Trump’s tariff threats on Canada. The S&P 500 looks to end the week 0.4% lower but is still up 6% on the year. Meanwhile, longer-term Treasury yields were a touch higher on the week, despite another healthy 10-year Treasury auction on Wednesday. As of the time of writing, the 10-year sits at 4.41%.

**Chart 1: U.S. Effective Tariff Rate to Reach Near Century High Come August**



Source: Census Bureau, TD Economics.

**Chart 2: Inflation Expectations Remain Well Anchored**



Source: New York Federal Reserve Survey of Consumer Finances, TD Economics.

But the recent calm that has descended over global financial markets feels eerily tenuous, particularly amidst the ongoing shifts in trade policy and Q2 earnings season set to kickoff next week. Last quarter, much of the guidance companies were providing was purely speculative, as tariff policies were only in the early stages of being rolled out and were also changing on an almost daily basis. However, now that the tariffs have been in place for some time, companies are likely in a better position to gauge their impact and provide updates to earnings guidance for the second half of the year.

With the inflation impact so far proving more subdued than previously expected, there’s been a growing divide among FOMC members on when to resume rate cuts. Minutes from the June 17-18 meeting released on Wednesday showed that while most committee members favor delaying cuts until there’s more certainty on the inflation and labor market impacts, recent speeches suggest that two board members – Governor Waller and Bowman – support cutting rates as early as July.

This puts next week’s CPI inflation release under the spotlight. We expect the June CPI report to show inflation having strengthened, with both goods and services price pressures having heated up relative to May. But at this juncture, the uptick is unlikely to unnerve policymakers, particularly with inflation expectations remaining well anchored. According to the New York Fed’s Survey of Consumer Expectations, one-year ahead inflation expectations fell to 3.0% in June – returning to its pre-tariff levels (Chart 2). In our view, this supports the Fed remaining on the sidelines until at least September.

## Exhibits

Recent Key Economic Indicators: July 07 - 11, 2025							
Release Date	Economic Indicator/Event			Data for Period	Units	Current	Prior
United States							
Jul 08	NFIB Small Business Optimism			Jun	Index	98.6	98.8
Jul 09	Wholesale Trade Sales			May	M/M % Chg.	-0.3	0.1
Jul 10	Initial Jobless Claims			Jul 05	Thsd	227.0	232.0
Canada							
Jul 11	Net Change in Employment			Jun	Thsd	83.1	8.8
Jul 11	Unemployment Rate			Jun	%	6.9	7.0
International							
Jul 07	EZ	Retail Sales		May	Y/Y % Chg.	1.8	2.7
Jul 08	CH	Consumer Price Index		Jun	Y/Y % Chg.	0.1	-0.1
Jul 11	UK	Gross Domestic Product		May	Q/Q % Chg.	0.5	0.7
*Eastern Standard Time. Source: Bloomberg, TD Economics.							

## Upcoming Economic Releases and Events: Jul 14 - 18, 2025

Release Date	Time*	Economic Indicator/Event	Data for Period	Units	Consensus Forecast	Last Period
United States						
Jul 15	8:30	Empire Manufacturing	Jul	Index	-9.5	-16.0
Jul 15	8:30	Consumer Price Index	Jun	M/M % Chg.	0.3	0.1
Jul 15	8:30	Consumer Price Index Ex Food and Energy	Jun	M/M % Chg.	0.3	0.1
Jul 15	8:30	Consumer Price Index	Jun	Y/Y % Chg.	2.6	2.4
Jul 15	8:30	Consumer Price Index Ex Food and Energy	Jun	Y/Y % Chg.	2.9	2.8
Jul 15	14:45	<i>Fed's Collins Delivers Closing Keynote at NABE Event</i>				
Jul 15	19:45	<i>Fed's Logan Speaks on the Economy</i>				
Jul 16	8:30	PPI Final Demand	Jun	M/M % Chg.	0.2	0.1
Jul 16	8:30	PPI Ex Food and Energy	Jun	M/M % Chg.	0.2	0.1
Jul 16	9:15	Industrial Production	Jun	M/M % Chg.	0.1	-0.2
Jul 16	9:15	Manufacturing (SIC) Production	Jun	M/M % Chg.	-	0.1
Jul 16	9:15	Capacity Utilization	Jun	%	77.4	77.4
Jul 16	14:00	<i>Fed Releases Beige Book</i>				
Jul 16	17:30	<i>Fed's Williams Speaks on Economic Outlook, Policy</i>				
Jul 17	8:30	Retail Sales Advance	Jun	M/M % Chg.	0.1	-0.9
Jul 17	8:30	Retail Sales Ex Auto and Gas	Jun	M/M % Chg.	0.4	-0.1
Jul 17	8:30	Initial Jobless Claims	Jul 12	Thsd	-	227.0
Jul 17	10:00	Business Inventories	May	M/M % Chg.	0.0	0.0
Jul 17	10:00	NAHB Housing Market Index	Jul	Index	33.0	32.0
Jul 17	10:00	<i>Fed's Kugler Speaks on Housing Market and Economic Outlook</i>				
Jul 17	18:30	<i>Fed's Waller Speaks on Economic Outlook</i>				
Jul 18	8:30	Housing Starts	Jun	Thsd	1300.0	1256.0
Jul 18	8:30	Building Permits	Jun	Thsd	1390.0	1394.0
Canada						
Jul 15	8:15	Housing Starts	Jun	Thsd	253.2	279.5
Jul 15	8:30	Manufacturing Sales	May	M/M % Chg.	-1.3	-2.8
Jul 15	8:30	Consumer Price Index NSA	Jun	M/M % Chg.	0.2	0.6
Jul 15	8:30	Consumer Price Index	Jun	Y/Y % Chg.	2.0	1.7
Jul 15	9:00	Existing Home Sales	Jun	M/M % Chg.	-	3.6
Jul 17	7:00	CFIB Business Barometer	Jul	Index	-	47.3
International						
Jul 14	22:00	CH Retail Sales	Jun	Y/Y % Chg.	5.2	6.4
Jul 14	22:00	CH Surveyed Jobless Rate	Jun	%	5.0	5.0
Jul 16	2:00	UK Consumer Price Index	Jun	Y/Y % Chg.	3.4	3.4
Jul 17	2:00	UK ILO Unemployment Rate (3 Mths.)	May	%	4.6	4.6
Jul 17	5:00	EZ Consumer Price Index	Jun	Y/Y % Chg.	2.0	2.0
Jul 17	19:30	JN Natl Consumer Price Index	Jun	Y/Y % Chg.	3.3	3.5

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

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