

### DAILY POINTS

August 1, 2025 @ 7:20 EST

### Contributors

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Chart 1

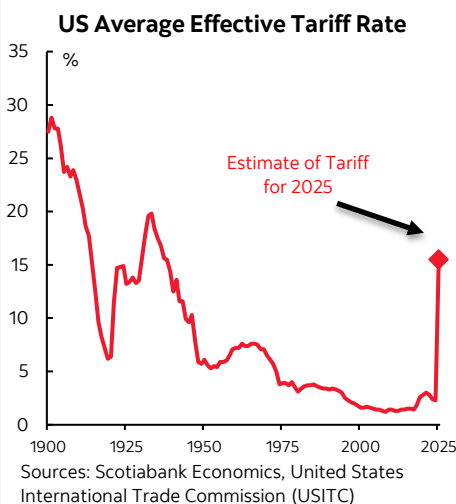
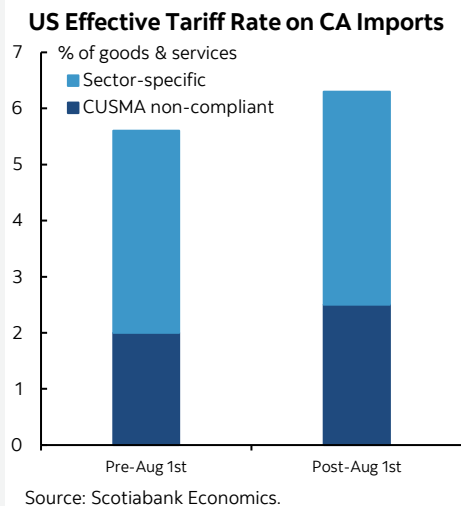


Chart 3



### On Deck for Friday, August 1

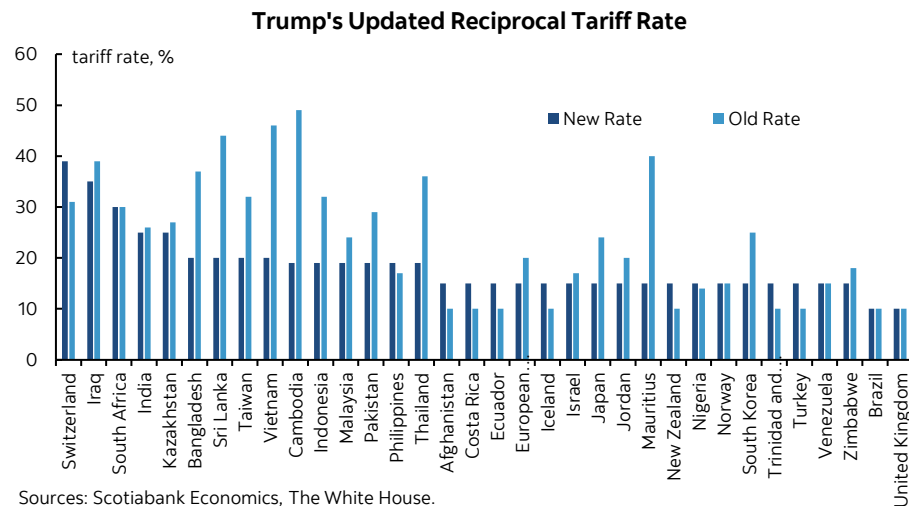
Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	08-01	08:30	Average Hourly Earnings (m/m)	Jul	0.3	0.3	0.2
US	08-01	08:30	Average Hourly Earnings (y/y)	Jul	3.8	3.8	3.7
US	08-01	08:30	Average Weekly Hours	Jul	--	34.2	34.2
US	08-01	08:30	Nonfarm Employment Report (000s m/m)	Jul	150	104.0	147.0
US	08-01	08:30	Unemployment Rate (%)	Jul	4.0	4.2	4.1
US	08-01	08:30	Household Employment Report (000s m/m)	Jul	--	--	93.0
US	08-01	09:10	Fed's Hammack on BTV				
US	08-01	10:00	Construction Spending (m/m)	Jun	0.0	0.0	-0.3
US	08-01	10:00	ISM Manufacturing Index	Jul	50.0	49.5	49.0
US	08-01	10:00	U. of Michigan Consumer Sentiment	Jul F	--	62.0	61.8
US	08-01	10:30	Fed's Bostic on CNBC				
US	08-01		Total Vehicle Sales (mn a.r.)	Jul	16.5	16.0	15.3

### KEY POINTS:

- Trump drives global equities lower
- Trump's tariffs are a 15% tax on American shareholders, businesses and consumers
- Canada's effective tariff rate is not 35%, remains at 4.6%...
- ...which is a manageable hit that is far lower than other countries
- Nonfarm payrolls on tap...
- ...but it's unlikely to settle much of anything for the Fed
- Eurozone core CPI was warm again
- ISM-manufacturing to follow
- Limited Fed-reactions to follow

