



CIO OFFICE MORNING MARKET WRAP

1 August 2025

The S&P 500 (-0.4%) erased a 1% advance for the first time since April. Is a higher volatility environment in the making after a long stretch of quiet and steadily higher sessions in the large-cap benchmark? Healthcare (-2.8%) and real estate (-1.7%) led losses, with all sectors in the red except communication services (+2.1%) and utilities (+0.6%). A key report that showed some US consumer strain amidst rising price pressures further weighed on sentiment. A gauge of the Magnificent Seven hit all-time highs as Meta Platforms jumped 11% on solid results. In late hours, Apple reported revenue that beat results on iPhone sales, while Amazon's outlook underwhelmed investors. Ex-US markets underperformed, led lower by Europe (-0.9%), while EM (-0.7%) closed in the red as well hampered by weakness in China (-1.6%) and dollar strength. The US dollar saw its best month in 2025, while the yield on the 10-year note was little changed at 4.36%. The yen slid as comments from BOJ Governor Ueda were seen less hawkish than expected.

Unexpectedly, in very few weeks President Trump managed to strike trade deals with the European Union, the UK, Japan, South Korea, and the Philippines, while setting rates unilaterally on India and Brazil. And yesterday he issued tariff orders from Taiwan to Switzerland ahead of the Aug. 1 deadline. The slew of new tariffs includes a 10% global minimum, as well as 15% or higher duties for countries with a trade surplus with the US. He raised the rate on Canadian goods from 25% to 35%. Major countries with charges higher than 15% are Mexico, Canada, and China. The rates will take effect after midnight Aug. 7, with one big exception that is China, with an Aug. 12 deadline likely to be extended. As a consequence, the average tariff rate will rise to 15.2% from 2.3% before he took office. Trump is also expected to unveil separate tariffs on imports of pharmaceuticals, semiconductors, critical minerals, and other key industrial products in the coming weeks. So, what is the net effect of all of this for the United States? There will be a first-round effect, a one-time effect in the CPI quite soon. Then, assuming tariffs in the end redirect demand towards more expensive domestic production that could be constrained, more persistent inflationary pressures would arise. We will have to brace ourselves for second-round effects down the road.

According to the income and spending report US consumer income rose more rapidly than anticipated in June on transfer payments, though spending growth was underwhelming as it barely rose. The report showed consumers are pulling back on tariffs-exposed goods and focusing spending on necessities. Also, slowing labor-income growth was one more factor prompting some caution. PCE inflation rose in June at one of the fastest paces this year, advancing by 2.6% on yearly basis, while the core index, stripped of food and energy costs, rose by 2.8%. Both readings were above expectations. The bottom line is that the disinflation process is stalling.

In after-hours trading Apple reported its fastest quarterly revenue growth in more than three years, with revenue rising 9.6% to \$94 billion in the fiscal third quarter. CIO Tim Cook said the company saw an acceleration of growth around the world, including in Greater China and many emerging markets, and that services were a bright spot, topping Wall Street projections. Apple rose 2.4% in extended trading. On the other hand, Amazon fell after profit guidance and cloud growth spooked investors. The company projected weaker-than-expected operating income and trailed the sales growth of its cloud rivals, leaving investors searching for signs that the company's huge investments in artificial intelligence are paying off. Amazon fell 6.6% in late-hours trading.

Markets this morning:

Asian stocks fell for a sixth straight session, on President Trump's announcement of new tariff rates, and after solid earnings from megacap tech firms failed to lift sentiment. The MSCI Asia Pacific fell 0.6%, while futures on the S&P 500 fell 0.1%. The Taiwan dollar fell for a seventh consecutive day, as the country got a tariff rate of 20%, and the Swiss franc edged lower after Trump put a 39% levy on the country's exports to the US. The market attention will soon shift from trade to today's jobs report for July, where companies are expected to show more caution about hiring.

Upcoming key events/data:

The jobs report for July will be in the limelight, where consensus expects a 109,000 rise in non farm payrolls. A level of 100,000 new payrolls per month is usually associated with a labor market in balance, neither too hot nor too slow. The ISM manufacturing survey for August will also be important to gauge factory activity.

Have a great day.

Chief Investment Office
Wealth Management
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