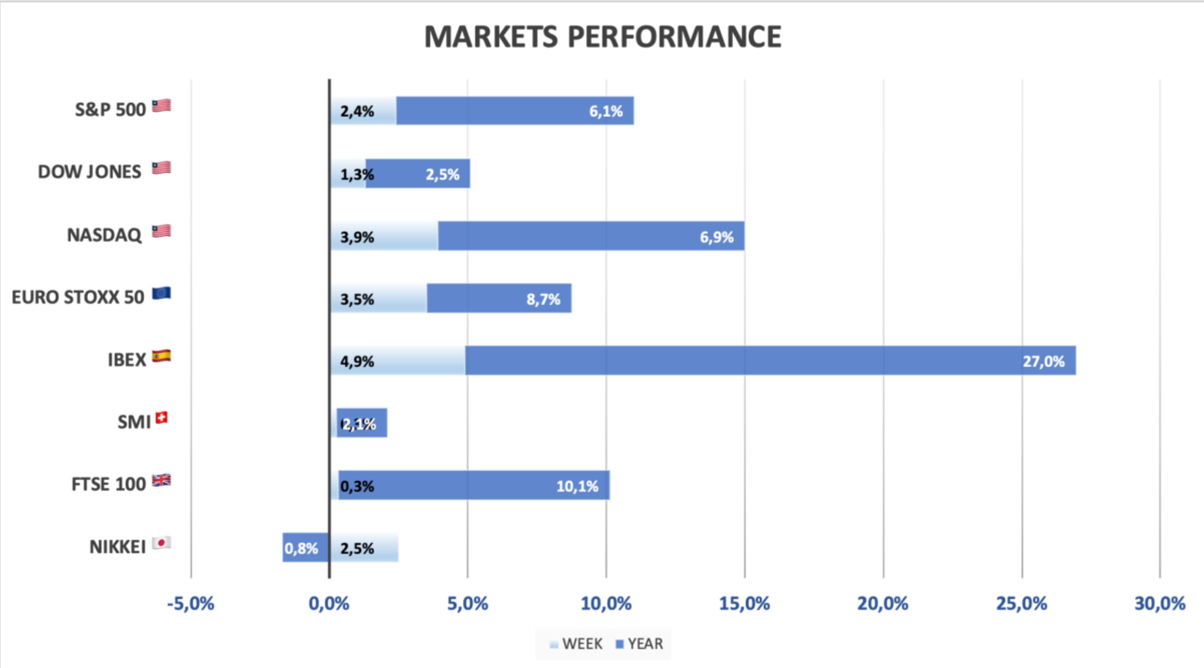
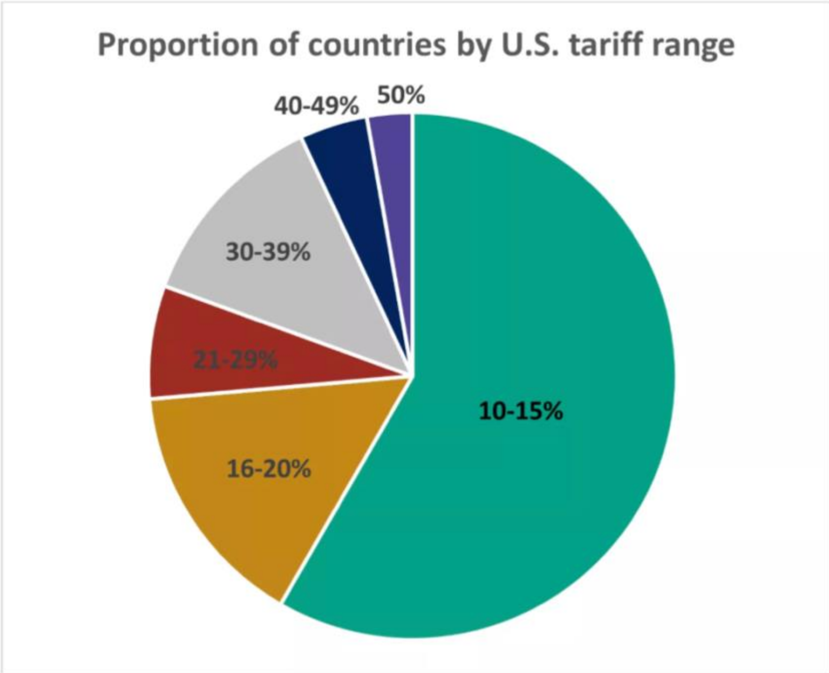
Global markets weekly update