Trump is driving global stocks lower this morning. His tariff broadside last night combined with apprehension ahead of nonfarm payrolls explain the approximately 1% drop in US and Canadian equity futures, declines of ½% to over 2% across European cash markets and the declines in overnight Asian equities ranging from about ¾% for the Nikkei to 1% for the Hang Seng and Sensex and about 4% in South Korea. The dollar is broadly firmer along with the yen while CAD is holding its own as markets seek safe havens except for CHF after Switzerland was slammed with a 39% tariff. Sovereign yields are slightly higher toward the longer ends of global curves.

Chart 2



August 1, 2025

## THE US IS HARMING ITSELF

What the US is doing to itself is the stupid thing about all of this. We figure that its effective tariff rate on America's own imports now stands at 15.5% for just goods and 12.7% for goods and services imports. Chart 1 shows this tariff rate in the historical context. It used to be basically zero. The effective tariff rate applied by everyone else on America's exports was already close to nothing and remains at 0.8% on total goods and services exports and 1.2% on just goods exports.

Thus, America has imposed a twisted negative shock to its own terms of trade that raise taxes on all Americans to fund income tax cuts for a few and that it can't afford. The complicated pass through effects will be deleterious to American living standards over time in exchange for immaterial improvements in market access abroad and fake investment 'deals'.

## TRUMP'S TARIFF ASSAULT CHANGES LITTLE FOR CANADA, MORE FOR OTHERS

Other countries took last night's announcements on US tariffs harder (chart 2) than Canada did with Trump's announcement that was riddled with the usual lies about Canada. We had already factored in a 35% tariff on non-CUSMA/USMCA-compliant goods into our calculations for the effective tariff rate (ETR) on Canadian exports on the assumption that a deal would not yet be reached. Because of the exemption that the administration verified last night and because we've long argued that most exports are already CUSMA-compliant, Canada's ETR remains at 4.6% on total goods and services exports to the world and 6.3% on total goods and services exports to the US. That's marginally higher than pre-August 1st (chart 3) but not relative to what we and markets had largely assumed before last evening. This includes all tariffs announced to date. Estimates vary, but the assumed CUSMA-compliant share of Canadian trade is around 90% with some cautions (chart 4). Mexico's compliance factor is lower.

Furthermore, as chart 3 also showed, most of the tariff hit to Canada has nothing to do with the 35% rate on non-compliant trade. It's driven by sector specific tariffs like on metals. That's a fiscal policy matter for Canada to address in providing targeted assistance and support, not a broad monetary policy matter in my view.

As we've explained all along, this is all unwelcome to Canada, but not debilitating. This is why the C\$ is not reacting in any particularly harsh way thus far and relative to other crosses.

## NONFARM PAYROLLS

The next big show will be nonfarm payrolls (8:30amET). Considering that the 90% confidence interval around payroll changes is +/-130k, there isn't that much difference between estimates within consensus. Estimates range from 0k to +170k with a median estimate of 104k and I'm at 150k and for now still ranked #1. Most estimates fall between 75–150k.

See my weekly [here](#) for reasons.

Not much rides on this one payrolls report. There will be another in early September before the next FOMC decision on September 17<sup>th</sup>. There will be multiple inflation readings, lots of other data, and no doubt a lot of volatility in other US policies.

Also watch ISM-manufacturing (10amET) and reactions from a few FOMC officials (Hammack 9:10amET, Bostic 10:30amET).

## EUROZONE CORE CPI WAS WARM AGAIN

Eurozone core CPI was relatively warm again. July's -0.2% m/m seasonally unadjusted reading is among the weakest declines on record comparing like months of July over time since it's not adjusted (chart 5). The June core reading of 0.4% was likewise among the strongest readings in history comparing like months of June over time. The effect was to keep the year-over-year rate unchanged at 2.3% and the headline rate unchanged at 2% y/y. Evidence of price pressures has to be evaluated at the margin using m/m and this morning's figures are a caution to the ECB.

