
July 10, 2026

Commentary

Weekly Economic Perspectives

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Weekly Highlights

Quiet data week dominated by Iran-war re-escalation fears.

US: ISM Services Index
(Jun)

54.0

Employment rose!

US: Existing Home
Sales (Jun, m/m)

-2.4%

Tepid market.

GE: Industrial
Production (May, m/m)

0.9%

Essentially flat year on year.

CA: Unemployment
Rate (Jun)

6.5%

In line with our expectations.

CA: Employment
Change (Jun)

18K

Lower than expectations.

CA: Average hourly
wages (June, y/y)

3.3%

Increased from 3.0% in May.

JP: Goods PPI (Jun,
y/y)

7.1%

Slowing down month to month.

JP: Household
Spending (May, m/m)

3.7%

Pleasant surprise.

JP: Overall Cash
Earnings (May, y/y)

3.2%

Consumption is the key driver.

US: Housing Pain

During his first press conference as Fed Chair, Kevin Warsh was asked about the stance of monetary policy: is the Fed restrictive or not? He wisely answered that the answer to that question is “nuanced” and pointed to housing as a sector where current interest rates are clearly restrictive. Data evidence supporting that assessment is overwhelming; housing is struggling, both on the demand and the supply side. And so, despite a persistent, structural housing shortage, supply isn’t growing, sales activity is weak, and prices are soft.

Case in point, existing home sales dropped 2.4% m/m in June. They were up just 2.8% y/y, having hovered in a narrow range close to historical lows for the last several years. Following the initial post-Covid surge, price appreciation has been modest of late. During the first half of 2026, the median sales price of an existing family home only rose 0.8% y/y; there has been a modest but visible uptick in May-June, but this remains a market under considerable pressure from affordability constraints.

Housing is not the whole economy, but it does matter more than its direct investment share might suggest. As the Fed ponders its next move, this is a sector reminding policymakers of that golden rule: “first, do no harm”...

Figure 1: Dismal US Home Sales Activity Across Segments



Sources: Macrobond, SSGA Economics, NAR, USCB
Updated as of 7/10/2026

Canada: Labor Market Stabilized In June

The recent stabilization in Canada's labor market is unlikely to alter the BoC's view that excess slack still exists across both the economy and the labor market. That slack should help contain upside inflation risks and lessen the case for near-term rate hikes. On this basis, we expect the BoC to remain on hold until mid-next year.

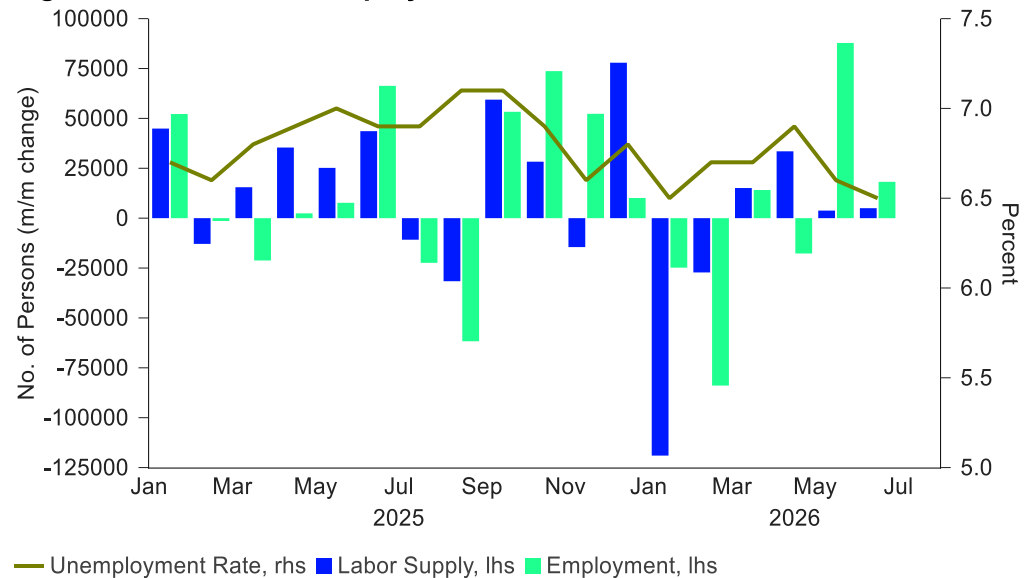
Canada's labor market found firmer footing in June, with employment rising by 18.2k. While the gain fell short of consensus expectations and was much softer than May's 88k increase, the unemployment rate eased to 6.5%, bringing it back to its January level. Encouragingly, job creation was driven by the private sector (+31.6k) and self-employment (+17.0k), offset by a decline in public-sector roles (-30.5k).

