July 14, 2025

Weekly Investment Insights

Written 14 July

The US administration did not meet its self-imposed target of striking "90 trade deals in 90 days". With the July 9 deadline now in the rearview mirror, only the UK, China and Vietnam have some form of a deal. August 1 is now being floated as the new go-live date for most levies, leaving a small window for further talks.

Mexico and the EU have now been threatened with a 30% tariff rate.

Maroš Šefčovič, the EU's trade commissioner said that it will "be almost impossible" for the bloc to continue its current volumes of trade with the US if the Administration follows through with this. Up until now, the EU has not retaliated against new tariffs which include a 25% levy on cars and parts, a 50% tariff on steel and aluminium, and a baseline 10% tariff on most goods. The EU had planned to hit around €21bn worth of US imports with counter-tariffs this week, but has decided to hold fire in order to foster dialogue. Mexican officials also remain at the negotiating table.

Japan and South Korea were sent letters stating that the US will impose 25% tariffs on August 1, while Brazil has been threatened with a substantial increase in its tariff rate from 10% to 50% -- despite the fact that the US has a trade surplus with its Southern neighbour.

US consumers are concerned about the impact of tariffs on inflation, and the Brazil tariffs could really emphasise this notion in their daily lives, pushing up prices for key staples. A cup of coffee, for example, might be about to become much more expensive; Brazil is the world's leading producer of arabica beans, used in most premium coffee blends. Prices of arabica and robusta coffee have already been rising in recent years due to poor harvests in the main producing countries. The tariff announcement caused coffee futures to jump. Further still, Brazil is currently the fifth-largest source of foreign beef, accounting for 21% of all US beef imports.

Moving from red meat to red metal, US copper prices also soared to a record high last week, after President Trump announced that all imports of the industrial metal would be subject to a 50% tariff.

US equities finished the week slightly lower, with growth stocks holding up slightly better than value. European equities managed a small gain amid hopes for a Transatlantic trade deal.

Focus will now fall on the Q2 earning season, with bulge bracket US banks kicking off proceedings on Tuesday.

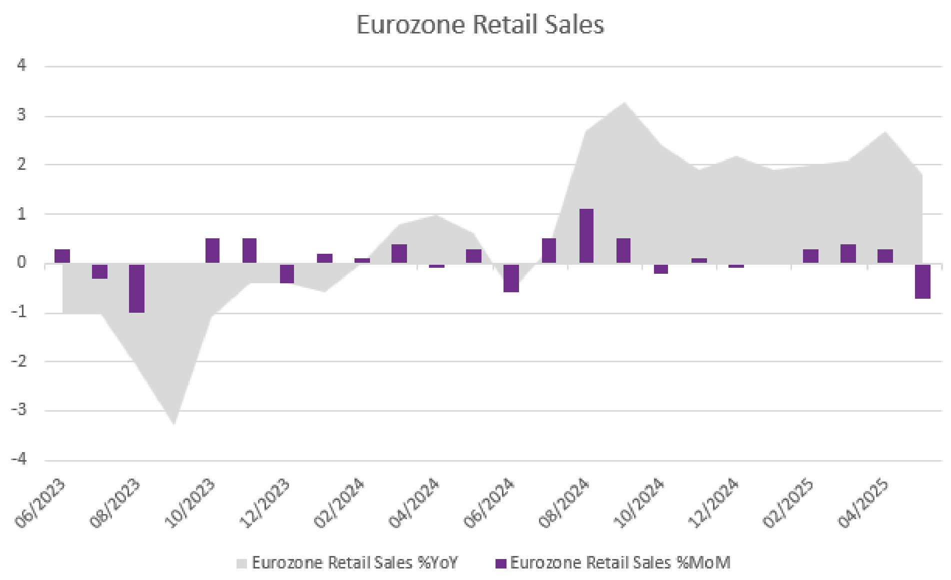
Weekly Highlights

Eurozone retail sales see steepest decline since August 2023

Despite the fact that it was an unseasonably dry, summery May across Northern Europe, shoppers do not appear to have been hitting the high streets. Retail sales fell 0.7% in the Eurozone, the steepest monthly decline since August 2023. On an annual basis, retail sales growth slowed from 2.7% to 1.8%, underscoring a broader moderation in consumer activity across the bloc.

The decline can be traced back to depressed demand for non-food products (-0.6% vs -0.1% in April), fuel (-1.3% vs +1.3%), and food, drinks, and tobacco (-0.7% vs +0.8%). Among the major Eurozone economies, Germany saw the sharpest drop in retail volumes (-1.7%), followed by the Netherlands (-0.6%), Italy (-0.4%), and France (-0.2%). Spain was the exception, recording a modest 0.2% increase.

