

# WEEK IN REVIEW

July 4, 2025

## In focus

Global equities advanced on continuing signs of progress in trade talks between the U.S. and its trading partners. The announcement of trade deals between the U.S. and Vietnam, the end of restrictions on certain type of chip exports to China and reports of continuing development in U.S.-E.U. trade negotiations were among factors influencing market performance. The passage of the new budget and domestic policy bill in the U.S. also encouraged investors. While equity markets rose in Japan and in China, European markets ended the week with some weakness; investors adopted a cautious stance ahead of the July 9 deadline for the E.U. to reach a deal with the U.S.

Most sectors in the MSCI All Country World Index posted gains, with materials, information technology, financials and energy leading the advance. Communication services was the only sector to register a weekly decline.

In fixed income, U.S. ten- and 30-year Treasury bond yields rose, and bond prices fell, after a stronger-than-expected jobs report weakened the outlook for any cuts to U.S. interest rates in the near term. Treasury bond yields in Canada also rose for the week. In commodities, natural gas and gold prices declined, while silver, copper and oil prices increased.

Indexes	Close	Weekly	MTD	YTD
S&P/TSX	27,036.16	1.42%	0.70%	10.94%
S&P500	6,279.35	1.75%	1.22%	7.50%
NASDAQ	20,601.10	1.63%	1.15%	7.06%
DJIA	44,828.53	2.34%	1.70%	6.33%
Russell 2000	2,249.04	3.58%	3.41%	1.57%
FTSE 100	8,822.91	0.28%	0.72%	10.28%
Euro Stoxx 50	5,288.81	-0.63%	-0.21%	10.82%
Nikkei 225	39,810.88	4.71%	5.92%	1.72%
Hang Seng	23,916.06	-1.31%	-0.47%	22.28%
Shanghai Comp.	3,472.32	1.47%	0.84%	4.93%
MSCI ACWI	925.73	1.24%	0.89%	11.31%
MSCI EM	1,231.63	0.45%	0.88%	16.59%
MSCI ACWI ESG Leaders	2,410.60	1.02%	0.82%	10.38%

Fixed income	Close	Weekly	MTD	YTD
FTSE Canada Uni.	1,180.40	-0.14%	-0.45%	0.99%
BBG Global Agg.	491.48	0.19%	-0.07%	7.20%
TSX Pref	2,272.75	1.03%	0.48%	7.82%

Bond yields	Close	bps chg Weekly	bps chg MTD	bps chg YTD
10 yr Canada Govt.	3.36%	6	9	13
10 yr U.S. Govt.	4.34%	5	11	-23
30 yr Canada Govt.	3.65%	6	9	31
30 yr U.S. Govt.	4.86%	1	7	7

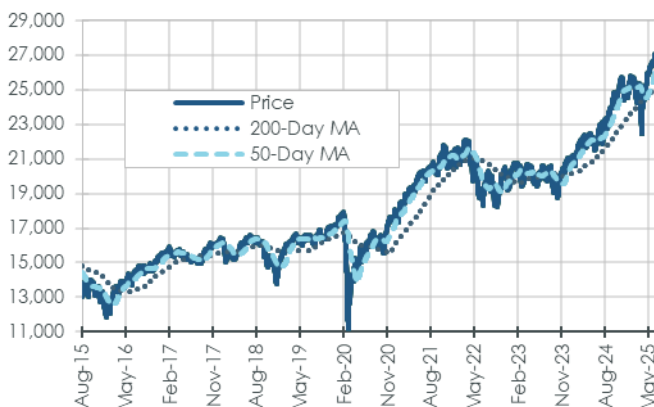
Commodities	Close	Weekly	MTD	YTD
Oil	67.00	2.26%	2.90%	-6.58%
Natural gas	3.41	-8.83%	-1.36%	-6.17%
Gold	3,330.00	-1.27%	1.49%	27.39%
Silver	36.85	2.34%	2.06%	27.51%
Copper	5.10	0.56%	1.33%	27.87%

Currencies	Close	Weekly	MTD	YTD
CAD/USD	0.74	0.58%	0.04%	5.73%
USD/EUR	0.85	-0.50%	0.07%	-12.10%
CAD/EUR	0.62	0.08%	0.11%	-7.06%
USD/JPY	144.57	-0.13%	0.45%	-8.12%
USD/CNY	7.17	-0.05%	0.09%	-2.34%
USD/MXN	18.63	-1.18%	-0.72%	-10.79%
GBP/CAD	1.86	-1.02%	-0.63%	3.20%
GBP/USD	1.37	-0.45%	-0.59%	9.11%

