



OIL PRICE SPIKES AFTER ISRAEL ATTACKS IRANIAN MILITARY AND NUCLEAR TARGETS

This week's relatively calm progress for markets was shaken by an Israeli attack on dozens of Iranian military and nuclear infrastructure targets. The overnight attacks have sharply escalated tension in the Middle East with the Iranian government promising that the attacks won't go unpunished, while Israel has indicated that further strikes on Iran are likely.

The attacks were condemned by allied countries on both sides, but the uncertainty has been felt in markets. Equity markets were down on Friday morning and the dollar strengthened a little after recent weakness. Oil prices were impacted the most as Brent Crude jumped from around \$69 a barrel on Thursday to \$78 before falling back slightly. This adds to gains from earlier this week and Brent is around 14% higher for the week. It is too early to say with any confidence where this conflict goes next, but we have taken action to make our portfolios more defensive this year due to concerns about slowing global growth and this will likely help dampen some short-term volatility as we continue to monitor the situation.

THE MARKETS THIS WEEK

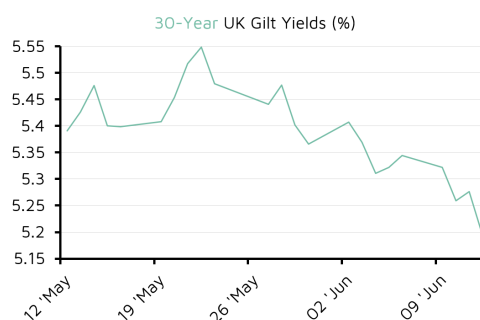
FTSE 100	S&P 500	Nikkei 225	STOXX 600	Hang Seng	US 10 Yr	UK 10 Yr	Brent Crude	Gold	Copper	GBP USD
+0.33	+0.21%	+0.43%	-1.28%	+0.42%	-0.04%	-0.09%	+14.09	+1.58	-2.25%	+0.14%



UK: MARKETS MUTED AS REEVES RAISES DEFENCE AND HEALTH SPENDING

Disappointing GDP growth in April illustrated the tough financial conditions that Chancellor Rachel Reeves is currently operating in. UK GDP contracted by 0.3% in April, reversing March's better than expected growth. The decline was caused by a drop in exports and weaker services activity due to a drop in house sales as buyers rushed to beat the stamp duty increase on 1 April. Other data this week showed a cooling of the UK employment market as unemployment rose and wage growth slowed slightly.

The Chancellor used this week's spending review to confirm more money for defence and nuclear power as well as more measures to boost new home building. However, the announcement of new capital spending on defence and infrastructure did not disguise real-terms cuts in spending from most government departments. A lot of the additional spending was announced in advance and so the market reaction to the review was muted. Gilt yields fell slightly as gilts increased in value and April's GDP figures helped the move.

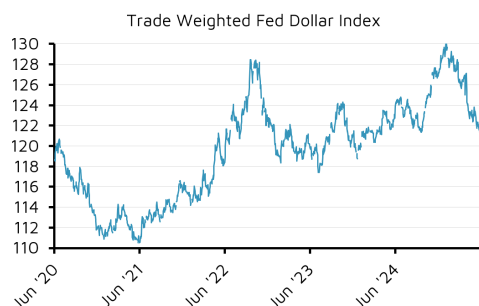


US: DOLLAR WEAKENS AS TRUMP THREATENS TO IMPOSE TARIFFS EARLY

US president Donald Trump said he will unilaterally impose higher tariffs on many countries in advance of the 90-day period he previously allowed for negotiations.

The president had granted countries until early July to negotiate lower tariffs than those announced as part of his "liberation day" tariffs on 2 April. However, he says the US will be sending letters setting out the level of US tariffs in the next two weeks to foreign governments. This undid some of the positive sentiment generated by news that trade talks between the US and China appear to be making some progress.

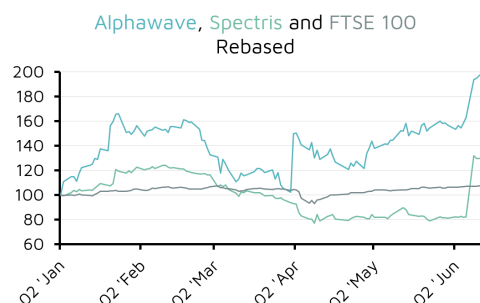
The more aggressive stance of tariffs caused the US dollar to resume its decline as the US dollar index (a measure of the exchange rate between the dollar and a basket of leading currencies) hit its lowest level since February 2022. US inflation increased this week to 2.4%, but this was lower than expected and fuelled speculation about more aggressive rate cuts from the Federal Reserve and this added downwards pressure to the dollar.



UK: LONDON LISTED FRIMS ARE SNATCHED BY US COMPANIES

London listed companies are being snatched up by private equity firms and bigger rivals from the US, due to their attractive IP and valuations. Three tech firms are being acquired this week. Chipmaker Qualcomm is buying chip designer Alphawave for \$2.4bn, almost double its share price before talks began in March. Buyout firm Advent is gunning to take high-tech instrument maker Spectris private for \$4.4bn. Spectris's shares jumped 70% at the news. IonQ whose shares have quadrupled in a year, is spending \$1.1bn on start-up Oxford Ionics, a leader in developing accurate quantum computers, on its way to become "the Nvidia of quantum". Elsewhere, PE firms KKR and Stonepeak are taking NHS landlord Assura private for £1.7bn. That's \$10.3bn in a week.

The deals highlight two ongoing trends; UK firms going American on their quest for scale, and an exodus from the LSE in hopes of better valuations elsewhere. Last week, £11bn fintech firm Wise left the City for Wall Street for the latter reason, joining the 88 last year.



Data sourced from Investing.com and Federal Reserve Bank of St. Louis

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