

**US EQUITIES SIDE STEP MIXED ECONOMIC DATA BUT BOND MARKETS ARE WARY OF HIGHER INFLATION**


This week US tariffs returned as India was hit with a rate of 50%, and China and the EU were threatened with punitive tariffs for not complying with the US president's view of the world. Market reaction was muted but the US dollar slid as Donald Trump tried to curb the Federal Reserve's independence. Investors also seem nervous of long-dated treasury bonds as tariffs and a less robust Fed raise fears of higher inflation. Today's reading for the Core PCE Price Index will be closely watched for signs of a further pick up in consumer inflation.

Meanwhile, the S&P 500 index continues its upward run, despite the slightly lacklustre response to Nvidia's recent update. The rising chance of a Fed rate cut in September has helped, as did stronger than expected economic growth in the second quarter. However, some mixed updates from the last batch of companies to deliver their Q2 earnings, greater competition to Nvidia from Chinese tech firms, and some weakness in consumer confidence mean that US equities are encountering rising headwinds.

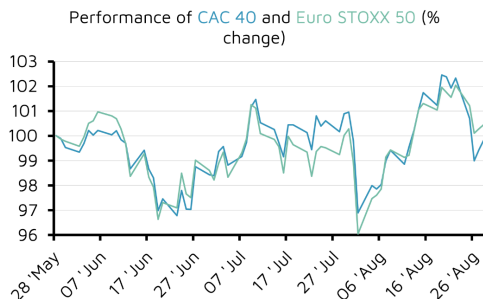
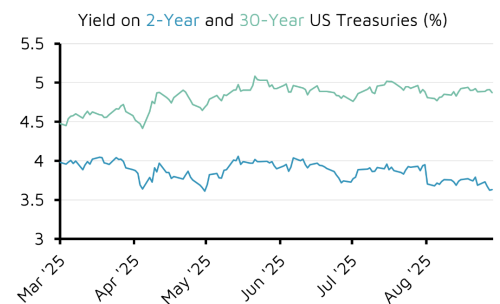
**THE MARKETS THIS WEEK**

FTSE 100	S&P 500	Nikkei 225	STOXX 600	Hang Seng	US 10 Yr	UK 10 Yr	Brent Crude	Gold	Copper	GBP USD
-1.38%	+1.58%	-0.76%	-1.80%	-0.94%	-0.11%	-0.02%	+0.06%	+1.93%	+1.48%	+0.51%

**US: DOLLAR SLIDES AS TRUMP INCREASES PRESSURE ON CENTRAL BANK**

 The US dollar fell against most major currencies as markets see an increased chance of a rate cut in September. President Donald Trump has repeatedly called for rate cuts from the Federal Reserve and its chair, Jerome Powell, appeared more open to a rate cut in September in his comments at the annual meeting of central bankers in Jackson Hole. This caused the yield on short-dated treasury bonds to increase. However, the yield on long-dated US government bonds rose by 10 basis points as bond values fell after Trump increased his attempts to undermine the Fed's independence by firing board member Lisa Cook. Markets see a weaker Fed as less able to control inflation.

Meanwhile, Trump set the tariff rate for Indian imports at 50%, partly due to the country's purchases of Russian oil. Trump also threatened China with tariffs of up to 200% if it doesn't export more rare earth metals. The European Union faces higher tariffs or export controls on US tech as Trump attacked digital services taxes on US tech firms.

**FRANCE: EQUITIES AND BONDS FALL AS GOVT FACES NO CONFIDENCE VOTE**

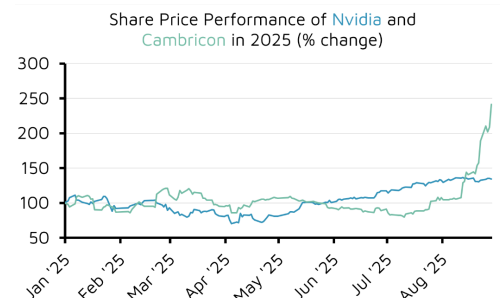
French equities and government bonds declined after prime minister Francois Bayrou called a vote of no confidence as he tries to pass his budget cuts. Bayrou is proposing a combination of tax hikes and spending cuts worth €44bn in 2026 as he tries to reduce the government deficit. This includes a one-year freeze on state spending and plans to scrap two public holidays. Markets expect the government to lose the vote as most major parties oppose at the reforms and investors fear a repeat of the stalemate seen last year when then prime minister Michel Barnier lost a no-confidence vote.

The CAC 40 index declined 3% and the difference in yield between French and German government bond yields increased to 0.8%, the biggest gap in 12 months. The Netherlands government is also facing a vote of no confidence. The Dutch government has been in a minority since June but investors appear less concerned about the outcome of a no-confidence vote as Dutch shares and government bonds are little changed.

**TECH: NVIDIA DEFIES CHINA RESTRICTIONS TO GROW REVENUES**

Nvidia's quarterly update delivered eye-catching numbers as second-quarter revenue reached \$46bn. This is up 56% on last year and ahead of analyst forecasts. However, the share price slipped 2% as expectations for the company remain exceptionally high, and investors were unsettled by uncertainty around sales in China. The Trump administration temporarily blocked exports of some Nvidia chips – designed specifically for the Chinese market – before approving exports subject to a 15% tariff.

The US export ban was intended to restrict China's AI capabilities, but the pause in supply gave Chinese chipmakers time to close the gap with Nvidia. Chinese chipmakers like Cambricon have already benefited as shares rallied last week after DeepSeek announced that its latest AI model had been adapted for domestically produced chips. China has set its sights on tripling its AI processor output and this highlights the increasingly competitive landscape Nvidia faces.



Data sourced from Investing.com

This is not a financial promotion and is not intended as a recommendation to buy or sell any particular asset class, security or strategy. All information is correct as at 29 August 2025 unless otherwise stated. Where individuals or FE Investments Ltd have expressed opinions, they are based on current market conditions, they may differ from those of other investment professionals and are subject to change without notice. This communication contains information on investments which does not constitute independent research.

Financial Express Investments Ltd, registration number 03110696, is authorised and regulated by the Financial Conduct Authority (FRN 209967). For our full disclaimer please visit <https://www.fefundinfo.com/en-gb/about/legal-and-policies/financial-express-investments-limited-disclaimer/>