



### CEASEFIRE IN THE MIDDLE EAST COOLS OIL PRICES AS DOLLAR WEAKENS

This week markets news has been all about the US. America dramatically intervened in the Israel-Iran war by bombing Iran's nuclear infrastructure and then forced the two sides to agree a ceasefire. This calmed fears of disruption to the supply of crude oil and investors' attention turned elsewhere. Donald Trump was also setting the tone of this week's Nato leaders' summit as efforts to pacify the US president saw an almost unanimous commitment by the 32 members to meet the 2% of GDP target for defence spending with many bumping it to the 5% demanded by Trump.

In domestic policy, Trump's efforts to undermine the authority of Federal Reserve chair Jerome Powell stepped up with the suggestion that Trump will name Powell's successor as early as September (almost nine months before Powell's term ends) as he pushes for aggressive US interest rate cuts. Despite Powell's warning that the central bank needs to proceed with caution, markets are already responding to the attacks on his credibility as the potential for earlier rate cuts caused the dollar to fall further and helped the recent rally in US growth stocks.

#### THE MARKETS THIS WEEK

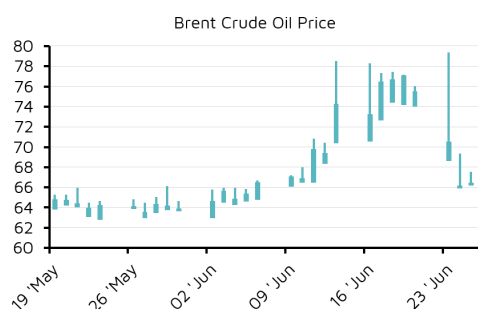
| FTSE 100 | S&P 500 | Nikkei 225 | STOXX 600 | Hang Seng | US 10 Yr | UK 10 Yr | Brent Crude | Gold   | Copper | GBP USD |
|----------|---------|------------|-----------|-----------|----------|----------|-------------|--------|--------|---------|
| -0.68%   | +2.34%  | +4.47%     | +0.65%    | +3.29%    | -0.13%   | -0.05%   | -11.71%     | -4.01% | +4.70% | +1.88%  |

#### ENERGY: OIL PLUMMETS AS ISRAEL-IRAN WAR ENDS



Crude oil prices plummeted after the US brokered a ceasefire between Israel and Iran. Brent is back to \$67 per barrel, where it was a couple of days before the war broke out. Fears that Iran would close the Strait of Hormuz, through which a quarter of the world's oil flows, spiked when the US carried out a long-range bombing of Iran's fortified nuclear infrastructure over the weekend, with Brent climbing as high as \$79 in overnight trading. But the conflict ended abruptly in the next 24 hours, as Iran, warning in advance, carried out a token strike on a US base in Qatar. Following the attack oil dropped sharply, as markets deemed the closure of the Strait unlikely. President Trump immediately ruled out retaliation and followed up with news of the ceasefire, hastening crude's fall.

Meanwhile, gold also lost some lustre and the haven metal which had spiked to £2,540 an ounce dropped to £2,390. Global equities were shaky during the war, especially in Europe and Asia, but have recovered as the ceasefire has taken hold.



#### DOLLAR: TRUMP'S CALL FOR RATE CUTS ADD TO DOLLAR WEAKNESS



The US dollar fell to a three year low as markets raised their expectation for interest rate cuts by the Federal Reserve. A more positive outlook for Europe helped the euro rise, but the dollar fell against most major currencies despite little new economic data. Instead, the ceasefire between Israel and Iran curbed demand for haven assets and increased the chances for earlier-than-expected rate cuts by the Fed.

Trump has become more vocal in his criticism of Fed chair Jerome Powell as he pushes for aggressive interest rate cuts. Powell appeared before Congress this week and reaffirmed his view that US rates should remain elevated until the impact of Trump's trade policies is understood. However, there is speculation that Trump may move to appoint the next chair of the Fed as soon as September, therefore undermining Powell's authority for his remaining time in office. At the start of 2025 the pound was worth \$1.24 and the dollar has weakened to \$1.37. The euro has gone from \$1.02 to \$1.17 over the same period.

Euro, Pound against the Dollar



#### TECH: MARKETS RISE AS NVIDIA OUTLINES BRIGHT OUTLOOK

Nvidia shares have soared to a \$3.77tn market capitalisation, retaking its crown as the world's most valuable company, thanks to renewed AI optimism and rocketing earnings. CEO Jensen Huang emphasised the "multitrillion-dollar opportunity" in AI infrastructure and robotics, with tech giants like Amazon and Microsoft committing to huge investments and countries building out infrastructure over the next decade. Investors are regaining confidence that Nvidia will be able to maintain its sprint pace into a marathon. Chipmaker Micron reported \$9.3bn revenue for its second fiscal quarter, surpassing Wall Street estimates by \$400m and forecast strong demand. Its shares jumped 12%.

On a less positive note, Tesla's European sales fell 28% in May year-on-year. This is the fifth monthly decline. The drop is due to backlash over CEO Elon Musk's political activism and an ageing product portfolio. Meanwhile, overall EV sales in Europe rose 27%, with European and Chinese carmakers fiercely competing for market share, with new offerings.

Nvidia, Micron and Tesla Rebased



Data sourced from Investing.com

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