July 17, 2026
Commentary

Weekly Economic Perspectives

Contents

Contact

Simona Mocuta
Chief Economist
simona_mocuta@statestreet.com

Amy Le
Macro-Investment Strategist
amy_le@statestreet.com

Krishna Bhimavarapu
Economist
VenkataVamseaKrishna_Bhimavarapu@statestreet.com

Weekly Highlights

Inflation relief in the US is welcome, but risks remain prominent.

US: Headline CPI Inflation (Jun, y/y)

3.5%

Better than expected

US: Core CPI Inflation (Jun, y/y)

2.6%

Better than expected.

US: PPI Final Demand (Jun, y/y)

5.5%

Better than expected.

CA: Bank of Canada Rate Decision

2.25%

On hold.

UK: Industrial Production (May, m/m)

-0.5%

Weaker than expected.

UK: Manufacturing production (May, m/m)

0.1%

Modestly increased.

JP: Industrial Production (May, m/m)

0.1%

OK, not great.

JP: Core Machinery Orders (May, m/m)

-12.4%

Pullback after strong run

JP: Tertiary Industry Index (May, m/m)

1.1%

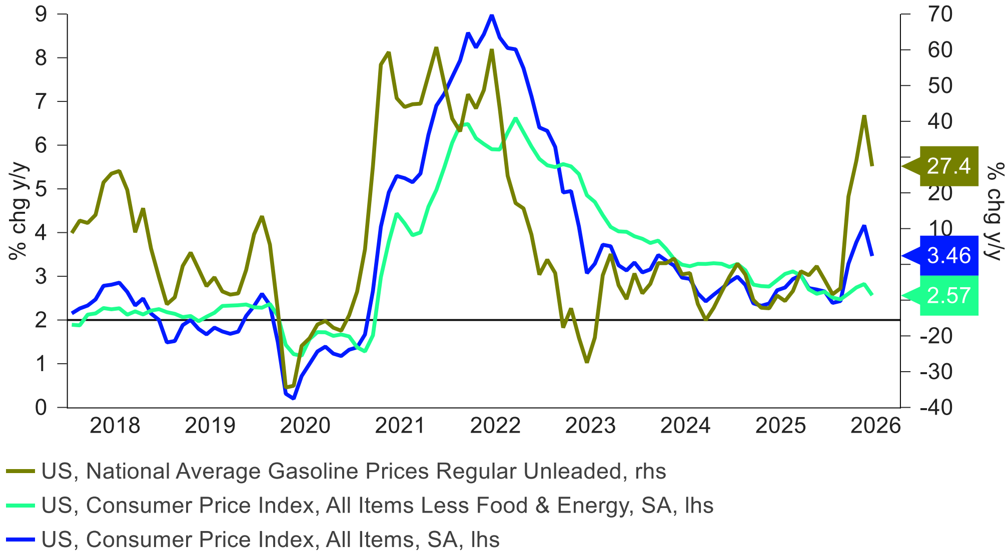
Up 1.5% y/y.

US: Tamer Inflation Buys Fed Some Time

The marquee inflation releases for June brought some much-needed relief. Overall consumer prices declined 0.4% m/m, allowing headline CPI inflation to decelerate from 4.2% y/y to 3.5% y/y. Core prices eased 0.1% /m/m and the core inflation rate retreated three tenths to 2.6% y/y. Lower energy prices helped tremendously as gasoline prices dropped 9.7% m/m, but the real news was that service prices were flat during the month and shelter costs rose just 0.1% m/m. This is especially encouraging as the anticipated improvement in this sector following a period of data distortions is now manifesting. Producer price inflation (final demand) also came in better than expected at 5.5% y/y following a downwardly revised 6.0 y/y May print. The combination points to a modest rise in the core PCE in June.

As Chair Warsh indicated in his testimony, this is far from “mission accomplished” on inflation. But it is an important respite, nonetheless, removing urgency for Fed rate hikes. By the end of the workweek, the probability of a July hike had fallen to about 10%, from a recent high of about 40%. News of renewed hostilities between US and Iran re-introduce energy price risks into the picture, but we still believe that hikes can be avoided this year.

Figure 1: US Inflation Retreats From Recent Highs



Source: Macrobond, State Street Investment Management, U.S. Bureau of Labor Statistics (BLS)

Canada: BoC on Hold

The BoC remains in wait-and-see mode, but the bank's growth tone was modestly more constructive than in June. The latest blockade has lifted oil prices, adding upside risk to the BoC's assumptions. Still, with the economy below capacity and core inflation near target, we expect the Bank to stay on hold through year-end.

