

**THE RETURN OF US RECIPROCAL TARIFFS SAP ENTHUSIASM IN GLOBAL EQUITY MARKETS**

This week brought a rush to secure trade deals with the US before Donald Trump's 1 August deadline for the imposition of US reciprocal tariffs. South Korea and the EU have joined the UK in concluding trade agreements to secure lower headline rates. However, many other countries including Canada, Switzerland and South Africa are now facing considerably higher tariffs on their exports to the US.

Markets initially welcomed the EU/US deal but enthusiasm was short-lived as the latest agreements – like the other deals already signed – lack substance and leave a considerable amount of detail to be agreed. Meanwhile, companies including Games Warehouse in the UK, Ford in the US and Adidas in Germany have added to warnings about the financial cost of high US tariffs. Despite updates from Apple and Amazon adding to the positive updates from US tech stocks, the willingness of the Trump administration to impose punishing tariffs on some of its biggest trading partners meant the week ended with a generally gloomy sentiment in equity markets.

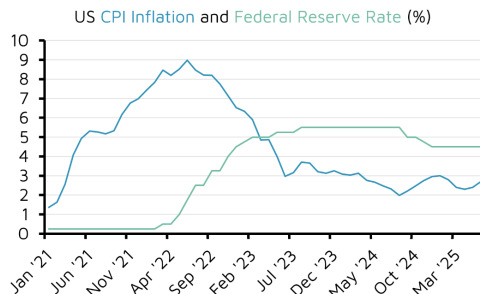
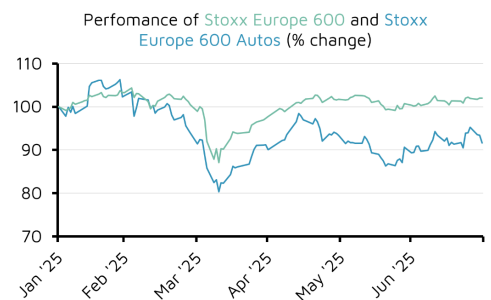
THE MARKETS THIS WEEK

FTSE 100	S&P 500	Nikkei 225	STOXX 600	Hang Seng	US 10 Yr	UK 10 Yr	Brent Crude	Gold	Copper	GBP USD
-0.43%	-1.48%	-1.45%	-1.92%	-3.83%	-0.03%	-0.01%	+2.72%	+0.34%	-25.25%	-2.26%

**TRADE: EU AND SOUTH KOREA BEAT US DEADLINE FOR TARIFF DEALS**

The EU concluded a trade agreement with the US in advance of Donald Trump's deadline of 1 August. Under the deal, the US will levy a 15% tariff on all goods, except steel and aluminium which are subject to a higher tariff. The tariff on vehicles and auto parts is reduced to 15% from the current rate of 25%. The EU has also committed to spending hundreds of billions of dollars on US energy and weapons.

Markets initially welcomed the deal and removal of uncertainty. Many European indices gained 1% or more on Monday as US stocks also gained and the dollar appreciated. But equity gains were mostly given back as details of the deal received more scrutiny and more opposition from European politicians, and the implications for different sectors became apparent. The US and South Korea also agreed a new tariff deal which sets the import levy at 15%. However, India was singled out for higher tariffs of 25% as Trump complained of unfair treatment for US exporters and India's purchase of Russian oil and gas.

**US: FEDERAL RESERVE HOLDS RATES AS ANNUAL GDP GROWTH HITS 3%**

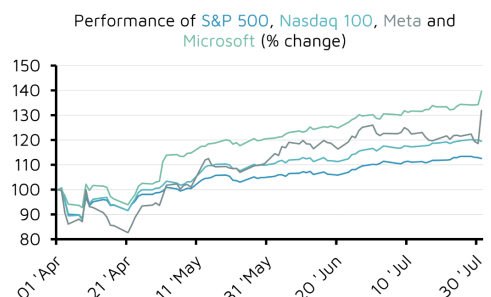
The Federal Reserve left interest rates unchanged as chair Jerome Powell said higher rates are not holding back economic growth. However, for the first time since 1993, two voting members dissented from the decision by calling for a 0.25% cut. US economic growth in the second quarter was higher than expected as the annualised rate of GDP growth hit 3%. The headline figure was inflated by a drop in US imports in the second quarter caused by higher tariffs. Underlying growth was lower as consumer activity cools. Powell also repeated concerns about the potential inflation from higher tariffs, but conceded there may be some weakening of the US labour market.

The decision to keep rates on hold this month helped extend gains for the dollar and US government bonds also rose slightly. Meanwhile, the European Union saw economic growth of 0.1% in the second quarter, as concerns about US tariffs proved less of a drag on growth than expected. Elsewhere, the Bank of Japan left interest rates unchanged as expected.

**EQUITIES: AI-LINKED TECH COMPANIES SUSTAIN RAPID EARNINGS GROWTH**

US technology companies have maintained strong revenue growth. Updates from Microsoft and Facebook-owner Meta comfortably exceeded expectations as both continue to invest in their AI capabilities. Microsoft reported a 24% increase in profits in its latest quarter and Meta's quarterly earnings are up 22% on a year ago. Last week Google-owner Alphabet said its quarterly revenues have grown faster than expected as it also committed to more spending on AI. Shares in the tech giants have surged higher on these positive updates as they lift the broader US market to new highs.

Apple and Amazon also report this week as markets will be looking for evidence that demand for AI and cloud computing can sustain earnings growth at these companies. Meanwhile, investor enthusiasm for technology helped software designer Figma raise more than \$1.2bn as it lists on the New York Stock Exchange. Strong demand saw the shares priced at \$33, above the target range for the IPO, to give the company a valuation of more than \$19bn.



Data sourced from St Louis Federal Reserve and Investing.com

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