

### DAILY POINTS

July 7, 2026 @ 7:10 EST

#### Contributors

##### Derek Holt

VP & Head of Capital Markets Economics  
Scotiabank Economics  
416.863.7707  
[derek.holt@scotiabank.com](mailto:derek.holt@scotiabank.com)

Chart 1

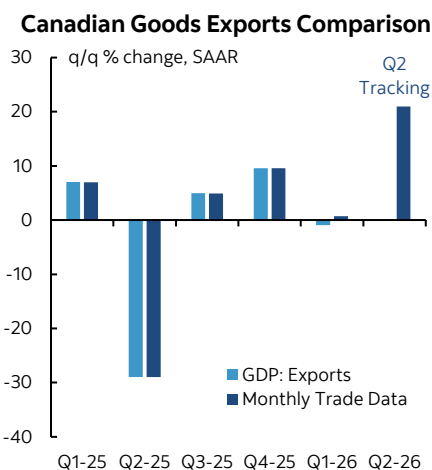
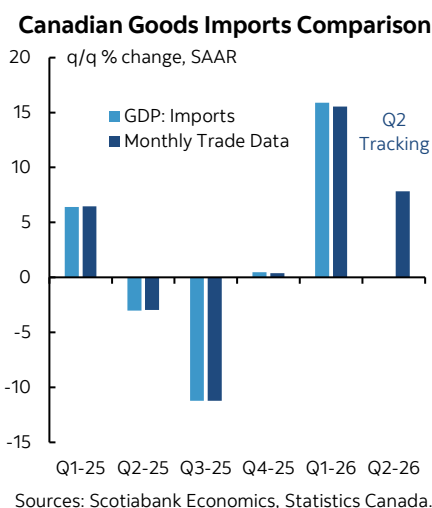


Chart 2



#### On Deck for Tuesday, July 7<sup>th</sup>

| Country | Date  | Time  | Indicator                          | Period | BNS   | Consensus | Latest |
|---------|-------|-------|------------------------------------|--------|-------|-----------|--------|
| CA      | 07-07 | 08:30 | Merchandise Trade Balance (C\$ bn) | May    | --    | 2.5       | 2.7    |
| US      | 07-07 | 08:30 | Trade Balance (US\$ bn)            | May    | -78.0 | -78.5     | -55.9  |

#### KEY POINTS:

- Chips weigh on (some) stock indices
- Oil up after Qatari ship hit
- Tracking Canada's trade rebound...
- ...and why trade negotiations are an overstated threat
- US trade deficit to widen before it narrows...
- ...and why it has narrowed over time but remains higher than pre-pandemic
- Light overnight developments: German IP, Asia-Pacific inflation

Relatively minor movements are sweeping through global asset classes this morning. Sovereign bond yields are a little higher across the US and Europe. Stocks are mixed with TSX futures up, as US equity futures down and led by the Nasdaq. European indices are a blend of ups and downs after a sea of red across Asian indices led by a 5% plunge by the Kospi with firms like Samsung (earnings) and Hanwa Ocean (lost sub deal) leading decliners. Currencies are mixed with the main outlier move versus the dollar coming from the won.

There were very few drivers overnight. Oil is up a bit after a Qatari LNG ship was hit in the Strait of Hormuz. Calendar-based developments were light including a strong gain by German factory output (0.9% m/m SA) and mixed Asian inflation readings as the Philippines surprised lower while Taiwanese CPI surprised higher.

#### Tracking Canada's Trade Rebound

Canada refreshes trade figures for May this morning that will further inform tracking of a Q2 rebound. Export volumes have been tracking a powerful surge in Q2 based on Q1 and April data which is highly tentative but encouraging (chart 1) while import volume are ebbing which implies less of an import leakage effect from GDP accounting (chart 2). The combination points to a stronger contribution to Q2 GDP growth that is tracking significantly above 2% q/q SAAR using monthly production-side accounts that do an incomplete job of capturing trade and inventory effects.

Canadian export volumes have been trending higher since 2025Q3 after a pattern of order front-running into Trump's trade war with the world then gave way to a '25Q2 retrenchment. Why the rebound?

For one, the vast majority of Canadian exports are tariff-free because of the CUSMA carve-out that says if one is compliant with the agreement, then no tariffs are charged; 85–90% of exports are compliant and tariff free into the US. For another, the price competitiveness of Canadian exports into the US has strongly improved as USDCAD went from taking 1.2 Canadian dollars to buy one USD in 2021 to over 1.42 now. Third is the strength of the US economy that has generated a solid pull effect on Canadian exports. Further, Canada may be benefitting from an improvement in competitiveness relative to other countries and trade diversion effects because effective US tariffs (taking account of CUSMA compliance) have been lower than applied by the US against other trade partners.

