

FINMETRIX

MARKET COMMENTARY

ANALYSIS OF THE MONTH

FINANCIAL RISK MANAGEMENT



JULY 2025

GOOD DAY

INTRODUCTION

Hello,

June brought a series of concerning economic developments. Consulting firm Deloitte has announced that Canada is heading straight for a recession in 2025. Inflation is expected to rebound in the United States. Economic weakness is spreading across Europe. In the UK, job postings are plummeting. Meanwhile in China, deflationary pressures persist as consumers delay purchases and sellers continue to slash prices.

Enjoy the read!

CAD



ZOOM ON ▼
THE CANADIAN DOLLAR

MORE DETAILS

In June, the USDCAD currency pair slipped from 1.3714 to 1.3646. According to Statistics Canada, inflation held steady at 1.7% in May, largely due to a slowdown in housing costs, which rose by just 3% in May compared to 3.4% in April—Ontario showing the sharpest deceleration.

The retaliatory tariffs imposed by the Carney government have not fueled price increases as much as some feared. Many imported goods entered the Canadian market tariff-free, as they complied with the Canada–United States–Mexico Agreement (CUSMA). “That largely explains why we haven’t seen significant price increases, which is good news for Canadians,” says Tu Nguyen, economist at RSM Canada.

Still, tough times may lie ahead. A study by consulting firm Deloitte forecasts that Canada will enter a recession this year: GDP is expected to contract by 1.7% in the second quarter and by 1% in the third, before rebounding in the final quarter, according to their experts. “We believe the uncertainty surrounding our future trade relationship with our main partner will delay business investment and hiring, weighing on consumers,” explains Dawn Desjardins, Chief Economist at Deloitte.

In May, Canada had roughly 15,000 fewer employees than in January, Deloitte notes. The manufacturing sector suffered the most job losses, hit by new tariffs imposed by U.S. President Donald Trump on steel, aluminum, lumber, and finished vehicles. The effects are now rippling into other industries, such as transportation, warehousing, and business services, where companies are cutting jobs.

“Unfortunately, these challenging labor market conditions are expected to persist throughout the summer and into early fall, with the unemployment rate, which stood at 7% in May, likely to rise to 7.3% in the third quarter,” adds Dawn Desjardins.



USD



ZOOM ON ▼
THE AMERICAN DOLLAR

MORE DETAILS

In June, the DXY index declined from 98.71 to 96.82. The U.S. Commerce Department reported that GDP contracted by 0.5% in the first quarter of 2025, a deeper drop than the previously estimated 0.2%. Consumer spending and exports both fell short of earlier expectations, reflecting weaker demand both domestically and abroad.

The report also highlighted an increase in imports, which subtracts from GDP. This was largely due to American companies building up inventories ahead of new tariffs imposed by President Donald Trump on key trading partners, especially for goods coming from China.

Economic activity in the U.S. continues to slow. The S&P Global composite PMI stood at 52.8 in June, slightly down from 53 in May; while a reading above 50 still indicates growth, the trend points to a moderation. The sub-index measuring new orders declined from 53 to 52.3 during the same period, signaling a drop in fresh demand for businesses.

James Knightley, ING's chief international economist, along with other analysts, expects inflation to surge from June onwards. For months, consumer and producer prices remained relatively stable because companies preferred to sell off inflated inventories before the tariffs took effect, instead of immediately passing costs onto consumers. However, as these stocks are now depleted, price pressures are likely to build.

The housing market also reflects the current economic struggles. According to the National Association of Realtors, home sales dropped by 0.7% year-over-year in May, reaching 4.03 million units—the slowest May sales pace since 2009 during the Great Recession. Veronica Clark, an economist at Citigroup, warns that “this does not bode well for the coming months, both for the housing sector and other parts of the economy.”



EUR



ZOOM ON ▼
THE EURO

MORE DETAILS

The EURUSD pair rose in June from 1.1442 to 1.1807. For the second consecutive month, the Eurozone economy essentially stagnated in June: the composite Purchasing Managers' Index (PMI) compiled by HCOB and S&P Global remained at 50.2—the threshold between expansion and contraction of activity.