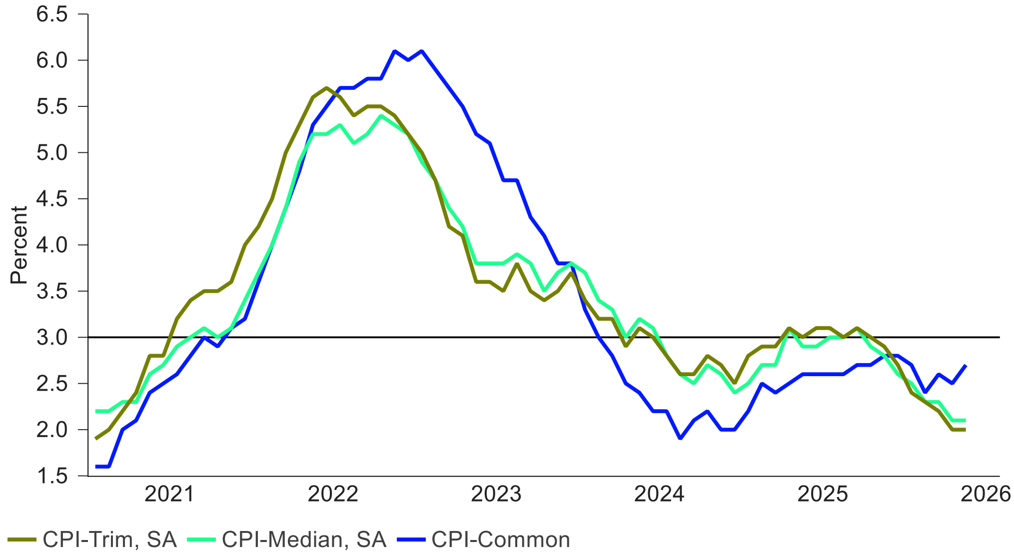
The BoC left its policy rate unchanged at 2.25% and pointed to a modest rebound after the soft start to the year. Although labor market slack remains, stronger exports, resilient consumption, and firmer business investment should support second-quarter GDP growth.

The updated Monetary Policy Report kept Canada's growth outlook "broadly unchanged". Near-term growth was revised lower after the weak first quarter, but activity is still expected to strengthen in the second half of 2026. Over time, excess capacity should be absorbed as exports, spending, and business investment recover, though uncertainty remains the key caveat.

Inflation tells a story of near-term pressure but limited persistence. CPI remains elevated, largely due to earlier energy price increases, and the Bank assumes some war-related cost pressures will pass through to consumers. Even so, it expects CPI to "ease gradually in the coming months, returning to around 2% in early 2027". Broader pass-through remains limited, core inflation is near target, and "longer-term inflation expectations remain well anchored".

Governing Council reiterated that policy can respond if the outlook shifts materially. US trade uncertainty remains a downside risk, but the Bank stands ready to "adjust monetary policy as needed".

