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MARKET UPDATE

July 2025

IN UNDER 5 MINUTES

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TOPIC OF THE MONTH

Trade Deals and Tariffs: Navigating New Agreements and Their Market Impact

In July 2025, global trade developments strongly influenced financial markets. The US and EU finalized a deal where the EU will purchase $750 billion in U.S. energy through 2028 and invest $600 billion in the U.S. economy. In return, the U.S. imposed a 15% tariff on most EU exports, up from 4.8% but below the feared 30%. The U.S. and Japan also reached a strategic trade deal, setting a 15% tariff on Japanese goods. These agreements, though complex due to EU constituencies and past rhetoric, are seen as steps toward stabilizing trade, but markets may have priced in much of the optimism, leaving room for volatility as impacts emerge. A tentative truce with China also appears more likely. The Federal Reserve kept its funds rate unchanged, reflecting caution amid trade uncertainty and inflation. Markets expect a 25bps rate cut in September, which could boost fixed income appeal as yields adjust. Second-quarter earnings reports in the U.S. and Europe have been mixed; many companies managed to beat expectations, but manufacturers and retailers are already hinting that tariffs are squeezing input costs and profit margins. Finally, high U.S. rates make dollar hedging costly, we advise investors to review currency allocations to match liabilities and spending plans.

IN SHORT - MARKET TWEETS

Bonds

Treasury yields higher, time to lock in

- U.S. Treasury Yields
  - 2Y: 3.94% (MoM +5.21%)
  - 10Y: 4.36% (MoM +1.77%)
  - 30Y: 4.88% (MoM +0.74%)
- Bloomberg Global Aggregate Bond Index
  - 490.47 (MoM -1.08% / YTD +5.83%)

Equities

Global equities continue to rise, Industrials outperform

- Major Indices
  - S&P 500: 6,362 (MoM +2.50% / YTD +8.10%)
  - Nasdaq100: 23,344 (MoM +3.80% / YTD +11.10%)
  - FTSE: 9,136 (MoM +4.20% / YTD +11.70%)
  - EuroStoxx50: 5,393 (MoM +1.70% / YTD +9.60%)
  - HangSeng: 24,801 (MoM +3% / YTD +23.60%)
- Top 3 Sectors YTD:
  - Industrials (+16.88%), Communication Services (+12.15%), Materials (+12%)
- Bottom 3 Sectors YTD:
  - HealthCare (-2.59%), Consumer Discret. (+0.69%), Real Estate (+2.38%)

Commodities

Gold steady while crude Oil recovers

- Gold: 3,296 (MoM +0.51% / YTD +25.61%)
- Copper: 4.98 (MoM -2.73% / YTD +24.19%)
- Brent: 68.95 (MoM +3.82% / YTD -11.42%)

FX & Digital Assets

USD recovers slightly, BTC at all time high

- DXY: 99.77 (MoM +2.12% / YTD -8.05%)
  - EURUSD 1.14 (MoM -2.41%)
  - GBPUSD 1.35 (MoM -0.28%)
  - USDCHF 0.81 (MoM +1.25%)
  - USDJPY 148.12 (MoM +2.15%)
- BTC: 117k (MoM +9.08% / YTD +26.66%)

Global Macro / Geopolitics

Eurozone growth beats expectations while US economy cooled markedly in the first half of 2025 and shows signals a cooling labor market

- US Inflation: 2.7% (MoM +0.3%)
- FED Fund Rate: 4.25-4.5% (-)
- Unemployment Rate: 4.1% (-0.1%)
- Non-farm payroll: 147k (MoM +2.04%)

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Middle East in Focus

- Saudi Aramco is looking to raise funds by selling off non-core assets like power plants, a move that could fetch ~$4 bn. The Saudi government is pressing Aramco to boost profits amid lower oil prices – a reminder that even the world's largest oil company is adapting in a volatile market.
- Gulf shares have broadly extended gains. Qatar's stock index and Egypt's EGX30 reached a record peak, reflecting renewed investor confidence in the region.
- The Israel–Iran ceasefire has held throughout July, keeping the Strait of Hormuz open. Energy markets remain calm for now, though any flare-up could still jolt prices overnight.

WHAT'S COMING NEXT?

In August 2025, several economic indicators and events will shape market expectations. The U.S. Non-Farm Payrolls report for July will offer insights into labor market strength, a key driver of economic growth. A robust report could reinforce confidence in consumer-driven sectors, while a weaker outcome might heighten expectations for monetary easing. The July CPI, due mid-month, will be closely watched as a gauge of inflation trends, particularly given tariff-related price pressures. U.S. Retail Sales for July, also released mid-month, will reflect consumer spending health, critical as consumer resilience has underpinned economic stability. The ISM Manufacturing and Services PMI reports, expected early August, will indicate the performance of these sectors, with manufacturing particularly sensitive to trade policies. Additionally, the August 12 deadline for U.S.-China trade negotiations is pivotal. Failure to extend the tariff truce could lead to new tariffs, potentially disrupting global supply chains and markets. Finally, toward late August, global central bankers gather at Jackson Hole (Aug 21–23). Investors should monitor these developments for their impact on market sentiment and volatility.

INVESTMENTS IN FOCUS

The impact of tariffs cannot be overlooked, even though recent deals appear better than feared. The 15% tariff rate on EU and Japanese goods is still significantly higher than pre-2025 levels, creating headwinds for global economic growth. This is a uncertainty, particularly for sectors reliant on international trade, such as automotive and technology. While our base case assumes the resilience of the U.S. consumer will help the economy avoid a recession, a larger-than-expected impact on inflation or corporate margins could swiftly alter the current optimistic market narrative. For instance, companies like Stellantis and Hyundai have already reported significant tariff-related earnings impacts. Additionally, equity strategies that provide income or downside buffers are attractive now: for example, structures that yield regular coupons or high-dividend stocks can offer returns even if price appreciation stalls. Given the late-cycle feel of current markets, it's wise to ensure one's portfolio can ride out bumps. That means keeping some dry powder (cash or liquid reserves to seize opportunities) and not reaching too far for risk. Overall, staying vigilant and nimble is key – the tariff truce has reduced one source of uncertainty, but it's by no means the all-clear signal for volatility. In this climate, a primary goal is to protect capital and avoid unforced errors, while still positioning to participate in upside opportunities.

DON'T LEAVE BEFORE YOU READ THIS!

Did you know?

The word "tariff" has its roots in Arabic. It derives from ta'rīf (Arabic: تعريف, meaning notification or definition), which in centuries past referred to a list of fees or prices. Through Mediterranean trade, this term passed into European languages. It's ironic that a concept now linked to economic protectionism actually entered English via a cross-cultural mélange – a reminder that global trade has always shaped language and history.