All of this is a big part of why I'm still of the belief that a) trade uncertainty is an overstated shock to the Canadian economy, and b) the misguided US trade wars are likely to divert global trade around the US as new partnerships are secured.

July 7, 2026

As for investment effects, foreign direct investment into Canada has long been surging including from the US but led by the rest of the world. Foreigners are more bullish on Canada than Canadian businesses that are yet again underinvesting.

### The US Trade Deficit Will Widen Before it Narrows Again

The US also refreshes trade figures for May this morning (8:30amET). The deficit is expected to widen largely on higher oil prices back then, but it should narrow once again as oil prices have fallen. The deficit has narrowed over the past year but I think a main driver has been that there was so much pre-tariff order front-running early last year that drove the deficit to be much wider that there was less need to subsequently import as much. Another driver has been China's dirty-managed currency peg's inability to play a shock absorber role against tariffs which is why the bilateral US-China trade deficit sharply narrowed (chart 3). The chart also shows that China found workarounds as its surplus with the rest of the world increased which was partly driven by finding a back door into the US and partly driven by pursuing opportunities elsewhere.

Chart 3



Regardless, the US trade deficit is still tracking wider than it was in the years before the pandemic and likely will continue to do so, tariffs or not as cheating doesn't pay (in trade and elsewhere...). US policies are harming global growth—such as tariffs, the effects of uncertainty, and foreign policy moves—which mean less of a pull effect on US exports from elsewhere. US policies are offering mixed effects on domestic growth but it is generally cooling with GDP up only ½% q/q SAAR in Q4 and 1½% q/q SAAR in Q1 which could carry the offsetting effect of less import growth into the US. If anything bails out the US from misguided trade policies, then it may be its role as one of two epicenters for tech- and AI-driven growth in new products and services over coming years. This serendipitous development

Also on tap in the US will be the weekly ADP private payrolls gauge which in my opinion is utterly useless. I don't like ADP's practice of skipping the weekly estimates when it updates the monthly figures in which it tends to bury major revisions to prior weeks, making the weekly gauge unreliable as a guide to the monthly estimate which itself is usually not helpful as a guide to nonfarm payrolls.

