

Keys to the market

What happened this week

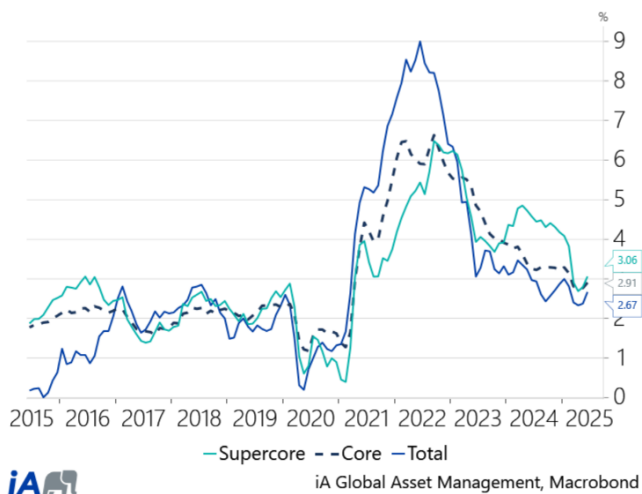
July 18, 2025

In Canada, inflation rose to 1.9% in June, still below the Bank of Canada's 2% target. Fuel deflation eased, lifting transport costs, while durable goods, such as vehicles and furniture, saw price gains. Core inflation hit a four-month high of 2.7%, signalling persistent underlying pressures. Meanwhile, housing starts rose 3.6% but missed expectations, with considerable regional disparities noted. For example, Vancouver surged, while Toronto and Montreal declined.

In the United States, inflation climbed to 2.7%, the highest since February, while core CPI rose to 2.9%. Retail sales rebounded 0.6%, ending a two-month slump and beating forecasts. Producer inflation eased to 2.3%, a nine-month low, with services prices falling. Housing starts rose 4.6%, led by multiunit gains in the Northeast. Lastly, consumer sentiment improved to a five-month high, although inflation expectations stayed elevated amid lingering concerns about price pressures.

U.S.: Total, Core & Supercore Inflation

U.S. Bureau of Labor Statistics (BLS), YoY, %, as at 6/2025



Bond market

Despite an eventful week for bonds, in the end U.S. 10-year Treasury yields were unchanged. U.S. CPI data on Tuesday were initially seen as being fairly in line, but on deeper inspection the fixed income market reacted negatively because various segments of the report showed building signs of trade-war-related inflation. As the week wore on, more moderate PPI numbers started to bring U.S. yields back down, while hot rumours that the Trump administration would fire Fed Chair Powell triggered a rapid steepening of the yield curve: 2s-30s jumped 15 basis points on the rumours to exceed 110 basis

Highlights

- In Canada, inflation rose to 1.9% in June, with housing starts showing mixed regional trends.
- In the United States, inflation hit 2.7% as retail sales and housing starts rebounded, boosting sentiment.

On our radar

- Canada: Retail sales for May, PPI and new housing price index for June
- United States: Durable goods orders, existing and new home sales for June, S&P Global Indices for July

points for the first time since April as the short end rallied on expectations a more dovish Chair will be installed. Not a lot of data to move markets next week as we head toward the dog days of summer, leaving politics and corporate earnings as the main drivers. A growing list of concerns is making a three-handle on U.S. 10s by year-end less likely, with trade-war inflation and growing deficits keeping yields up. In Canada, hotter-than-expected inflation from the trade war continued to put upward pressure on GoC yields as 10s approached 3.6% and 30s rose toward 3.9%. Spread markets, like other risk assets, keep turning a deaf ear to the worries buffeting rates and most likely will remain that way in the near to medium term owing to technical factors, such as attractive all-ins.

Stock market

The S&P 500 Index reached another peak this week on positive earnings reports from several major companies affected by tariffs. Investors have become more confident that these firms can navigate changing U.S. trade policies.

PepsiCo shares gained significantly after the company beat sell-side expectations on improving organic volume and market share capture in its North American business. Furthermore, management expects an acceleration in the second half of the year, and ongoing cost-containment measures will largely mitigate the impacts of tariffs so far. Even so, it's difficult to determine at this point whether the volume uplift was due to demand pull forward and inventory building in anticipation of the August tariff deadline.

Elsewhere, Nvidia got the green light to resume shipments of its Chinese-compliant H20 chips, helping send its stock to fresh highs. The U.S. Commerce Secretary noted that the policy reversal was part of negotiations with China on rare earth metals. Lastly, Netflix raised its full-year revenue and operating margin estimates on the back of price increases, membership growth, and its ad business. That being said, its shares fell because expectations had crept up during the quarter.

Markets

(Total return, in CAD)

As of July 17, 2025	WTD %	MTD %	YTD %	1Y %	3Y %	5Y %
Equities						
S&P 500	1.04	2.36	3.14	14.75	21.68	16.36
S&P/TSX	1.35	2.06	12.44	23.34	17.82	14.58
NASDAQ	1.76	2.60	5.06	17.14	26.71	17.04
MSCI ACWI	0.78	1.69	5.62	14.67	20.47	14.09
MSCI EAFE	-0.29	-0.13	13.17	13.00	18.35	10.34
MSCI EM	1.46	2.59	12.49	15.42	14.25	6.56
Commodities (USD)						
Gold	-0.50	1.08	27.22	35.80	25.03	13.02
CRB	-0.37	-0.64	5.29	4.38	-0.56	9.03
WTI	-1.33	3.73	-5.83	-18.48	-11.55	10.72
Fixed income						
FTSE TMX Canada Universe	-0.42	-1.72	-0.30	3.10	3.37	-0.83
FTSE TMX Canada Long	-0.91	-3.91	-4.46	-1.23	1.38	-4.63
FTSE TMX Canada Corporate Overall	-0.23	-1.10	1.15	5.75	5.60	1.31
Currencies						
DXY	0.90	1.92	-8.99	-4.83	-2.96	0.58
USDCAD	0.45	1.07	-4.39	0.51	1.81	0.25
USDEUR	0.81	1.65	-10.72	-5.66	-4.54	-0.29
USDJPY	0.78	3.16	-5.48	-4.88	2.35	6.78
USDGBP	0.58	2.36	-6.71	-3.03	-4.00	-1.30

Source: iA Global Asset Management, Bloomberg

	CA	U.S.
Bond yields		
2Y	2.81	3.90
5Y	3.10	3.99
10Y	3.57	4.45
30Y	3.88	5.01
Credit spreads		
IG corporate bonds	97	80
HY bonds	291	291

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Rooted in history, innovating for the future.

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