11.08.2025



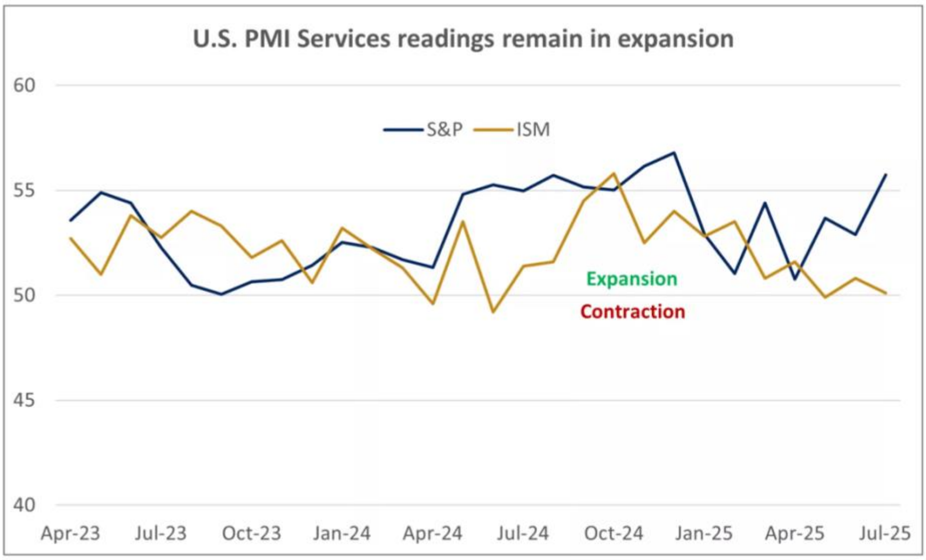
U.S.

- U.S. equity markets rebounded this past week, led by strong performance among technology and consumer discretionary stocks, despite weak economic data and new tariff uncertainties from the White House. Several stock-specific headlines helped drive market sentiment during the week. Particularly, Apple announced that it would invest USD 100 billion (in addition to a previously announced USD 500 billion) in developing U.S. based manufacturing over the next four years, which would allegedly exempt the company from the Trump administration's threat of imposing 100% tariff on imported semiconductors. Shares of the iPhone maker closed the week 13.33% higher, helping support the broader indexes.
- In other trade policy news, the Trump administration's new round of global tariffs kicked in on August 7, though several large U.S. trading partners had already reached agreements prior to the week's deadline. The market reaction appeared to be more subdued compared with other recent tariff actions. Other tariff-related headings included news that President Donald Trump would double tariffs on Indian goods to 50% as a punishment for the country's purchase of Russian oil, as well as reports that U.S. negotiations with Switzerland ended without reaching a deal, leaving duties on Swiss imports at 39%. While tariffs vary widely from 10% to up to 50%, most countries face import taxes in the 10%-20% range.



Source: WhiteHouse.gov

- This week brought more evidence that the U.S. economy is cooling. Last week's job report had already hinted at slower development. This week confirmed it. Indeed, the ISM reported that its services PMI (with services contributing to more than 70% of the country's GDP) declined to 50.1% in July, missing consensus estimates for a reading of 51.3% and remaining just above the 50% threshold that separates growth from contraction. The report's new orders and employment indexes both declined in July, with employment registering a contraction for the second consecutive month. Meanwhile, the prices index ticked higher to 69.9%, the highest reading in three years.