| Fixed Income                                                                         | Government Yield Curves (%): |         |      |         |       |      |           |       |      |         |       |                    | Central Banks    |                 |                    |              |
|--------------------------------------------------------------------------------------|------------------------------|---------|------|---------|-------|------|-----------|-------|------|---------|-------|--------------------|------------------|-----------------|--------------------|--------------|
| U.S.<br>CANADA<br>GERMANY<br>JAPAN<br>U.K.<br><br>CANADA<br>GERMANY<br>JAPAN<br>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               | Canada - BoC     | 2.25            |                    |              |
|                                                                                      | 4.14                         | 4.11    | 4.18 | 4.23    | 4.20  | 4.23 | 4.50      | 4.47  | 4.47 | 5.00    | 4.99  | 4.95               |                  |                 |                    |              |
|                                                                                      | 2.75                         | 2.73    | 2.74 | 3.06    | 3.03  | 3.01 | 3.45      | 3.42  | 3.38 | 3.86    | 3.84  | 3.78               | US - Fed         | 3.75            |                    |              |
|                                                                                      | 2.58                         | 2.55    | 2.53 | 2.69    | 2.66  | 2.60 | 2.97      | 2.95  | 2.86 | 3.55    | 3.53  | 3.42               | England - BoE    | 3.75            |                    |              |
|                                                                                      | 1.41                         | 1.39    | 1.37 | 1.96    | 1.94  | 1.90 | 2.86      | 2.83  | 2.68 | 4.08    | 4.08  | 3.94               |                  |                 |                    |              |
|                                                                                      | 4.13                         | 4.13    | 4.15 | 4.33    | 4.31  | 4.30 | 4.81      | 4.79  | 4.76 | 5.55    | 5.54  | 5.47               | Euro zone - ECB  | 2.40            |                    |              |
|                                                                                      | Spreads vs. U.S. (bps):      |         |      |         |       |      |           |       |      |         |       |                    |                  |                 |                    |              |
|                                                                                      | -139                         | -138    | -143 | -117    | -117  | -121 | -105      | -105  | -109 | -114    | -115  | -118               |                  |                 | Japan - BoJ        | 1.00         |
|                                                                                      | -157                         | -157    | -165 | -155    | -154  | -163 | -152      | -152  | -161 | -145    | -145  | -153               |                  |                 |                    |              |
| -273                                                                                 | -272                         | -281    | -227 | -226    | -233  | -164 | -164      | -178  | -92  | -90     | -101  |                    |                  |                 |                    |              |
| -1                                                                                   | 1                            | -2      | 9    | 11      | 7     | 31   | 32        | 29    | 55   | 55      | 52    |                    |                  |                 |                    |              |
| Equities                                                                             | Level                        |         |      |         |       |      | % change: |       |      |         |       |                    | Mexico - Banxico | 6.50            |                    |              |
| S&P/TSX<br>Dow 30<br>S&P 500<br>Nasdaq<br>DAX<br>FTSE<br>Nikkei<br>Hang Seng<br>CAC  | Last                         | Change  |      | 1 Day   |       | 1-wk |           | 1-mo  |      | 1-yr    |       | Australia - RBA    | 4.35             |                 |                    |              |
|                                                                                      | 35212                        | -62.5   |      | -0.2    |       | 0.7  |           | 2.3   |      | 30.3    |       | New Zealand - RBNZ | 2.25             |                 |                    |              |
|                                                                                      | 53056                        | 155.8   |      | 0.3     |       | 2.3  |           | 4.3   |      | 19.5    |       |                    |                  |                 |                    |              |
|                                                                                      | 7537                         | 54.2    |      | 0.7     |       | 2.5  |           | 2.1   |      | 21.0    |       |                    |                  |                 |                    |              |
|                                                                                      | 26121                        | 288.5   |      | 1.1     |       | 3.3  |           | 1.6   |      | 28.0    |       | Next Meeting Date  |                  |                 |                    |              |
|                                                                                      | 25657                        | -160.5  |      | -0.6    |       | 2.6  |           | 3.6   |      | 6.6     |       |                    |                  |                 |                    |              |
|                                                                                      | 10672                        | 20.1    |      | 0.2     |       | 1.7  |           | 2.9   |      | 21.2    |       | Canada - BoC       | Jul 15, 2026     |                 |                    |              |
|                                                                                      | 68257                        | -1480.7 |      | -2.1    |       | -2.6 |           | 2.5   |      | 72.4    |       |                    |                  |                 |                    |              |
|                                                                                      | 23497                        | -119.4  |      | -0.5    |       | 2.0  |           | -5.9  |      | -1.6    |       | US - Fed           | Jul 29, 2026     |                 |                    |              |
|                                                                                      | 8498                         | 18.2    |      | 0.2     |       | 1.1  |           | 3.4   |      | 10.0    |       |                    |                  |                 |                    |              |
| Commodities                                                                          | Level                        |         |      |         |       |      | % change: |       |      |         |       |                    | England - BoE    | Jul 30, 2026    |                    |              |
| WTI Crude                                                                            | 69.46                        |         |      | 0.91    |       |      | 1.3       |       | -1.8 |         | -23.3 |                    | 2.3              | Euro zone - ECB | Jul 23, 2026       |              |
| Natural Gas                                                                          | 3.32                         |         |      | 0.07    |       |      | 2.2       |       | 4.3  |         | 2.7   |                    | -2.8             |                 |                    |              |
| Gold                                                                                 | 4133.06                      |         |      | -32.17  |       |      | -0.8      |       | 3.1  |         | -4.6  |                    | 23.9             |                 |                    |              |
| Silver                                                                               | 60.69                        |         |      | -1.36   |       |      | -2.2      |       | 3.6  |         | -11.0 |                    | 65.1             |                 | Japan - BoJ        | Jul 31, 2026 |
| CRB Index                                                                            | 362.31                       |         |      | 9.28    |       |      | 2.6       |       | 2.9  |         | -3.7  |                    | 21.1             |                 |                    |              |
| Currencies                                                                           | Level                        |         |      |         |       |      | % change: |       |      |         |       |                    | Mexico - Banxico | Aug 06, 2026    |                    |              |
| USDCAD<br>EURUSD<br>USDJPY<br>AUDUSD<br>GBPUSD<br>USDCHF                             | 1.4212                       |         |      | 0.0007  |       |      | 0.0       |       | 0.1  |         | 1.9   |                    | 3.9              |                 | Australia - RBA    | Aug 11, 2026 |
|                                                                                      | 1.1433                       |         |      | -0.0008 |       |      | -0.1      |       | 0.1  |         | -0.9  |                    | -2.4             |                 |                    |              |
|                                                                                      | 161.92                       |         |      | -0.1700 |       |      | -0.1      |       | -0.4 |         | 1.1   |                    | 10.9             |                 | New Zealand - RBNZ | Jul 07, 2026 |
|                                                                                      | 0.6947                       |         |      | -0.0008 |       |      | -0.1      |       | 0.4  |         | -1.4  |                    | 7.0              |                 |                    |              |
|                                                                                      | 1.3384                       |         |      | -0.0008 |       |      | -0.1      |       | 0.9  |         | 0.3   |                    | -1.6             |                 |                    |              |
|                                                                                      | 0.8065                       |         |      | 0.0014  |       |      | 0.2       |       | -0.2 |         | 1.1   |                    | 1.0              |                 |                    |              |