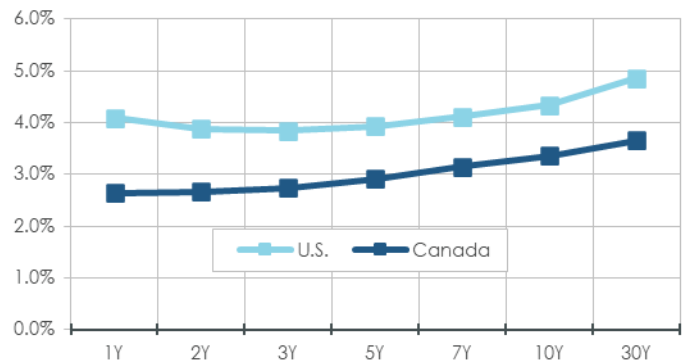
\*Please refer to the Appendix for the above table in Canadian dollar terms. Natural gas prices subject to change post-settlement.

## S&P/TSX Composite Index



Source: LSEG DataStream. Index returns are in local currency.

## Treasury yield curves



Economic indicators	Period	Survey	Actual	Prior period
Canada, trade balance (CDN\$)	May	-5.90B	-5.90B	-7.60B
Canada, S&P Global manufacturing PMI, SA	Jun	-	45.6	46.1
U.S. ISM manufacturing PMI	Jun	48.8	49.0	48.5
U.S. unemployment rate	Jun	4.3%	4.1%	4.2%
U.S. international trade (US\$)	May	-71.0B	-71.5B	-60.3B
U.S. initial jobless claims	28-June w/e	240k	233k	237k

## Canada

Gains in the communication services and materials sectors and real estate investment trusts supported another positive week for Canadian equities. In communication services, e-commerce platform operator Shopify continued to gain ground. Companies such as Brookfield Corp. and private jet manufacturer Bombardier also rose due to stock-specific factors, such as a stake sale by the former and new order flow announced by the latter.

On the trade tariffs front, Canada scrapped its digital services tax on U.S. technology firms on Sunday, shortly before its implementation, in a bid to advance stalled trade negotiations with the U.S.

## U.S.

U.S. equities gained over the holiday-shortened week, bolstered by a stronger-than-anticipated June employment report and the approval of the U.S. government's comprehensive tax and spending bill. On the global trade front, U.S. President Donald Trump announced a new trade agreement with Vietnam. President Trump reiterated that the 9 July deadline for the reintroduction of higher tariffs would not be delayed. Meanwhile, U.S.-E.U. trade negotiations continued, with negotiators from both sides seeking carve-outs for key sectors.

A number of stocks surged following the passage of the U.S. budget and tax bill. Solar modules manufacturer First Solar rose, driven by extended renewable project timelines and supply chain shifts, while apparel companies such as Nike advanced following the announcement of a trade deal with Vietnam.

On the economic data front, U.S. job openings rose more than expected in May, with the largest gains seen in accommodation and food services. In contrast, job openings in the federal government declined. The hiring and quitting rates remain near decade lows. The Institute for Supply Management reported that its manufacturing PMI edged up to 49.0 in June from a six-month low of 48.5 in May, slightly above market forecasts, despite a

continued contraction in the manufacturing sector. U.S. non-farm payrolls rose more than expected in June 2025, while the unemployment rate unexpectedly edged down to 4.1%. Initial jobless claims in the U.S. decreased by 4,000 from the previous week, to 233,000 for the period ending June 28, slightly below market expectations. In response to these signs of resilience in the U.S. labour market, traders quickly priced out the chances of an interest rate cut in July.

## Rest of the world

Investor concern that the E.U. may not reach a trade deal with the U.S. before the scheduled July 9 deadline, resulted in European equities declining for the week. Minutes from the European Central Bank's latest meeting confirmed an eighth consecutive rate cut, aimed at preventing an unwarranted tightening of financial conditions amid ongoing trade uncertainty.

In economic news, the HCOB eurozone composite PMI was revised up to 50.6 in June. While the figure signalled only modest overall growth, it marked the strongest expansion in three months. In contrast, factory orders in Germany fell more than expected month-over-month in May, marking the first decline since January, largely due to a drop in orders for computer and electronic products. Industrial production in France decreased month-over-month for the second consecutive month in May, missing market forecasts. Eurozone unemployment edged up slightly to 6.3% in May, a touch above expectations.

In Asia, Chinese equities were supported by renewed optimism about U.S.-China trade relations, following the U.S. decision to ease certain restrictions on the export of chip design software to China in exchange for access to rare earth materials. Gains in Japanese equities were capped by caution regarding the outlook for Japan-U.S. tariff talks.

