WEEKLY MARKET COMMENTARY BY ROB GLEESON
15 August 2025

STOCKS RISE AS US-CHINA EXTEND TRADE TALKS WHILE US UNVEILS MICROCHIP EXPORT LEVY

This week the White House allowed Nvidia and AMD's to resume selling some of their best AI-microchips to China, in a bid to lubricate US-China trade talks which were extended for another 90 days. The two moves mean a trade war has been averted, for now. Stocks rallied globally also helped by better than expected US inflation which raised bets of further interest rate cuts by the Federal Reserve at its next meeting.

There was a catch however. The US government is taking a 15% cut of the revenues from Nvidia and AMD's chip sales to China. Treasury Secretary Scott Bessent also floated the idea of expanding this "revenue sharing" model to other goods. If markets are at record highs with sky-high import tariffs why not try export taxes? That may be the logic but there are godfather vibes here. The administration is also thinking about competing with top chip makers, with rumours that it may take a stake in troubled chip maker Intel, to turn it around, maybe via some preferential treatment. Intel's shares jumped 7% on the news.

THE MARKETS THIS WEEK

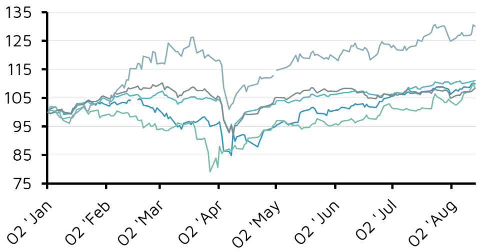
FTSE 100	S&P 500	Nikkei 225	STOXX 600	Hang Seng	US 10 Yr	UK 10 Yr	Brent Crude	Gold	Copper	GBP USD
+0.75%	+1.92%	+3.48%	+0.99%	+1.65%	+0.04%	+0.07%	-0.49%	-2.61%	+1.64%	+0.83%

US: STOCKS RALLY ON STEADY INFLATION AND CHINA TRUCE

Global stock markets rallied this week, buoyed by steady US inflation, renewed optimism around monetary policy and trade détente. July's US inflation held at 2.7%, lower than many economists expected given recent tariffs, removing the last hurdle for a potential Federal Reserve rate cut in September. Futures markets are now pricing in a high likelihood of a quarter-point cut, which has boosted investor confidence. Record closes for Wall Street's S&P 500 and Nasdaq have been echoed by gains across major Asian and European indices, with technology stocks and semiconductor exporters leading the charge. US Treasury yields also declined reflecting lower inflation expectations.

Momentum has also been lifted by president Donald Trump's extension of the US-China trade truce on tariffs for another 90 days, easing fears of further escalation and supporting global sentiment. While recent tariff hikes are beginning to filter through in specific sectors, headline inflation figures have reassured markets for now.

S&P500, FTSE100, Stoxx600, Nikkei225 and Hang Seng Rebased

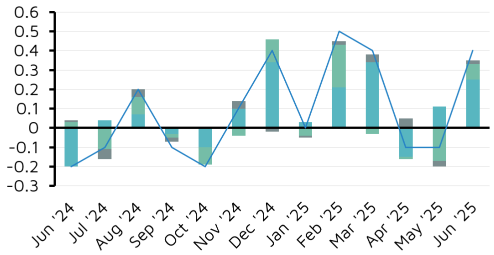


UK: JOBS MARKET COOLS WHILE GDP GROWTH BEATS EXPECTATIONS

The UK labour market continues to cool, with payroll employment declining for a sixth straight month in July and wage growth static at 5%. Multiple recruiters report subdued hiring and a marked reduction in staff appointments, particularly in retail and hospitality, driven by increased labour costs, higher national insurance, and tax changes. Notably, candidate availability is rising, but persistent cost pressures and policy shifts are weighing on business confidence, with only a quarter of employers expecting headcount growth in the coming months and 16% anticipating reductions.

On the economic growth front, UK GDP grew by 0.3% in the second quarter, beating modest expectations but slowing sharply from the bumper 0.7% in the first quarter. Services, construction, and manufacturing drove this growth, alongside a 1.2% rise in government spending. Meanwhile a 4% drop in business investment, negating a 3.9% rise in the first quarter, and a yawning trade deficit point to ongoing challenges.

UK GDP Growth from Services, Producton and Construction



OIL: OPEC FLOODING OIL MARKET TO THE DETRIMENT OF US SHALE

A surge in global oil production, led by Saudi Arabia and Opec, is creating a significant oversupply in the crude market, with International Energy Agency (IEA) warning of a glut through late 2025 and into 2026. Opec's decision to boost output by more than two million barrels per day last week, reversing nearly two years of production cuts, is colliding with weaker-than-expected demand—particularly from China, India, and Brazil. Brent crude has dropped by over 12% this year and is expected to fall below $50 per barrel in 2026, challenging US shale producers which need oil above $65 to break even.

This oversupply is prompting significant adjustments among US shale producers, including a $1.8 billion capital spending cut over the next two quarters, parking rigs, and deploying fewer fracking crews—the lowest activity in four years. While Opec barrels have so far been absorbed by robust summer demand and storage accumulation, a period of substantial crude abundance is ahead, with possible price volatility if policy or geopolitical risks arise.

Brent and WTI Crude Oil Price ($/bbl)

Data sourced from Investing.com and Office for National Statistics