Figure 2: BoC's Core Inflation Measures Remain Below 3%

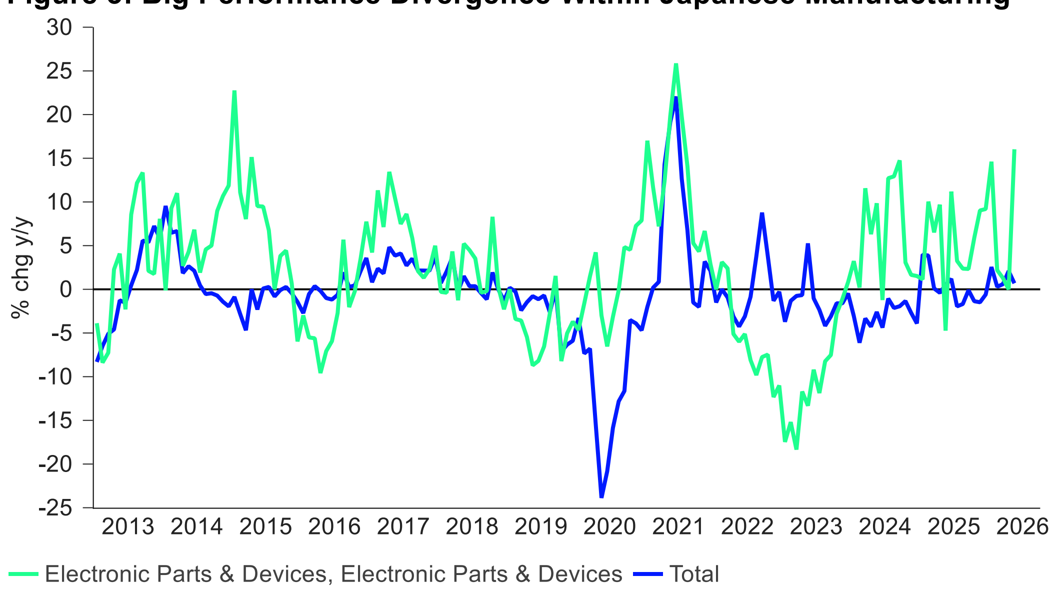


Source: Macrobond, State Street Investment Management, Statistics Canada

Japan: Some Loss of Industrial Sector Momentum

Total industrial production (mining and manufacturing) advanced 0.1% in May, leaving it 0.8% higher than a year earlier. Manufacturing production itself has also settled in a similar range, up 0.8% y/y, but with substantial performance differentiation within manufacturing (Figure 3).

Figure 3: Big Performance Divergence Within Japanese Manufacturing



Source: Macrobond, State Street Investment Management, Japanese Ministry of Economy, Trade & Industry

When combined with the sharp pullback in core machinery orders—down 12.4% in May—the signal appears to be one of a temporary loss of momentum in the manufacturing activity space. Part of this may simply reflect a normal pullback in orders following a really good run recently, so it is important to not make too much of these softer prints.

Week in Review

A summary of macro data releases from the past week.

Country	Release (Date, format)	Consensus	Actual	Last	Comments
Monday, Jul 13					
US	Federal Budget Balance (Jun, $ bn)	-129.0	-120.3	27.0	Oct-June deficit marginally worse than in 2025.
Tuesday, Jul 14					
US	CPI (Jun, y/y)	3.8%	3.5%	4.2%	Welcome news. Core inflation eased to 2.6%.
US	NFIB (Jun)	95.7	97.4	95.3	Pretty broad-based improvement.
JN	Industrial Production (May, m/m, final)	n/a	0.1%	0.5%	Lost some momentum.
AU	Westpac Consumer Conf (Jul, m/m sa)	n/a	4.1%	-2.9%	Still down materially from a year earlier.
Wednesday, Jul 15					
US	Empire Manufacturing (Jul)	9.2	15.6	5.7	Price metrics eased.
US	PPI Final Demand (Jun, y/y)	6.2%	5.5%	6.0% (↓)	Welcome news.
CA	Bank of Canada Rate Decision	2.25%	2.25%	2.25%	In line with expectations
JN	Core Machine Orders (May, m/m)	-4.2%	-12.4%	8.7%	Big pullback but likely temporary.
Thursday, Jul 16					
US	Retail Sales Advance (Jun, m/m)	0.2%	0.2%	1.0% (↑)	Decent.
US	Initial Jobless Claims (Jul 11, thous)	217	208	215	Low.
US	Continuing Claims (Jul 04, thous)	1,820	1,805	1,821	Low.
US	NAHB Index (Jul)	35	34	36 (↑)	Struggling amid high rates.
US	Philly Fed Index (Jul)	12.5	41.4	10.3	Strong details.
UK	Industrial Production (May, m/m)	-0.1%	-0.5%	0.2%	Weak.
Friday, Jul 17					
US	Import Price (Jun, y/y)	6.5%	7.1%	6.6%	Big surge in Chinese import prices.
US	Housing Starts (Jun, thous)	1,312	1,427	1,199 (↑)	Strong rebound from very weak level.
US	Industrial Production (Jun, m/m)	0.2%	0.1%	0.1%	Modest.
US	U. of Mich. Sentiment (Jul, prelim)	51.0	54.4	49.5	Inflation expectations improved.

Source: data, Bloomberg®; for commentary, SSGA Economics.

About State Street Investment Management

At State Street Investment Management, we have been helping create better outcomes for institutions, financial intermediaries, and investors for nearly half a century. Starting with our early innovations in indexing and ETFs, our rigorous approach continues to be driven by market-tested expertise and a relentless commitment to those we serve. With over $5 trillion in assets managed*, clients in 60 countries, and a global network of strategic partners, we use our scale to deliver a comprehensive and cost-effective suite of investment solutions that help investors get wherever they want to go.

