CIO OFFICE MORNING MARKET WRAP

25 July 2025

Markets didn't move much on Thursday. Stocks gained +0.2% across developed and emerging regions while US Treasury yields rose by 2 to 4 basis points, led by the front-end after overall good economic data. This supported the dollar, 0.2% firmer on average, and oil prices with Brent up 1% to $69.2. Gold shed -0.5% to $3,369. Flash PMIs for July were overall positive. At the composite level, India came out at 60.7, the Eurozone at 51, slightly better than a median forecast of 50.7, and the US massively beat expectations with a very strong 54.6. This was due to an impressive 55.2 in services, suggesting strong consumption, while manufacturing was in slight contraction territory. Macro positivity continued with weekly jobless claims which were, like last week, lower than expected. Strong activity means a lower probability of rate cut from the Fed, even more so as President Trump said yesterday that firing Jerome Powell was not "necessary".

The ECB kept interest rates on hold and didn't commit to any future move, as we expected, even if the market was apparently hoping for a more dovish stance. Staying with central banks, the dovish surprise came from Türkiye where the policy rate was cut by 300 basis points, a bit more than the 250 we were projecting. On the trade front, several media reports now suggest an imminent EU-US trade deal with a 15% baseline rate. Markets would probably like it as that would be manageable for both sides.

Market reaction to earnings continues to be demanding. Tesla closed -8% lower after its disappointing numbers released post-market Wednesday. Alphabet gained "only" 1% despite an objectively impressive set of results. In Europe, LVMH sales fell again with weak Asian sales. Nestle shares were punished as both volumes and margins failed to impress. Roche numbers were better than forecast but the stock, again, gained only 1%.

Markets this morning:
Stocks in Asia are down everywhere as we write this morning, with positive US data and their consequences on the Fed trajectory and the dollar being a catalyst for profit taking after one week of gains. We're talking -0.7% in Tokyo, -1.1% in Hong-Kong, -0.5% for China onshore while Korea is the exception, up +0.3% due to the combination of good results from Hyundai and a renewed pledge to reach a trade deal with the US. There is no notable move from treasury yields, currencies, or major commodities.

Upcoming key events/data:
There is no market moving economic data released today even if Germany's IFO business climate will be interesting. Earnings release will continue, with no major name, as often on Fridays, except Volkswagen.

Have a great day.

Chief Investment Office
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