According to Jack Allen-Reynolds, chief Eurozone economist at Capital Economics, the economic weakness is “widespread,” affecting both manufacturing and services. However, the situation is uneven. In Germany, regarded as Europe’s economic engine, business activity picked up, supported by the manufacturing sector, which recorded its strongest increase in new orders in over three years. In contrast, France, Europe’s second-largest economy, saw activity contract slightly more than before.

Inflation in the Eurozone fell sharply in May to 1.9%, down from 2.2% the previous month, according to Eurostat. This is the lowest level since last September.

Paradoxically, new tariffs imposed by U.S. President Donald Trump have helped the European Central Bank (ECB) in its fight against inflation. So far, these tariffs have exerted downward pressure on inflation in the Eurozone: “Global commodity prices have fallen, the euro has strengthened against the dollar, and uncertainty has dampened economic activity,” explains Bert Colijn, chief economist for the Netherlands at ING.

Disinflation is expected to continue, says Riccardo Marcelli Fabiani, economist at Oxford Economics. “Oil prices have returned to normal following the end of hostilities between Israel and Iran, and the euro continues to gain strength, so we can expect lower production and import costs,” he adds.

Yet optimism remains limited. The European Commission has lowered its growth forecasts for the Eurozone GDP in 2025 and 2026, anticipating a significant impact from Donald Trump’s protectionist policies. It now projects growth of just 0.9% this year and 1.4% next year.



GBP



ZOOM ON ▼
THE POUND

MORE DETAILS

Last month, the GBPUSD pair rose from 1.3544 to 1.3747. Inflation in the UK remained at 3.4% in May, the same as the previous month. However, this apparent stability masks disparities: transport costs—especially airfares—pulled inflation down, while food, furniture, and household goods pushed it up, partially offsetting each other.

Rob Wood, chief UK economist at Pantheon Macroeconomics, expects inflation to rebound by the end of the year, mainly due to the impact of U.S. President Donald Trump's protectionist measures. He anticipates a peak of 3.6% in September, well above the 2% target set by the Bank of England.

Economic activity in the UK remains moderate. The S&P Global composite PMI stood at 51.3 in June, slightly up from 50.9 in May. A reading above 50 indicates expansion.

The UK's economic sluggishness is particularly evident in the labor market, which remains depressed. According to data from the job site Indeed, the number of job vacancies fell by 5% between March and June. It is now 21% below pre-pandemic levels, making the UK the only developed country where Indeed listings are lower than before 2020.

The vast majority of wage agreements reached by UK companies in March, April, and May involved raises of 3%, below the 3.4% inflation rate, according to the research firm Brightmine. Worse, 15% of companies granted raises of only 2.5%, citing being more severely impacted by the crisis than others.

"These worrying trends were triggered by the combination of tax hikes announced in the Starmer government's first budget and the uncertainty created by American protectionist policies," says Chris Williamson, chief economist at S&P Global Market Intelligence. He adds, "There is no indication these trends will improve in the coming months."



CNH



ZOOM ON ▼
THE RENMINBI

MORE DETAILS

The USDCNH pair declined in June from 7.2095 to 7.1607. Chinese industrial profits fell sharply by 9.1% in May, according to official figures—marking the steepest monthly drop since October 2024. For the first five months of 2025, industrial profits declined 1.1% compared to the same period last year, signaling growing challenges for China's industrial sector.

The National Bureau of Statistics (NBS) attributes the sharp downturn in May to weak domestic demand combined with broad-based declines in industrial product prices. China is currently grappling with widespread deflationary pressures, as consumers delay purchases in anticipation of further price cuts. This cautious behavior is slowing economic momentum and complicating efforts to sustain growth.