Chart 4

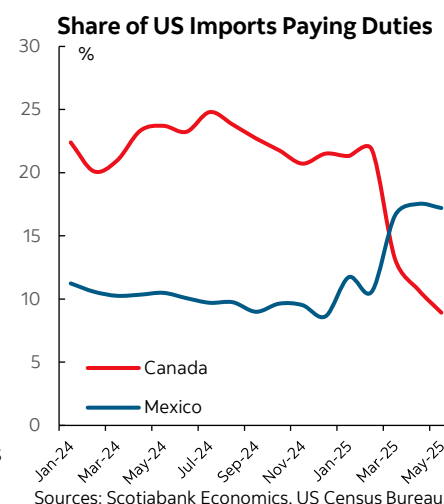
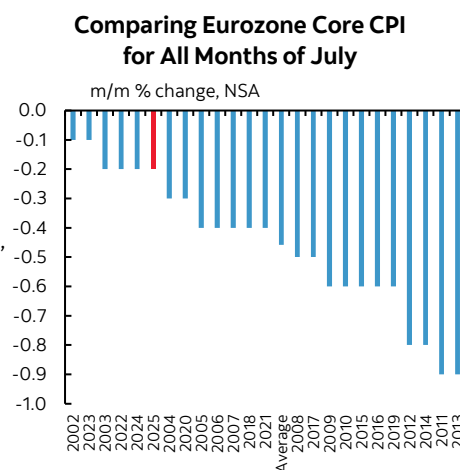


Chart 5



Fixed Income	Government Yield Curves (%):												Central Banks	
U.S. CANADA GERMANY JAPAN U.K.  CANADA GERMANY JAPAN U.K.	2-YEAR			5-YEAR			10-YEAR			30-YEAR			Current Rate	
	Last	1-day	1-wk	Last	1-day	1-wk	Last	1-day	1-wk	Last	1-day	1-wk		
	3.95	3.96	3.93	3.98	3.97	3.96	4.39	4.38	4.39	4.93	4.90	4.93	Canada - BoC	2.75
	2.77	2.77	2.81	3.04	3.02	3.08	3.48	3.46	3.52	3.78	3.76	3.84	US - Fed	4.50
	1.97	1.96	1.95	2.31	2.30	2.30	2.72	2.70	2.72	3.22	3.18	3.21	England - BoE	4.25
	0.82	0.82	0.86	1.09	1.10	1.16	1.56	1.56	1.61	3.11	3.08	3.07		
	3.89	3.86	3.88	4.04	4.01	4.06	4.62	4.57	4.64	5.44	5.38	5.45		
	Spreads vs. U.S. (bps):													
	-118	-119	-112	-94	-95	-88	-91	-92	-87	-114	-114	-109	Euro zone - ECB	2.15
	-198	-199	-198	-167	-168	-166	-167	-168	-167	-171	-173	-172	Japan - BoJ	0.50
-313	-314	-307	-289	-288	-280	-283	-282	-278	-182	-182	-187			
-5	-10	-4	6	3	10	24	19	25	51	47	52			
Equities	Level						% change:						Mexico - Banxico	8.00
S&P/TSX Dow 30 S&P 500 Nasdaq DAX FTSE Nikkei Hang Seng CAC	Last	Change				1 Day	1-wk	1-mo	1-yr	Australia - RBA	3.85			
	27260	-110.2				-0.4	-0.4	1.5	20.0					
	44131	-330.3				-0.7	-1.3	-0.8	9.4	New Zealand - RBNZ	3.25			
	6339	-23.5				-0.4	-0.4	2.3	16.4					
	21122	-7.2				-0.0	0.3	4.6	22.8	Next Meeting Date				
	23613	-452.8				-1.9	-2.5	-0.3	30.6	Canada - BoC	Sep 17, 2025			
	9076	-57.1				-0.6	-0.5	3.3	9.6	US - Fed	Sep 17, 2025			
	40800	-270.2				-0.7	-1.6	2.0	7.0	England - BoE	Aug 07, 2025			
	24508	-265.5				-1.1	-3.5	1.8	41.6	Euro zone - ECB	Sep 11, 2025			
	7597	-175.3				-2.3	-3.0	-0.9	3.1	Japan - BoJ	Sep 19, 2025			
Commodities	Level						% change:							
WTI Crude Natural Gas Gold Silver CRB Index	68.60	-0.66				-1.0	5.3	4.8	-10.1	Mexico - Banxico	Aug 07, 2025			
	3.10	-0.01				-0.3	-0.4	-9.3	57.4	Australia - RBA	Aug 12, 2025			
	3299.19	9.26				0.3	-1.1	-1.2	34.9	New Zealand - RBNZ	Aug 19, 2025			
	36.22	-1.70				-4.5	-7.2	0.7	26.8					
	299.78	-5.46				-1.8	-1.5	1.3	9.6					
Currencies	Level						% change:							
USDCAD EURUSD USDJPY AUDUSD GBPUSD USDCHF	1.3868	0.0012				0.1	1.2	1.6	-0.0					
	1.1417	0.0002				0.0	-2.8	-3.3	5.8					
	150.32	-0.4300				-0.3	1.8	4.8	0.6					
	0.6431	0.0006				0.1	-2.1	-2.3	-1.1					
	1.3169	-0.0038				-0.3	-2.0	-4.2	3.4					
0.8156	0.0033				0.4	2.5	3.1	-6.6						

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