

June 30<sup>th</sup>, 2025

### REVIEW - WEEK OF JUNE 23, 2025

Last week, our focus was on the inflation and gross domestic product reports in Canada as well as personal consumption expenditures (PCE) data in the U.S.

In Canada's, May's inflation rose 1.7% year-over-year, unchanged from April and remaining below the Bank of Canada's 2% target. The headline figure continues to be pulled down by energy prices, particularly gasoline, which fell following the removal of the federal carbon tax in Alberta and other provinces. Core inflation, which excludes food and energy, moderated to 2.7% from 2.9% in April, suggesting underlying price pressures are gradually softening. With inflation steady and core measures trending lower, the market is now pricing a full rate cut in October and a 30% probability of an additional one by December.

Canada's economy shrank by 0.1% month-over-month in April, marking a mild but broad-based slowdown. The contraction was led by a 1.9% decline in manufacturing output, alongside weakness in the wholesale and retail trade sectors. Analysts point to a combination of high interest rates, softening global demand, and pre-tariff purchasing distortions as contributors to the April dip. Several analysts have since revised down their Q2 forecasts, with some now anticipating near-zero growth as headwinds accumulate.

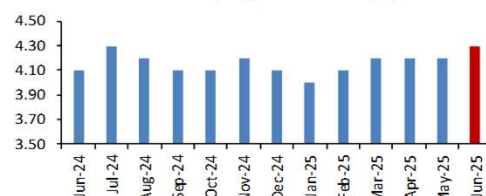
In the U.S., headline PCE inflation rose 0.1% in May, matching expectations and April's pace. Year-over-year, headline PCE hit 2.3%, while core PCE (excluding food and energy) remained elevated at 2.7%, reflecting persistent service-sector price pressures. Real consumer spending fell 0.1%, the first decline since March, driven by lower durable goods purchases following months of pre-tariff inventory stocking. Personal income dipped 0.4%, and disposable income fell 0.6%, pushing the savings rate down to 4.5%. These signs of softening consumer resilience, especially among middle-income households, come as job gains flatten. While markets remain optimistic, consumption trends are likely to weigh on the Fed's rate decision, with investors now pricing in two full cuts with a possible third by year-end.

In other news, global markets were jolted this week as the U.S. launched strikes on Iranian nuclear facilities, triggering a brief but intense regional conflict. However, tensions eased after a dramatic round of diplomacy led by President Trump and Qatari intermediaries resulted in a ceasefire agreement between Iran and Israel. In addition to that, the Canadian dollar slumped on Friday following Trump's announcement that he was suspending trade negotiations with Canada in response to the Digital Services Tax, scheduled to take effect the following week. However, late Sunday, the Canadian government announced it would withdraw the tax in an effort to revive trade talks with the United States, and the Canadian dollar strengthened on the news.

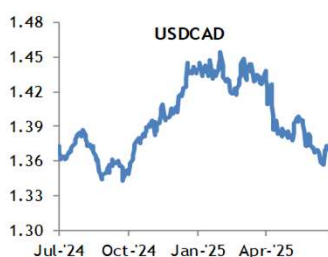
Next week, our attention will turn to employment data in the U.S.

Have a great week!

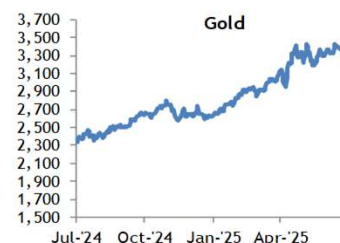
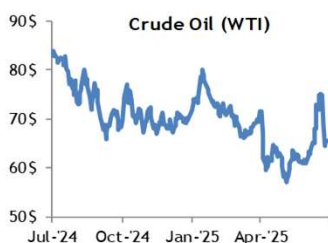
ECONOMIC RELEASES			Expected	Prior
US	07/03	Change in Nonfarm Payrolls	113k	139k
US	07/03	Unemployment Rate	4.30%	4.20%
US	07/03	Durable Goods Orders	16.40%	16.40%

**US: Unemployment Rate (%)**


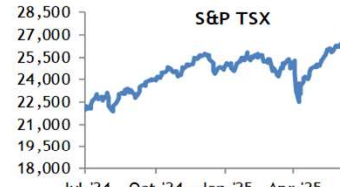
FX		Current	Wkly Chg	% Chg
	USDCAD	1.3665	-0.0069 ↓	-0.5%
	EURCAD	1.6005	+0.0107 ↑	0.7%
	EURUSD	1.1713	+0.0135 ↑	1.2%
	GBPCAD	1.8706	+0.01 ↑	0.7%
	CADJPY	105.717	-0.7040 ↓	-0.7%
	CADCNY	5.2430	+0.0174 ↑	0.3%
	AUDCAD	0.8924	+0.0053 ↑	0.6%
	CADCHF	0.5840	-0.0077 ↓	-1.3%



COMMODITIES		Current (USD)	Wkly Chg	% Chg
	Crude Oil- WTI (bbl.)	65.46	-3.05 ↓	-4.5%
	Diesel - HO (gal.)	231.29	-5.02 ↓	-2.1%
	Nat.Gas - NYMEX (MMbtu.)	3.56	-0 ↓	-3.8%
	Gold (t oz.)	3,299.40	-78 ↓	-2.3%
	Corn (bu.)	4.18	-2 ↓	-0.4%
	Soybean (bu.)	10.29	-30 ↓	-2.8%
	Wheat (bu.)	5.25	-28 ↓	-5.1%

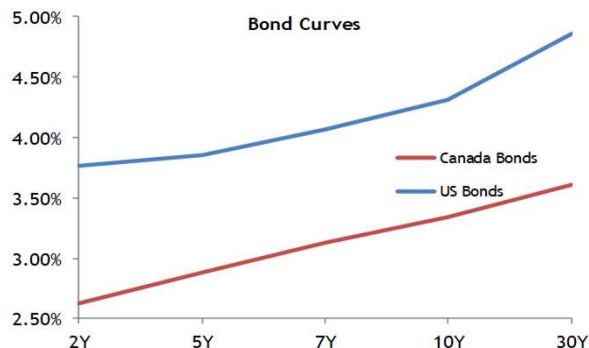


EQUITIES		Current	Wkly Chg	% Chg
	S&P TSX	26,692	+83 ↑	0.3%
	S&P 500	6,173	+148 ↑	2.5%
	Dow Jones	43,819	+1,237 ↑	2.9%
	Euro Stoxx	5,319	+97 ↑	1.9%
	VIX	17.1	-3 ↓	-13.7%



	Canada Bonds		US Bonds	
	CA	Wkly Chg	US	Wkly Chg
O/N	2.75%	+0.0 bps	4.50%	+0.0 bps
Prime	4.95%	+0.0 bps	7.50%	+0.0 bps
2Y	2.63%	-1.7 bps	3.76%	-13.0 bps
5Y	2.89%	-2.2 bps	3.85%	-9.9 bps
7Y	3.13%	+3.2 bps	4.07%	-9.6 bps
10Y	3.34%	+1.4 bps	4.31%	-8.8 bps
30Y	3.61%	-1.6 bps	4.87%	-6.0 bps

Daily CORRA	2.75000
1M Term SOFR	4.32681
3M Term SOFR	4.29561



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