## Looking ahead

Economic indicators	Period	Survey	Prior period
Canada employment change	Jun	0.0k	8.8k
Canada unemployment rate	Jun	7.1%	7.0%
China, CPI, YoY	Jun	0.0%	-0.1%
China, PPI, YoY	Jun	-3.2%	-3.3%
Germany, HICP final, YoY	Jun	2.0%	2.0%
U.S. initial jobless claims	5-July w/e	235k	233k

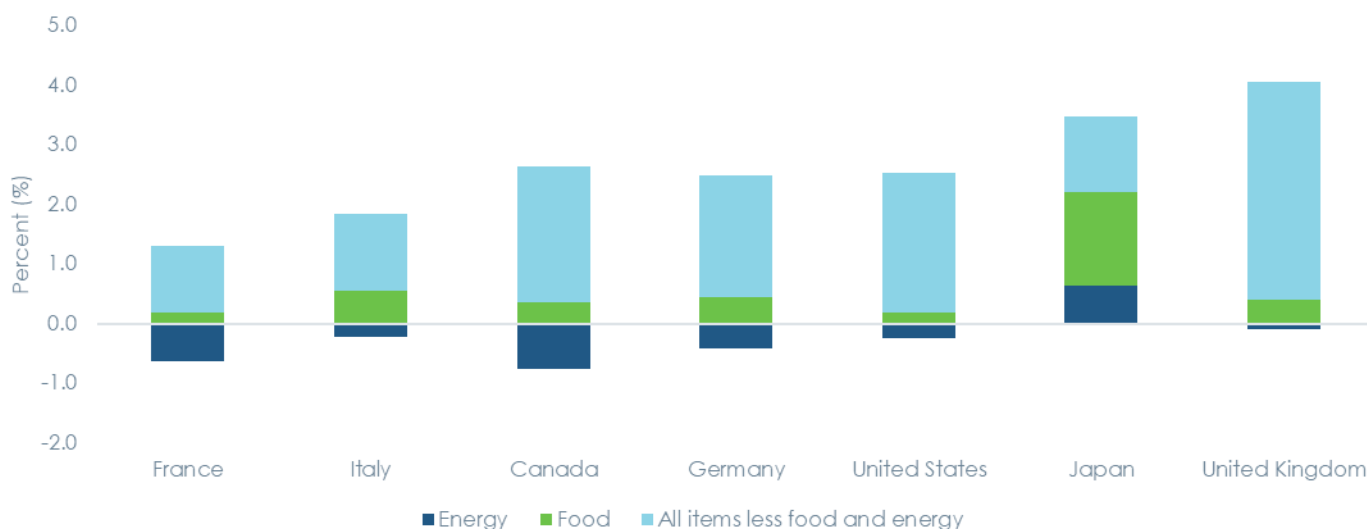
Central bank meetings						
Central banks	Date	Current rate	Expected change by	Probability (%)	Expected change by	Probability (%)
Bank of Canada	30-Jul	2.75%	-	72.9	-0.25	27.1
Federal Open Market Committee	30-Jul	4.50%	-	95.3	-0.25	4.7
European Central Bank	24-Jul	2.15%	-	88.3	-0.25	11.7
Bank of England	07-Aug	4.25%	-0.25	84.9	-	15.1
Bank of Japan	31-Jul	0.50%	-	98.5	+0.25	1.5

Source: LSEG DataStream. LSEG provides centrally calculated probabilities and expected changes for several central bank target interest rates, implied from the market prices of interest rate derivatives. This app displays the probabilities for the two assumed possible rate decisions by each central bank at its next meeting. Possible rate changes are modelled in either 25-basis-point (bp), 10 bp or 20 bp increments based on observation of recent actions. The probabilities are estimated using market prices of Fed fund futures for the Federal Reserve or overnight indexed swaps (OIS) for other central banks. As at July 4, 2025.

## Spotlight

### Contribution to year-on-year CPI inflation in G7 countries

The chart below shows the factors driving the rise in inflation across G7 countries. At an annualized rate of 2.4% rise in May, the year-on-year inflation in the G7 group of countries remained stable, except in Italy, where headline inflation slowed due to a 0.3 percentage point fall in core inflation and a decrease in energy prices. Across the G7 countries, core inflation remained the primary driver of headline inflation, except in Japan, where the combined contribution of food and energy inflation exceeded that of core inflation. (Core inflation generally includes housing and other goods and services that tend to have more stable price changes.)



Source: Organisation for Economic Co-operation and Development, as at May 2025.

## Appendix

Global markets (Returns in Canadian dollar terms)				
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Nikkei 225	39,810.88	-0.94%	-1.98%	3.80%
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Shanghai Comp.	3,472.32	1.17%	0.58%	1.16%
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USD/MXN	18.6297	-1.18%	-0.72%	-10.79%
GBP/CAD	1.8574	-1.02%	-0.63%	3.20%
GBP/USD	1.3654	-0.45%	-0.59%	9.11%

Source: LSEG DataStream. \*Price in US dollar terms.

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