



SIGNS OF SLOWER HIRING IN THE US COOL FED RATE HIKE EXPECTATIONS

This week's US jobs report disappointed and cheered observers in almost equal measure. Only 57,000 new roles were created last month, far fewer than in May. This adds to concern that massive AI investment is driving US growth without the wider economy sharing in it. On the other hand, the bad-news-is-good-news narrative means that fewer jobs and slower wage growth should ease inflation concerns at the Federal Reserve, so there will be fewer interest rate hikes. For now, markets are looking at the silver lining, as the dollar moved lower and US and global equity markets gained. Other indicators, however, suggest the economy remains resilient, and one month's data should be treated with caution.

Meanwhile, as the US approaches 250 years of independence, the US central bank received a boost after Donald Trump lost a case at the US supreme court over his attempt to fire Fed member Lisa Cook. New chair Kevin Warsh has promised fewer hints about the direction of interest rates, but removing the threat of presidential interference will help maintain the Fed's credibility if it has to talk markets up or down in future.

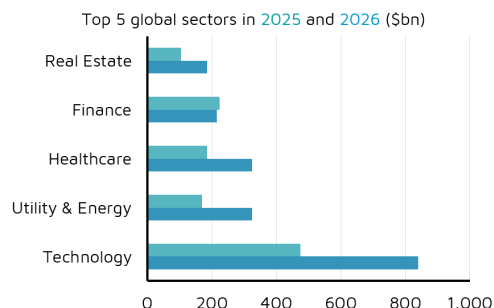
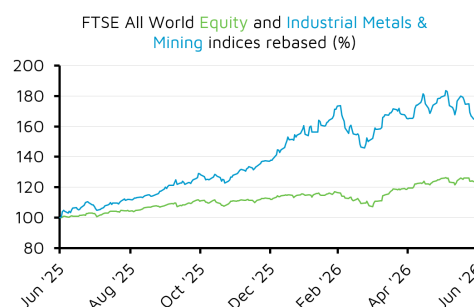
THE MARKETS THIS WEEK

FTSE 100	S&P 500	Nikkei 225	STOXX 600	Hang Seng	US 10 Yr	UK 10 Yr	Brent Crude	Gold	Copper	GBP USD
+1.43%	+2.23%	+0.16%	+2.03%	+3.00%	+0.12%	+0.09%	-1.04%	+2.47%	+2.06%	+1.16%

COMMODITIES: HIGH COPPER AND ALUMINIUM PRICES DRIVE M&A

The price of copper has fallen back slightly from its recent all-time high as concern about potential new US tariffs is offset by the reopening of the Strait of Hormuz. However, the current price of \$13,300 a tonne is much higher than the five-year average of just over \$9,500. The price of aluminium has fallen sharply from its peak of \$3,854 a tonne in early June to \$3,073, but this is also well above the five-year average.

High prices are driving corporate activity. Anglo American's merger with Canadian firm Teck Resources is expected to complete in the coming weeks, and US firm Alcoa is buying South32's aluminium assets for \$5bn. M&A activity has helped mining stocks significantly outperform the wider market over the last 12 months. Meanwhile, the high price of copper is driving a shift towards using aluminium instead of copper for electric wiring. Ferrari and BMW announced the switch for new vehicle manufacturing, joining Tesla and many Chinese EV makers in using the cheaper material.



M&A: DEALMAKING HITS RECORD \$2.8TN AS AI DRIVES BIGGER TAKEOVERS

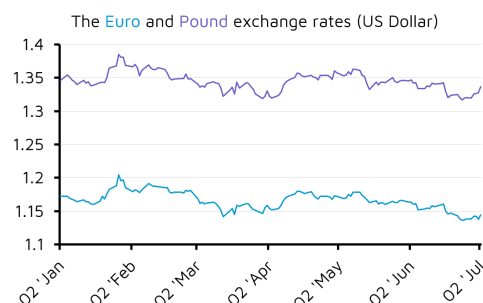
Global dealmaking set a first-half record. Companies agreed \$2.8tn of mergers and acquisitions, up 49% on the same period in 2025. Fewer, larger deals drove the rise. A record 47 transactions exceeded \$10bn even as the overall number fell to its lowest since 2020. Artificial intelligence links most of the big moves. Data-centre power demand spurred NextEra's \$119bn merger with Dominion Energy, and SpaceX paid \$60bn for coding firm Cursor. Technology led all sectors with roughly \$840bn of deals, nearly double last year, and a lighter US antitrust stance has helped buyers act.

The US and Europe drove the surge. American deal values rose 77% and European values more than doubled, while Asia-Pacific slipped. UK-listed firms attracted overseas buyers who see them as undervalued, especially industrial groups. The activity has produced a fee bonanza for investment banks. Goldman Sachs topped the advisory rankings after working on more than \$1tn of deals, and private equity activity jumped 54% to \$601bn.

US: DOLLAR FALLS AS US JOBS MARKET SHOWS SIGNS OF SLOWING

The US dollar fell slightly as equities and US government bonds gained after the number of new jobs created fell short of expectations. The monthly non-farm payroll report showed 57,000 new jobs were added in June. This is a big drop from May's figure of 129,000. Before this week's update, markets had expected a rate hike from the Federal Reserve in September, with three hikes expected in 2026. Markets now see little change from the Fed before the final meeting of the year in December.

The dollar fell against the euro and the pound, reversing a lot of the appreciation seen since the Fed's interest rate meeting in June. This is despite Fed chair Kevin Warsh's repeated intention to keep price inflation under control and most other indicators showing the US economy remains resilient. Weaker-than-expected European inflation has also seen markets revise their expectations for European Central Bank interest rates. This caused the pound to rise to its highest level against the euro in 12 months.



Data sourced from FE Analytics, dealogic and Investing.com

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