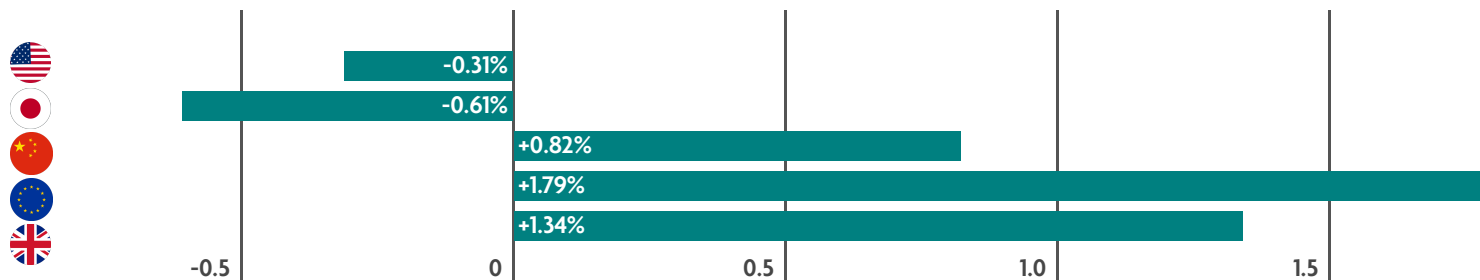


## Market Monitor (%): How did major stock markets perform last week\*?



## Key stories from last week



### US: TARIFFS RETURN TO CENTRE STAGE

Tariff news dominated the headlines, but market reaction was muted compared with previous tariff announcements. U.S. President Donald Trump announced 25% trade levies on major trading partners South Korea and Japan, as well as tariffs at varying levels on other countries, including Canada, South Africa, Thailand, and Malaysia. He also said that his administration would dramatically increase Brazil's tariff to 50% in a move linked to the country's legal proceedings against former right-wing President Jair Bolsonaro. In addition to the country-specific tariffs, President Trump also announced an upcoming 50% tariff on copper and over the weekend said he will impose tariffs of 30% on Mexico and the EU from 1st August.



### JAPAN: US-JAPAN TRADE RELATIONS AND MIXED ECONOMIC DATA WEIGHS ON MARKETS.

Tariff-related developments - notably some signs of growing tensions in U.S.-Japan trade relations - and mixed domestic economic data releases weighed on investor risk appetite. The U.S. announced that it would implement a slightly higher tariff of 25% on Japanese imports, up from the 24% rate the administration set in early April. However, many investors viewed positively the indication that the higher tariff will only come into force on 1st August 2025, leaving more time for negotiations. Domestic economic data releases were mixed. Sentiment was pressured by data showing that Japan's wage growth slowed sharply in May, raising concerns about the broader economic recovery. On the positive side, separate data showed that household spending rebounded strongly in May.



### CHINA: THE DEFLATION CHALLENGE

Mainland Chinese stock markets rose as data showing persistent deflation spurred hopes for more stimulus. Inflation remains challenging in China. Factory prices continue to fall sharply and although consumer prices went up marginally in June, analysts believe this is a result of recent stimulus measures rather than a sustained improvement in consumer confidence. The latest inflation report raised the possibility that China's leaders may roll out more stimulus to lift the economy out of a persistent cycle of falling prices, corporate profits, and wages.



### EUROPE: WHERE NEXT FOR TARIFFS?

Markets rose amid hopes for more trade deals between the U.S. and other countries. But the market turned lower at the end of the week, curbing gains, after U.S. President Trump said he would send a letter notifying the European Union of higher tariffs on its goods. Over the weekend, President Trump said he will impose tariffs of 30 per cent on the EU from 1st August, and the EU has subsequently delayed its plan to hit the US with tariffs on €21bn of its annual exports to Europe on Tuesday in the hope of coming to an agreement with the US. In economic news, retail sales fell in May as consumer sentiment remains downbeat. Elsewhere, German industrial output rebounded in May.



### UK: ECONOMY CONTRACTS FOR SECOND MONTH RUNNING

The UK economy contracted for second month running in May, with the economy shrinking 0.1%, in a sign that strong growth earlier in the year has dissipated while the Labour government's fiscal problems intensify. May's economic decline was driven by declines in the oil and gas sector, manufacturing, construction and retail, contrasting with rapid growth in the first three months of the year, when a surge in exports and a robust services sector performance placed the UK among the G7's top performers. In other news, the Halifax building society said house prices stagnated in May, after falling in April. Halifax said transactions have picked up, with more buyers returning to the market. According to press reports, the UK's finance minister, Rachel Reeves, is planning to launch a permanent mortgage guarantee scheme to help first-time buyers.



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\*Source: Bloomberg. All performance measured in local currency.

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