The automotive sector offers a telling example of these trends. Chinese electric vehicle manufacturers have aggressively cut prices to clear large inventories, engaging in what some analysts describe as a race to the bottom. However, this strategy risks a vicious cycle: consumers, expecting prices to fall further, continue postponing purchases, forcing manufacturers to reduce prices even more. As a result, automotive profits have plummeted, registering an 11.9% decline from January through May.

Looking ahead, Robin Xing, chief China economist at Morgan Stanley, warns that growth may slow further. Persistent deflationary pressure and ongoing trade tensions with the United States, which have yet to fully ease, are the main risks. Although the two largest economies have reached a tentative agreement, it has yet to be formally signed by Presidents Xi Jinping and Donald Trump. Trade uncertainty lingers, weighing on business confidence and exports.

Indeed, China's exports to the U.S. plunged by 34.5% in May alone, highlighting the tangible impact of these tensions on trade flows and industrial activity. The combination of subdued domestic demand, deflation, and geopolitical strain suggests a challenging environment for China's economy in the months ahead.



COPPER



ZOOM ON ▼
COPPER

MORE DETAILS

The copper market is experiencing an unprecedented divergence between prices in New York and London. COMEX copper futures in New York reached a record high of \$5.37 per pound (\$11,840 per tonne) in March 2025, representing a 30% increase since the start of the year.

Meanwhile, prices on the London Metal Exchange (LME) hit a low of \$9,893 per tonne. “We have never seen such a wide gap—nearly \$2,000—between these two key markets,” notes Michael Widmer, head of metals analysis at Bank of America.

The copper market is going through what experts call a “perfect storm of supply constraints.” Copper users have been stockpiling heavily in the United States, anticipating tariffs the White House was set to impose. “Some 400 kilotonnes” have flooded the U.S. market since the beginning of the year, says Widmer. This surge has created scarcity in the copper market.

Adding to this is a decline in the quality of global supply: sector reports show that the average copper content in mined ore has dropped from 1.2% in 2000 to just 0.7% in 2025. As a result, mining operations will have to work harder to maintain production levels, which could push prices higher.

Supply and demand fundamentals also support this trend. Investment bank Goldman Sachs forecasts a global copper deficit of 180,000 tonnes in 2025—a figure that could worsen if the U.S. continues its protectionist policies. The International Copper Association (ICA) projects demand growth from 28.3 million tonnes in 2020 to 40.9 million tonnes by 2040, an average annual increase of 1.85%.

It’s worth noting that other industrial metals affected by U.S. tariffs show similar regional price anomalies, though less pronounced than copper. Aluminum and nickel markets, for instance, exhibit location premiums of 8 to 12%, compared to the current 20% price differential for copper between major trading hubs.





Israeli Investors Cash In on Conflict

The war against Iran has benefited Israeli investors. The TA-125, Israel's equivalent of the S&P 500, rose significantly each day during the conflict, reaching a record high of 2,940 points. The index is up 21% year-to-date, far outperforming the S&P 500, which gained 4%. One of the biggest winners is Elbit Systems, a military technology company whose shares soared 116%. According to Russ Mould, Investment Director at AJ Bell, investors have "bet on the imminent and lasting disappearance of the Iranian threat and the dawn of a new era of peace and prosperity for Israel."

Source: Business Insider

Link: [HERE](#)

AI-Generated Fake News Sites on the Rise

Their headlines are always shocking, such as claims that drivers must replace their car mirrors annually or keep a fire extinguisher in every vehicle. These dramatic titles often include words like "urgent," "official," and "shock." In reality, these are fake news websites fully generated by artificial intelligence (AI), designed solely to create false stories that irresistibly lure readers to click and learn more. According to journalist Jean-Marc Manach, there are now more than 4,000 such fake French sites, with around 150 of them regularly recommended by Google despite its misinformation filters. "This generates hundreds of thousands of page views daily, translating into tens of thousands of euros in advertising revenue obtained fraudulently," he explains.

Source : Capital

Link: [HERE](#)

” THE BEST
STRATEGY IS
TO HAVE ONE