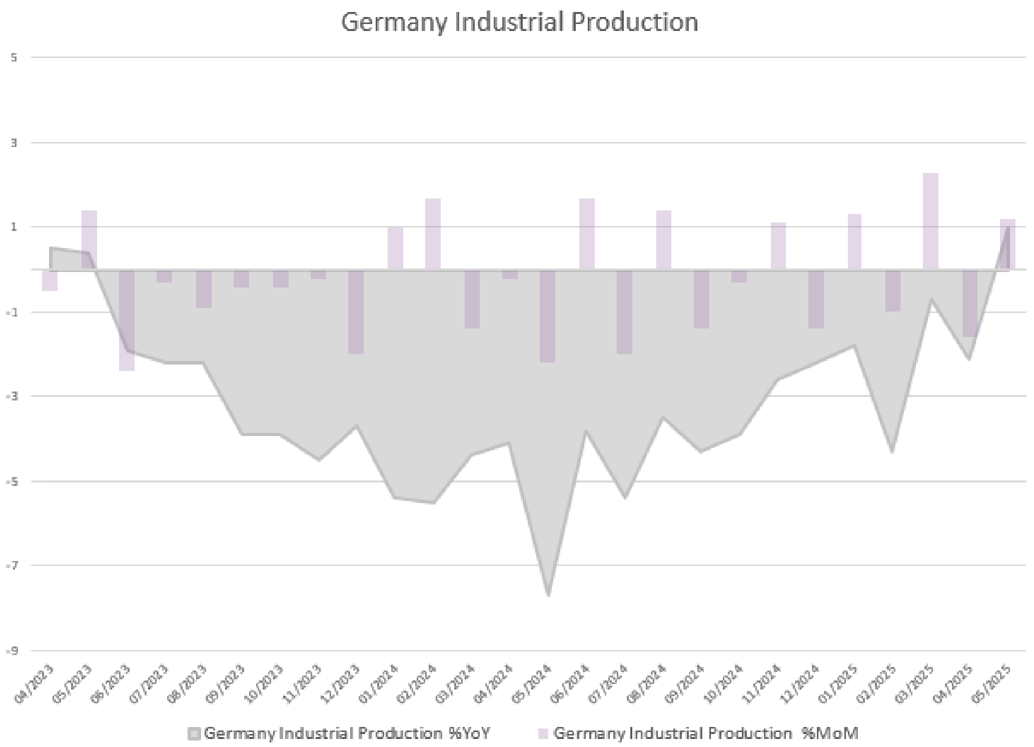
While the timing of holidays may have contributed to the monthly decline, the overall trend remains weak. Sluggish retail sales add to the cautious outlook for the region, where consumer demand has yet to gain traction amid a backdrop of persistent uncertainty.



Source: Bloomberg, *BIL*

Annual industrial production in Germany turns positive for the first time since early 2023

In a positive sign for the German manufacturing sector, industrial production increased by 1.2% in May compared to the previous month, surpassing expectations. This positive development was driven by strong growth in the automotive sector, as well as in pharmaceuticals and energy production. Construction, however, contracted by 3.9%. On an annual basis, production increased by 1%, following a 2.1% drop in April. This ends a years-long slump catalysed by the Eurozone energy crisis.



Source, Bloomberg, BIL

Concerns raised about UK's public finances

The UK government recently backtracked on its pledge to make £5 billion of savings through welfare budget cuts, following criticism from MPs. There are concerns that the cuts could push a significant number of people into poverty. The U-turn on welfare, combined with likely weaker growth forecasts, is expected to leave a significant gap in Chancellor Reeves' budget that now needs to be filled. This has led to fears that the autumn budget will once again include tax increases, following last year's £40 billion tax-raising budget.

However, the government has promised not to increase taxes on "working people", ruling out income tax, VAT and national insurance increases. One option could be to extend the existing freeze on the income tax and national insurance thresholds, which means that more people are brought into the tax paying brackets.

Another option that has been mentioned is a wealth tax on the UK's richest individuals, which could generate significant tax revenue for the government. However, Reeves has previously stated that a wealth tax is not part of the plan, given that taxes were already raised on non-doms, private jets and private schools last year. The Office for Budget Responsibility has also warned that relying on "small and mobile groups of taxpayers" for tax income is risky.

Analysts expect Reeves' fiscal headroom to be exhausted soon, so expectations for new tax increases in the upcoming autumn budget are high. What form those will take its yet to be seen.

Consumer prices in China rise while producer deflation continues

Producer price inflation in China fell by 3.6% year on year in June, the fastest pace since July 2023, as President Trump's uncertain trade policies continues to put pressure on manufacturers around the world. This means that producers receive less money for their goods when they leave the factory, before they are sold in retail. Export-oriented industries are under the most pressure due to the uncertain global trade environment and subdued demand.

Meanwhile, annual consumer prices rose for the first time in five months, if only by a modest 0.1% (YoY). This was mainly driven by e-commerce shopping events and increased subsidies for consumer goods from Beijing. Core inflation, which excludes volatile food and fuel prices, rose 0.7% YoY, marking the highest reading in 14 months and following a 0.6% gain in May.

Despite the modest rebound in consumer prices, the slump in producer price inflation indicates that China is far from overcoming deflationary pressures.

Calendar for the week ahead

Monday – Japan Industrial Production (Final, May).

Tuesday – China GDP Growth Rate (Q2), Retail Sales (June), Unemployment Rate (June). Eurozone Industrial Production (May). Germany ZEW Economic Sentiment (July). US Inflation Rate (June).

Wednesday – UK Inflation Rate (June). Eurozone Balance of Trade (May). US Industrial Production (June), Fed Beige Book.

Thursday – Japan Balance of Trade (June). Switzerland Balance of Trade (June). UK Unemployment Rate (May). Eurozone Inflation Rate (Final, June). US Retail Sales (June), Jobless Claims.

Friday – US Housing Stats (June), Michigan Consumer Sentiment (Prel, June).

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