* This figure is presented as of March 31, 2026 and includes ETF AUM of $1,940.32 billion USD of which approximately $184.18 billion USD in gold assets with respect to SPDR products for which State Street Global Advisors Funds Distributors, LLC (SSGA FD) acts solely as the marketing agent. SSGA FD and State Street Investment Management are affiliated. Please note all AUM is unaudited.

www.statestreet.com/im

Marketing Communication

Important Risk Discussion

Investing involves risk including the risk of loss of principal.

All information is from SSIM unless otherwise noted and has been obtained from sources believed to be reliable, but its accuracy is not guaranteed. There is no representation or warranty as to the current accuracy, reliability, or completeness of, nor liability for, decisions based on such information, and it should not be relied on as such.

The information provided does not constitute investment advice and it should not be relied on as such. It should not be considered a solicitation to buy or an offer to sell a security. It does not take into account any investor's particular investment objectives, strategies, tax status or investment horizon. You should consult your tax and financial advisor.

The trademarks and service marks referenced herein are the property of their respective owners. Third party data providers make no warranties or representations of any kind relating to the accuracy, completeness or timeliness of the data and have no liability for damages of any kind relating to the use of such data.

The whole or any part of this work may not be reproduced, copied, or transmitted or any of its contents disclosed to third parties without SSIM's express written consent.

The views expressed in this material are the views of SSIM Economics Team through the period ended July 17, 2026, and are subject to change based on market and other conditions. This document may contain certain statements deemed to be forward-looking statements. All statements, other than historical facts, contained within this document that address activities, events or developments that SSIM expects, believes or anticipates will or may occur in the future are forward-looking statements. These statements are based on certain assumptions and analyses made by SSIM in light of its experience and perception of historical trends, current conditions, expected future developments and other factors it believes are appropriate in the circumstances, many of which are detailed herein. Such statements are subject to a number of assumptions, risks, uncertainties, many of which are beyond SSIM's control. Please note that any such statements are not guarantees of any future performance and that actual results or developments may differ materially from those projected in the forward-looking statements.

The information contained in this communication is not a research recommendation or 'investment research' and is classified as a 'Marketing Communication' in accordance with the Markets in Financial Instruments Directive (2014/65/EU) or applicable Swiss regulation. This means that this marketing communication (a) has not been prepared in accordance with legal requirements designed to promote the independence of investment research (b) is not subject to any prohibition on dealing ahead of the dissemination of investment research.

Intellectual Property Information

BLOOMBERG®, a trademark and service mark of Bloomberg Finance L.P. Standard & Poor's S&P 500 Index® is a registered trademark of Standard & Poor's Financial Services LLC. FTSE 100® is a trademark jointly owned by the London Stock Exchange Plc and The Financial Times Limited, and is used by FTSE International Limited under license. "All-World", "All-Share" and "All-Small" are trademarks of FTSE International Limited.

Australia: State Street Global Advisors, Australia, Limited (ABN 42 003 914 225) is the holder of an Australian Financial Services License (AFSL Number 238276). Registered office: Level 14, 420 George Street, Sydney, NSW 2000, Australia. T: +612 9240-7600. F: +612 9240-7611.

Belgium: State Street Global Advisors Belgium, Chaussée de La Hulpe 185, 1170 Brussels, Belgium. T: +32 2 663 2036. State Street Global Advisors Belgium is a branch office of State Street Global Advisors Europe Limited, registered in Ireland with company number 49934, authorised and regulated by the Central Bank of Ireland, and whose registered office is at 78 Sir John Rogerson's Quay, Dublin 2

Canada: State Street Global Advisors, Ltd., 1981 McGill College Avenue, Suite 500, Montreal, Qc, H3A 3A8, T: +514 282 2400 and 30 Adelaide Street East Suite 1100, Toronto, Ontario M5C 3G6. T: +647 775 5900.

Dubai: State Street Global Advisors Limited, DIFC branch is regulated by the Dubai Financial Services Authority (DFSA) as a category 4 regulated firm and is only active in arranging deals in investments and advising on financial products. This document is intended for Professional Clients or Market Counterparties only as defined by the DFSA and no other person should act upon it.

State Street Global Advisors Limited, DIFC Branch, OT 01-39, 1st Floor, Central Park Towers, DIFC, P.O Box 507448, Dubai, United Arab Emirates. Regulated by the DFSA under reference number: F009297. Telephone: +971 4 871 9100

France: State Street Global Advisors Europe Limited, France Branch ("State Street Global Advisors France") is a branch of State Street Global Advisors Europe Limited, registered in Ireland with company number 49934, authorised and regulated by the Central Bank of Ireland, and whose registered office is at 78 Sir John Rogerson's Quay, Dublin 2. State Street Global Advisors France is registered in France with company number RCS Nanterre 899 183 289, and its office is located at Coeur Défense — Tour A — La Défense 4, 33e étage, 100, Esplanade du Général de Gaulle, 92 931 Paris La Défense Cedex, France. T: +33 1 44 45 40 00. F: +33 1 44 45 41 92.

