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Weekly Market Snapshot

For the week ending July 4, 2025

Equities

Local currency, price only, % change

	2025-07-04	Week	QTD	YTD	1Y
S&P/TSX Composite	27,036	1.3%	0.7%	9.3%	21.5%
S&P/TSX Small Cap	922	2.7%	1.6%	13.2%	19.8%
S&P 500	6,279	1.7%	1.2%	6.8%	13.4%
NASDAQ	20,601	1.6%	1.1%	6.7%	13.3%
Russell 2000	2,249	3.5%	3.4%	0.8%	10.4%
UK FTSE 100	8,823	0.3%	0.7%	8.0%	7.1%
Euro Stoxx 50	5,289	-0.7%	-0.3%	8.0%	6.0%
Nikkei 225	39,811	-0.8%	-1.7%	-0.2%	-2.7%
MSCI China (USD)	74	-1.2%	-0.4%	15.0%	27.1%
MSCI EM (USD)	1,232	0.3%	0.7%	14.5%	11.5%

Fixed income

Total return, % change

	2025-07-04	Week	QTD	YTD	1Y
FTSE Canada Universe Bond	1,180	-0.1%	-0.4%	1.0%	6.3%
FTSE Canada All Corporate Bond	1,469	-0.1%	-0.3%	2.0%	8.3%
Bloomberg Canada High Yield	198	0.1%	0.1%	3.0%	8.7%

Interest rates - Canada

Change in bps

	2025-07-04	Week	QTD	YTD	1Y
3-month T-bill	2.65	0	0	-51	-197
GoC bonds 2 yr	2.66	6	7	-27	-139
GoC bonds 10 yr	3.35	5	8	13	-25
GoC bonds 30 yr	3.65	5	9	31	14

Currencies and Commodities

In USD, % change

	2025-07-04	Week	QTD	YTD	1Y
CADUSD	0.735	0.6%	0.0%	5.8%	0.1%
US Dollar Index	97.18	-0.2%	0.3%	-10.4%	-7.6%
Oil (West Texas)	67.00	2.3%	2.9%	-6.6%	-20.1%
Natural Gas	3.41	-8.8%	-1.4%	-4.2%	-1.2%
Gold	3,337	1.9%	1.0%	27.2%	41.6%
Copper	5.14	0.4%	1.2%	24.9%	12.1%

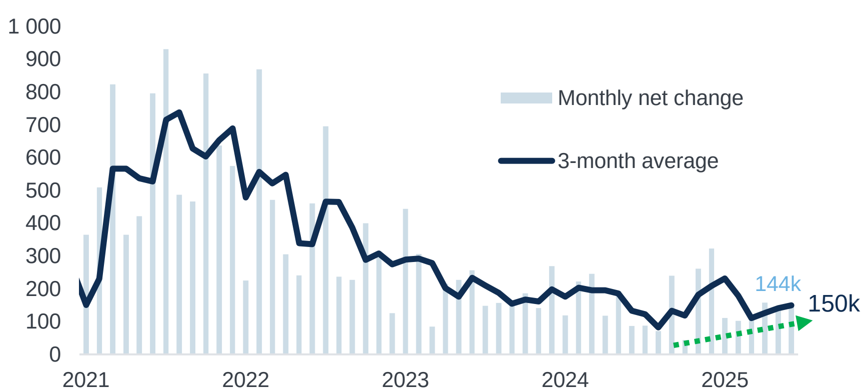
Canadian sector performance

Price return, % change

	Week	YTD
Energy	-0.4%	1.3%
Materials	3.2%	31.3%
Industrials	1.5%	6.4%
Cons. Disc.	2.5%	14.5%
Info Tech	1.4%	6.3%
Health Care	1.8%	-7.2%
Financials	1.0%	9.2%
Cons. Staples	0.9%	3.8%
Comm. Services	3.8%	3.8%
Utilities	0.3%	7.6%
Real Estate	3.0%	8.3%

Chart of the week: US jobs defy gravity, but cracks emerge

US nonfarm payrolls (thousands)



The US labour market continued to defy expectations in June. Nonfarm payrolls rose by 147k last month, beating the 110k consensus estimate and clocking in roughly in line with the three- and twelve-month averages of ~150k. Against expectations, the unemployment rate ticked down to 4.1% from 4.2% (versus 4.3% expected).

*While the solid headline gain suggests the labour market **remains in decent shape, there were notable cracks beneath the surface.** Public-sector hiring continues to be the dominant driver, accounting for nearly half of the headline gain, with government payrolls rising by 73k, led by state and local education. Healthcare and social assistance also added jobs, but the manufacturing sector saw negative job growth (-7k) for the second consecutive month, while temporary-help services continued their recent declines. Private payrolls rose by just 74k, the weakest print since October 2024, **underscoring the reliance on non-cyclical sectors to sustain headline growth.***

***Moreover, the drop in the unemployment rate was driven by a shrinking labour force rather than a surge in hiring**. The civilian labour force contracted by 130k in June, marking the second consecutive monthly decline, while household employment increased by only 93k. **Interestingly, participation losses were concentrated among foreign-born workers, reflecting declines likely linked to stricter immigration enforcement,** including revoked protections for some migrants.*

*Bottom line: With tariff-related inflation pressures yet to materialize and the labour market showing emerging cracks but overall resilience, **the Fed is likely to remain on hold until at least September.***

Tariffs loom, markets boom

The clock is ticking toward President Trump's 9 July deadline, when the 90-day reprieve from his "reciprocal" tariffs expires and duties on many trade partners could surge to averages near 20% from ~2.5% pre-inauguration. Despite the uncertainty, markets have taken the looming trade deadline in stride. Global equities continued to climb higher, with the S&P 500 and NASDAQ setting fresh all-time highs last week. The sharp rebound from the April lows reflect confidence that Washington will avoid the worst-case escalation and that global growth is set to receive a fiscal boost from global governments.