Still, the improvement should not be overstated. The past two months of job gains have only partly reversed earlier losses, and employment in June remained below its end-of-2025 level.

Looking ahead, the backdrop remains difficult. Population decline, ongoing US tariffs, [uncertainty around USMCA](#), and rising geopolitical risks all point to a more challenging labor market environment. Against this backdrop, we expect the unemployment rate to edge higher in the second half of the year.

Overall, June's data offer a more reassuring signal, but not yet a decisive turning point. Canada's labor market appears to be stabilizing rather than accelerating, with slack still evident and external risks continuing to cloud the outlook. For the BoC, that argues for patience: keeping policy steady until the recovery shows clearer and more sustained momentum.

Figure 2: Canadian Unemployment Rate Inched Down



Source: Macrobond, State Street Investment Management, Statistics Canada

Japan: Making Sense of Two Market Contradictions

It has been a quiet week for APAC data, but Japan has continued to dominate the news flow. Markets are currently pricing two seemingly contradictory narratives.

On one hand, rates markets continue to price a steady normalization path from the Bank of Japan (BoJ), with roughly one rate hike every six months taking the terminal policy rate toward 2.8% by 2031. Such a trajectory would steadily narrow US-Japan rate differentials and, all else equal, should support the yen (See p9. Japan section in [our recent outlook](#)).

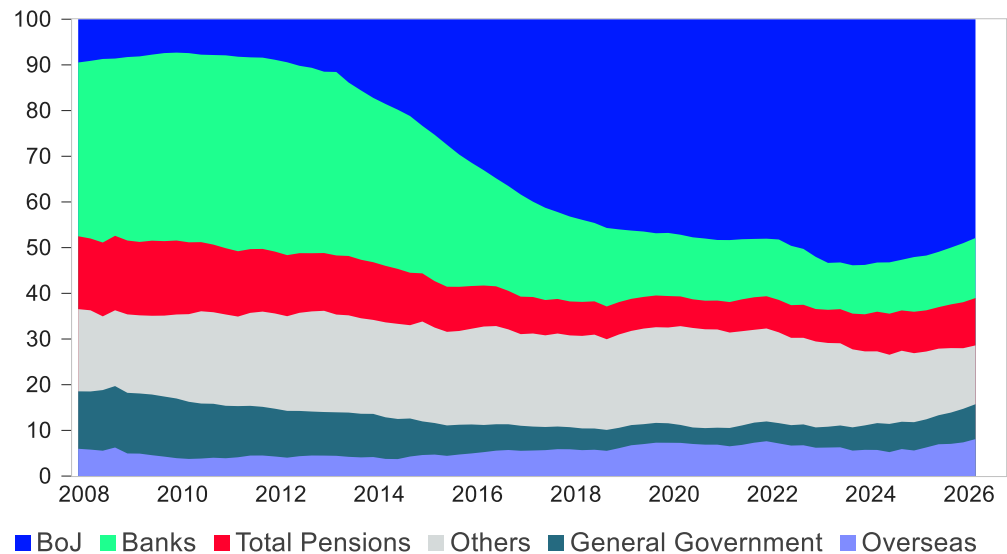
On the other hand, the currency market is telling a different story. USDJPY recently breached 162, with the yen weakening to levels not seen since the late 1980s. The persistent weakness suggests investors remain skeptical that the BoJ will ultimately be able to deliver the degree of tightening currently priced into rates markets, particularly as the government pursues an ambitious growth agenda while navigating fiscal constraints.