Source: FactSet

- Elsewhere, initial claims for unemployment rose more than expected to 226’000, up from the prior week’s revised level of 219’000.
- Despite macro softness, corporate earnings have been stronger than expected, driving earnings growth estimates sharply higher to 9.7%, helping lift the market up. Walt Disney Company and McDonald's announced earnings that exceeded estimates. Importantly, Walt Disney's revenue was about in line with forecasts, while that of McDonald's beat expectations, indicating that, combined with other recent data, consumers appear to remain mostly resilient.
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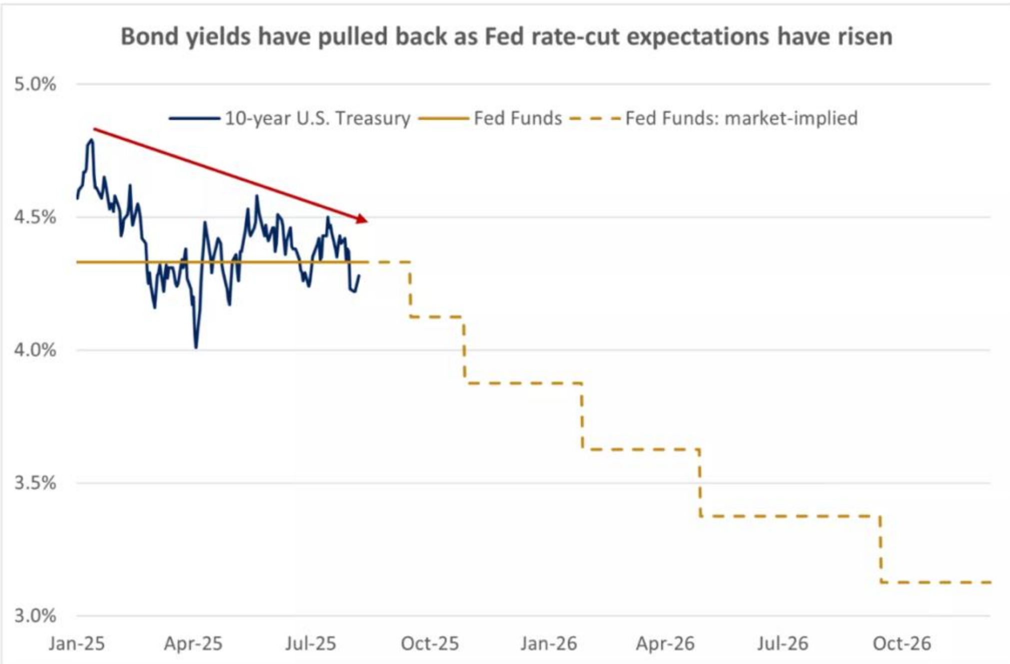
- Another area of focus was on the rising probability of the Fed lowering interest rates at its next meeting in September, especially following last week's weak nonfarm-jobs report. Several Fed officials made comments during the week suggesting rate cuts could be imminent, including President Mary Daly from San Francisco, who stated that the central bank “will likely need to adjust policy in the coming months” if the labor market slows any further and inflation remains relatively subdued. Markets are now pricing a roughly 90% chance of the Fed lowering rates at its next meeting.



Source: Federal Reserve Bank of St. Louis, CME FedWatch.