With less than a week to go, Washington is pursuing a two-track strategy: finalizing bilateral trade agreements to blunt the tariff shock while moving forward with its fiscal spending plan. Over the weekend, President Trump signed the "One Big Beautiful Bill" (OBBB) into law after the Senate and House narrowly passed it, finalizing one of the administration's signature legislative efforts. The bill extends reduced corporate tax rates, introduces a lower income-tax band for middle-class households, and reinstates full expensing of capital equipment through 2030. To offset costs, it trims discretionary spending and adjusts Medicaid growth formulas.

Trade negotiators, meanwhile, are racing the clock. Last week, Trump announced a framework with Vietnam under which US tariffs on Vietnamese goods will settle at 20%—below the threatened 46% "reciprocal" rate—while maintaining a 40% penalty on Chinese trans-shipments. In return, Vietnam will grant tariff-free access for select US exports, while pledging stricter origin verification. Talks with India are also in the final stages as Delhi seeks to reduce the proposed 26% US tariff while securing concessions on steel, auto parts, and digital services. Without a deal, higher reciprocal duties will snap back on July 9, risking tensions with a key partner as both sides target US$500 billion in bilateral trade by 2030.

These developments come as US imports from China have sharply declined, while shipments from Vietnam and India have surged. The 20% Vietnamese levy preserves some cost advantages over Chinese goods, but tighter origin checks will raise compliance costs for electronics and apparel assemblers. Indian exporters face similar pressures: **the US market remains attractive, but higher duties could erode margins on low-cost consumer goods.**

These interwoven policies carry risks. The administration argues that tariffs will help fund tax relief and industrial incentives, but importers typically bear the cost, likely passing it on to consumers. **Combined with the OBBB's fiscal stimulus and potential labour constraints from immigration policies, this could rekindle inflation, complicating the Federal Reserve's timing for rate cuts.**

Ultimately, the Administration's tariff diplomacy and fiscal maneuver share a goal: re-industrializing America and narrowing trade deficits. **Yet both amplify near-term uncertainty.** Timely trade deals and successful OBBB implementation could deliver clarity, while delays or breakdowns risk higher import costs and heavier borrowing at a delicate economic juncture. Until outcomes are clear, businesses and investors will be forced to navigate a shroud of uncertainty while policymakers brace for a more fragmented, potentially inflationary global trading system.

The week in review

- US President Trump signs $3.4 trillion "One Big Beautiful Bill" budget bill into law, after narrowly passing House and Senate.
- Canadian PM Carney agrees to drop digital services tax in a bid to re-open trade talks with the US.
- Canada's merchandise trade deficit (May) narrowed to $5.86 billion (versus $5.98 billion expected) from an upwardly revised $7.6 billion deficit in the prior month. Exports rose 1.1% m/m, but remain -3.2% y/y lower in annual terms. Meanwhile, imports fell -1.6% m/m (or +3.2% y/y).
- US non-farm payrolls (Jun.) surprised to the upside, adding 147k jobs (versus 106k expected). The prior two month's were revised 16k higher. The unemployment rate fell a tick to 4.1% (prev. 4.2%), the labour force participation rate slipped to 62.3% (prev. 62.4%), and average hourly earnings decelerated to 3.7% from a downwardly revised 3.8%.
- US JOLTS job openings (May) jumped to 7.77 million from 7.40 million in the prior month. The quits rate ticked up to 2.1% from 2.0%, while the layoffs rate slipped to 1.0% from 1.1%.
- US ISM Manufacturing PMI Index (Jun.) improved to 49.0 from 48.5, while the ISM Services Index rose to 50.8 from 49.9.
- US trade deficit (May) widened to $71.5 billion (versus $71.0 billion expected), up from $60.3 billion in the prior month.
- Eurozone headline CPI inflation (Jun.) rose 0.3% m/m, raising the annual pace to 2.0% y/y from 1.9% in the prior month. Core prices held steady at 2.3% y/y. PPI inflation (May) fell -0.6% m/m, lowering the annual pace to 0.3% y/y.
- Eurozone unemployment rate (May) rises to 6.3% from 6.2%.
- Japanese industrial production (May) rose 0.5% m/m (versus 3.5% expected). In annual terms, industrial production has fallen -1.8% y/y.
- Canada's S&P Manufacturing PMI Index (Jun.) fell to 45.6 from 46.1 in the prior month. S&P Services fell to 44.3 from 45.6.
- China's Caixin Manufacturing PMI Index (Jun.) moved to expansion territory at 50.4 from 48.3 in the prior month. Caixin Services slipped to 50.6 from 51.1.
- OPEC+ agrees to raise production by 548k bpd in August, accelerating output from the approved 411k bpd for May-July.

The week ahead

- Trump's 90-day pause on reciprocal tariffs ends on July 9
- Canadian jobs report
- US FOMC Minutes from June meeting
- Chinese CPI and aggregate yuan financing data
- Eurozone retail sales
- UK GDP, industrial production and trade data
- Australia monetary policy announcement