Germany: State Street Global Advisors Europe Limited, Branch in Germany, Brienner Strasse 59, D-80333 Hansastrasse 29a, D-81373 Munich, Germany with a representation office at Brüsseler Strasse 1-3, D-60327 Frankfurt am Main Germany ("State Street Global Advisors Germany"). Munich T +49 (0)89 55878 400. Frankfurt T +49 (0)69 667745 000. State Street Global Advisors Germany is a branch of State Street Global Advisors Europe Limited, registered in Ireland with company number 49934, authorised and regulated by the Central Bank of Ireland, and whose registered office is at 78 Sir John Rogerson's Quay, Dublin 2.

Hong Kong: State Street Global Advisors Asia Limited, 68/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong. T: +852 2103-0288. F: +852 2103-0200.

Ireland: State Street Global Advisors Europe Limited ("SSGAEL"), regulated by the Central Bank of Ireland. Registered office address 78 Sir John Rogerson's Quay, Dublin 2. Registered number 49934. T: +353 (0)1 776 3000. Fax: +353 (0)1 776 3300. Web: www.ssga.com.

Italy: State Street Global Advisors Europe Limited, Italy Branch ("State Street Global Advisors Italy") is a branch of State Street Global Advisors Europe Limited, registered in Ireland with company number 49934, authorised and regulated by the Central Bank of Ireland, and whose registered office is at 78 Sir John Rogerson's Quay, Dublin 2. State Street Global Advisors Italy is registered in Italy with company number 11871450968 — REA: 2628603 and VAT number 11871450968, and its office is located at Via Ferrante Aporti, 10 - 20125 Milan, Italy. T: +39 02 32066 100. F: +39 02 32066 155.

Japan: State Street Global Advisors (Japan) Co., Ltd., Toranomon Hills Mori Tower 25F 1-23-1 Toranomon, Minato-ku, Tokyo 105-6325 Japan. T: +81-3-4530-7380. Financial Instruments Business Operator, Kanto Local Financial Bureau (Kinsho #345), Membership: Japan Investment Advisers Association, The Investment Trust Association, Japan, Japan Securities Dealers' Association.

Netherlands: State Street Global Advisors Netherlands, B Vital, De Entree 201, 1101 HG Amsterdam, Netherlands. T: +31 20 7181701. State Street Global Advisors Netherlands is a branch office of State Street Global Advisors Europe Limited, registered in Ireland with company number 49934, authorised and regulated by the Central Bank of Ireland, and whose registered office is at 78 Sir John Rogerson's Quay, Dublin 2.

Singapore: State Street Global Advisors Singapore Limited, 168, Robinson Road, #33-01 Capital Tower, Singapore 068912 (Company Reg. No: 200002719D, regulated by the Monetary Authority of Singapore). T: +65 6826-7555. F: +65 6826-7501.

Spain: State Street Global Advisors Europe Limited, Spanish Representative Office ("State Street Global Advisors Europe Limited, Oficina de Representación en España") Calle Velázquez, 34, 28001 Madrid, Spain. State Street Global Advisors Europe Limited, Spanish Representative Office is the representative office of State Street Global Advisors Europe Limited in Spain. State Street Global Advisors Europe Limited is registered in Ireland with company number 49934, authorised and regulated by the Central Bank of Ireland, and whose registered office is at 78 Sir John Rogerson's Quay, Dublin 2.

South Africa: State Street Global Advisors Limited is regulated by the Financial Sector Conduct Authority in South Africa under license number 42670.

Switzerland: State Street Global Advisors AG, Beethovenstr. 19, CH-8027 Zurich. Registered with the Register of Commerce Zurich CHE-105.078.458. T: +41 (0)44 245 70 00. F: +41 (0)44 245 70 16.

United Kingdom: State Street Global Advisors Limited ("SSGAL"). Authorized and regulated by the Financial Conduct Authority, Registered No.2509928. VAT No. 5776591 81. Registered office: 20 Churchill Place, Canary Wharf, London, E14 5HJ. Telephone: 020 3395 6000. Facsimile: 020 3395 6350

United States: State Street Investment Management, One Congress Street, Boston, MA 02114.

2537623.342.1.GBL.RTL