Europe

- The Eurostoxx 600 ended the week 2.11% higher on strong corporate earnings and hopes of a resolution of the Ukraine-Russia conflict. Major stock indexes rose, too. Italy's FTSE MIB climbed 4.21%, Germany's DAX gained 3.15%, and France's CAC 40 Index added 2.61%. The UK's FTSE 100 Index gained 0.30%.
- The BoE cut rates by 15bps to 4%, on worries about a weakening labor market. The decision was however an historically tight one, resulting in a 5-4 vote to cut the Bank rate. The surprisingly tight vote was read as hawkish and sparked a sell-off in gilts, with the pound and the yields rising after the announcement. The BoE also forecast that inflation would accelerate to a two-year high of 4% in September, from 3.6% in August, and warned of a stronger risk of price increases in the coming years, well above its 2% target.
- Strong retail sales and investor confidence data added to signs of a resilient eurozone economy in the second quarter. Retail sales expanded in June by 0.3%, increasing for three months running. They climbed 3.1% yoy, surpassing the consensus forecast of 2.0%. Investor confidence rose over the second quarter, although the Trump's Brussels trade deal dampened the mood in August, with the U.S. seen as the winner at the expense of the eurozone.
- German industrial production experienced a significant drop in June, falling by 1.9% month-on-month. This decline is worse than the expected 0.5% decrease and indicates that the sector is at its lowest point since the COVID-19 pandemic in May 2020. The downturn is attributed to weakening foreign demand, increased competition from China, and the impact of new US tariffs on exports.

Japan

- Japan's stock market ended the week lower, with the Nikkei 225 Index up 2.50% and the broader TOPIX Index climbing 2.56%, supported by encouraging corporate earnings.
- The yield on the 10-year Japanese government bond fell to 1.49%, from 1.55% at the end of the previous week as the Summary of Opinions at the BoJ's July monetary policy meeting showed that board members had debated the timing and pace of future interest rate hikes.

- On the economic data front, Japan’s real wages fell 1.3% year on year in June, following a 2.6% drop in May, as inflation continued to overtake pay gains. Household spending slowed sharply in June, rising 1.3% year on year, down from 4.7% in May and below forecasts of a 2.6% rise. The slowdown was attributed to the impact of U.S. tariffs and persistent inflation on consumer activity.

China

- Chinese equities rose for the week, helped by uplifting trade data. The Shanghai Composite Index advanced 2.11% and the onshore blue chip CSI 300 gained 1.23%.
- Total exports in July surged a larger-than-expected 7.2% from a year ago to USD 322 billion, according to data released by China’s customs authorities. Increased deliveries to Europe, Southeast Asia, Australia, and other markets compensated the continued drop in shipments towards the U.S., which sank 22% year on year in July after falling 16.1% in June. Chinese companies were able to compensate for the loss of U.S. business with increased sales to other markets. Weakness in China’s yuan currency also helped boost exports last month.
- China's services activity expanded at its fastest pace in 14 months in July. The S&P Global China General Services PMI rose to 52.6 in July from 50.6 the previous month, marking the fastest pace since May last year. The reading contrasted with China's official survey, which showed services activity edging down slightly to 50.0 in July from 50.1 in June.

Portfolio considerations

Equities

While the economy appears to be slowing, resilient economic data, easing trade tensions, and potential policy support in the form of moderate fiscal stimulus (the Big Beautiful Bill) and easing monetary policy, offer reasons for cautious optimism. With U.S. stocks near record highs, valuations appear somewhat less attractive. We believe corporate earnings growth will be essential to drive further gains over the remainder of the year. Focusing on quality can take on even greater importance, in our view, as markets may experience volatility if economic data softens in the months ahead or trade tensions persist for a while longer.

Fixed Income

We continue to advocate seizing the yield advantage in high quality fixed income to build resilient portfolios, especially since equity valuations remain stretched. However, long-term rates may not fall as quickly as short-term rates, even when the Fed cuts rates again. We therefore recommend overweighting intermediate-maturity bonds, also less exposed to concerns over widening government budget deficits and rising debt levels. The primary source of return will be carry and not capital gains.

The week ahead

Monday	Tuesday	Wednesday	Thursday	Friday
	Consumer price index		Producer Price Index	U.S. retail sales
			Weekly initial jobless claims	Industrial production and capacity utilization
				Consumer sentiment (preliminary)