Recent policy developments have brought this tension into sharper focus. Initial market concerns were triggered by language in the government's economic blueprint that appeared to encourage closer coordination between fiscal and monetary policy. Those concerns eased after the administration amended the wording, stating that monetary policy should be "guided appropriately to achieve a stronger economy" while maintaining price stability.

More recently, reports that the Takaichi administration may encourage the Government Pension Investment Fund (GPIF) to increase domestic allocations sparked a rally in both the yen and JGBs. While public pensions are not the dominant holders of JGBs, GPIF rebalancing can still be meaningful at the margin. The larger structural question remains who absorbs JGB supply as the BoJ gradually reduces its footprint in the market. In our view, banks could play an

important part. As yields become more attractive, particularly in the belly of the curve, banks are naturally incentivized to redeploy excess liquidity into JGBs.

Figure 3: Who Holds JGBs?



Source: Macrobond, State Street Investment Management, Bank of Japan (BOJ)

This distinction helps explain the apparent contradiction between a weaker yen and rising demand for JGBs. Bank purchases of JGBs are fundamentally yen-to-yen transactions, supporting the bond market but generating little direct demand for the currency. At the same time, the economics of the carry trade remain broadly intact, with overseas yields still comfortably exceeding those available in Japan. As a result, domestic investors can increase JGB holdings while international capital continues to seek higher returns abroad, keeping downward pressure on the yen.

Against this backdrop, the government's latest blueprint is undeniably ambitious. The administration aims to mobilize JPY370 trillion of public and private investment over the next 14 years while targeting real GDP growth above 1% and nominal growth above 3%. Markets have responded by demanding a higher term premium, contributing to upward pressure on JGB yields. The key question is whether rates markets or FX markets are telling the more accurate story. Rates investors are pricing a credible normalization cycle and stronger domestic demand for JGBs. Currency investors remain less convinced, questioning whether Japan can simultaneously deliver stronger growth, maintain fiscal discipline, and narrow rate differentials sufficiently to unwind global carry trades.

While the policy environment remains fluid, we view the government's growth ambitions positively and believe there is a credible path toward achieving them over the medium term.

Week in Review

A summary of macro data releases from the past week.

Country	Release (Date, format)	Consensus	Actual	Last	Comments
Monday, Jul 6					
US	ISM Services Index (Jun)	54.0	54.0	54.5	Employment rose!
GE	Factory Orders (May, m/m)	1.1%	1.9%	-3.2% (↑)	Up 6.3% y/y.
Tuesday, Jul 7					
US	Trade Balance (May, US\$ bn)	-78.5	-77.6	--54.6 (↑)	Double hit of lower exports, higher imports.
GE	Industrial Production (May, m/m sa)	0.1%	0.9%	0.2%(↓)	But essentially flat y/y.
JN	Labor Cash Earnings (May, y/y)	3.4%	3.5%	3.6% (↑)	Strong and positive surprise.
Wednesday, Jul 8					
No Major data realease.					
Thursday, Jul 9					
US	Initial Jobless Claims (Jul 4, thous)	218	215	217 (↑)	Low and contained.
US	Continuing Claims (Jun 27, thous)	1,815	1,814	1,806 (↓)	Low and contained.
US	Existing Home Sales (Jun, m/m)	1.0%	-2.4%	3.7% (↑)	Tepid market; up 2.8% y/y.
JN	Machine Tool Orders (Jun, y/y, prelim)	37.4%	52.8%	45.1%	Fantastic data, in line with our AI expectations.
Friday, Jul 10					
CA	Unemployment Rate	6.6%	6.5%	6.6%	Job market steadies.
GE	CPI (Jun, y/y, final)	2.3%	2.3%	2.6%	As previously reported.
FR	CPI (Jun, y/y, final)	1.8%	1.8%	2.4%	As previously reported.
IT	Industrial Production (may, m/m)	-0.2%	-0.3%	0.4%(↓)	Up 1.1% y/y.
JN	PPI (Jun, y/y)	6.8%	7.1%	6.3%	Price pressures in the pipeline are strong.

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

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