This report has been prepared by Scotiabank Economics as a resource for the clients of Scotiabank. Opinions, estimates and projections contained herein are our own as of the date hereof and are subject to change without notice. The information and opinions contained herein have been compiled or arrived at from sources believed reliable but no representation or warranty, express or implied, is made as to their accuracy or completeness. Neither Scotiabank nor any of its officers, directors, partners, employees or affiliates accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

These reports are provided to you for informational purposes only. This report is not, and is not constructed as, an offer to sell or solicitation of any offer to buy any financial instrument, nor shall this report be construed as an opinion as to whether you should enter into any swap or trading strategy involving a swap or any other transaction. The information contained in this report is not intended to be, and does not constitute, a recommendation of a swap or trading strategy involving a swap within the meaning of U.S. Commodity Futures Trading Commission Regulation 23.434 and Appendix A thereto. This material is not intended to be individually tailored to your needs or characteristics and should not be viewed as a “call to action” or suggestion that you enter into a swap or trading strategy involving a swap or any other transaction. Scotiabank may engage in transactions in a manner inconsistent with the views discussed this report and may have positions, or be in the process of acquiring or disposing of positions, referred to in this report.

Scotiabank, its affiliates and any of their respective officers, directors and employees may from time to time take positions in currencies, act as managers, co-managers or underwriters of a public offering or act as principals or agents, deal in, own or act as market makers or advisors, brokers or commercial and/or investment bankers in relation to securities or related derivatives. As a result of these actions, Scotiabank may receive remuneration. All Scotiabank products and services are subject to the terms of applicable agreements and local regulations. Officers, directors and employees of Scotiabank and its affiliates may serve as directors of corporations.

Any securities discussed in this report may not be suitable for all investors. Scotiabank recommends that investors independently evaluate any issuer and security discussed in this report, and consult with any advisors they deem necessary prior to making any investment.

**This report and all information, opinions and conclusions contained in it are protected by copyright. This information may not be reproduced without the prior express written consent of Scotiabank.**

™ Trademark of The Bank of Nova Scotia. Used under license, where applicable.

Scotiabank, together with “Global Banking and Markets”, is a marketing name for the global corporate and investment banking and capital markets businesses of The Bank of Nova Scotia and certain of its affiliates in the countries where they operate, including: Scotiabank Europe plc; Scotiabank (Ireland) Designated Activity Company; Scotiabank Inverlat S.A., Institución de Banca Múltiple, Grupo Financiero Scotiabank Inverlat, Scotia Inverlat Casa de Bolsa, S.A. de C.V., Grupo Financiero Scotiabank Inverlat, Scotia Inverlat Derivados S.A. de C.V. – all members of the Scotiabank group and authorized users of the Scotiabank mark. The Bank of Nova Scotia is incorporated in Canada with limited liability and is authorised and regulated by the Office of the Superintendent of Financial Institutions Canada. The Bank of Nova Scotia is authorized by the UK Prudential Regulation Authority and is subject to regulation by the UK Financial Conduct Authority and limited regulation by the UK Prudential Regulation Authority. Details about the extent of The Bank of Nova Scotia's regulation by the UK Prudential Regulation Authority are available from us on request. Scotiabank Europe plc is authorized by the UK Prudential Regulation Authority and regulated by the UK Financial Conduct Authority and the UK Prudential Regulation Authority.

Scotiabank Inverlat, S.A., Scotia Inverlat Casa de Bolsa, S.A. de C.V., Grupo Financiero Scotiabank Inverlat, and Scotia Inverlat Derivados, S.A. de C.V., are each authorized and regulated by the Mexican financial authorities.

Not all products and services are offered in all jurisdictions. Services described are available in jurisdictions where permitted by law.