July 27, 2026

Weekly Investment Insights

As anticipated in last week's note, the expiry of Section 122 tariff measures on 24 July was followed by the announcement of a **new round of trade duties**.

The US Administration began by unveiling **50% tariffs** on a broad range of **Canadian imports**, citing what it views as discriminatory treatment of US automotive, alcohol, and dairy products. The measures are scheduled to take effect in 30 days, leaving a window for further negotiations between the two countries.

The US then went on to announce new tariffs on **60 trading partners**, based on claims that key economic partners have failed to properly tackle forced labour. Those in the firing line, including **China**, **the EU** and **the UK**, will face a tariff of **10% to 12.5% on all goods**, accounting for almost all American imports.

Adding to the barrage of announcements, President Trump also said that **generic medicine manufacturers** will have **two years to move production to the US or face a 100% import duty** from August 2028.

For the economy, renewed trade frictions risk further stoking inflation, and inciting investment inertia. Looking at the bigger picture, tariff announcements, pauses and reversals are becoming a structural feature of the increasingly fragmented global economy, bringing uncertainty for corporates and consumers alike. As we noted in our 2026 Outlook, **digital trade could become the next frontier in this battleground**. The US is the world leader in the export of digitally delivered services, and trade tariffs are already being used to defend that position. For example, US president Donald Trump has vowed to impose a 100% import tariff on any European country that introduces a digital services tax on American tech giants. China, the US' main rival in the technology race, is now considering tightening export controls on its AI and semiconductor technologies, in order to keep leading-edge AI developments within its jurisdiction.

Beyond trade, **energy markets were the center of attention**, following renewed escalation in the Middle East. The US broadened the scope of its airstrikes and Iran-allied Houthis implemented a maritime blockade in the Bab-el-Mandeb Strait, causing **Brent to rise above $100/barrel** once more. It had, however, fallen below $90 again on Monday morning, after a third night where the US and Iran refrained from attacks on one another. Still, the situation in the Strait of Hormuz remains strained, and vessels that do not have permission from Iran to transit the strategic waterway, might risk being targeted.

Amid these geopolitical concerns, as well as questions about the ROI of heavy AI investments, most US equity markets finished the week lower. In contrast, European stocks – particularly on the German index - managed to finish slightly higher on sturdy corporate earnings.

	Friday Close	5 Day Percentage Change	MTD Percentage Change	YTD Percentage Change
S&P 500	7411,98	-0,61	-1,17	8,28
Nasdaq Composite	24975,82	-2,13	-4,72	7,46
EuroStoxx 50	6280,94	2,11	0,49	9,80
CAC40	8372,28	1,11	0,34	3,48
DAX	25099	2,55	1,94	4,05
CSI 300	4649,192	2,26	-5,56	1,57
US 10 Year Yield (%)	4,6771	0,93	3,79	11,22
Germany 10 Year Yield (%)	3,172	-0,54	9,55	9,74
Gold Spot ($/Oz)	4052,79	2,17	2,17	-5,19

Source: Bloomberg, BIL as of 27 July 2026

MACRO SNAPSHOT

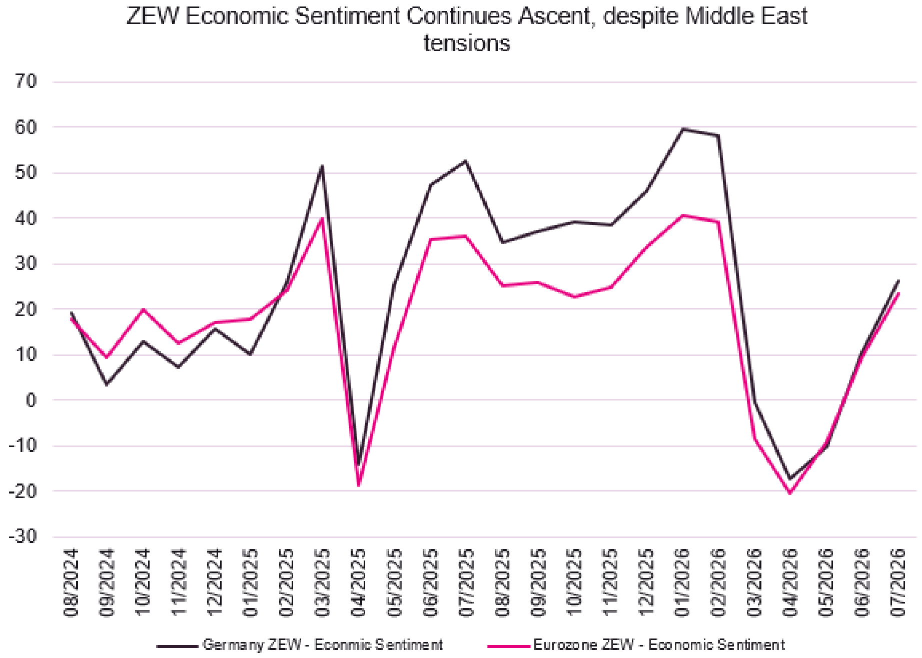
ECB keeps rates on hold after June's surprise hike

The European Central Bank left its three key interest rates unchanged on Thursday, keeping the **deposit rate at 2.25%**. The decision was widely expected and caused little movement in markets. It came just six weeks after the ECB raised rates by a quarter point in June, its first increase in almost three years, a move prompted by the jump in energy prices that followed the escalation of the war in the Middle East. Since then, the picture has improved a little: eurozone inflation slowed to 2.8% in June from 3.2% in May, the first decline this year, while core inflation (which excludes volatile categories such as food and energy) eased to 2.4%. President Christine Lagarde kept to a cautious message, repeating that the Governing Council will decide meeting by meeting, will stay guided by the incoming data, and is **not committing to any particular path for rates**. Energy prices remain volatile and sit well above pre-conflict levels, but the ECB judged them to be broadly in line with the assumptions behind its June projections. In short, having acted in June, policymakers appear content to wait and see how the energy shock and their earlier rate rise feed through to the economy. For now, the main question is no longer whether the ECB will start cutting, but whether renewed pressure from energy prices could push it to tighten again later in the year.

Investor sentiment brightens in Germany and the euro area

Germany's ZEW Indicator of Economic Sentiment rose to 26.3 in July, up from 10.5 in June and well above forecasts of 18, reaching its highest level since February, before the Middle East conflict weighted on global confidence. The improvement suggests that the government`s reform package is beginning to bolster the outlook. The report also revealed stronger expectations for export-oriented industries and resilient domestic demand, although the conflict in Iran and higher oil prices pose a risk to the recovery.

Sentiment across the wider euro area improved as well: the indicator climbed to 23.4 in July, up from 9.5 in June and well above expectations of around 11, extending a sharp recovery from the April low. Still, the recovery rests on fragile ground; renewed tensions or a prolonged disruption in the Strait of Hormuz could quickly reverse these gains. 64% of analysts expected stable activity, while 29.7% anticipated an improvement and 6.3% expected conditions to worsen.



Source: Bloomberg, BIL

Private sector activity rebounds on both sides of the Atlantic

PMI data was on the same page as the ZEW findings. Business activity in the eurozone picked up more than expected at the start of the third quarter, with the flash composite PMI, an early read on private-sector output across manufacturing and services, rising to **51.6 in July, a five-month high**, comfortably above the 50 mark that separates growth from contraction. The reading beat expectations, as economists had looked for a figure close to 50, and it was led by a strong month for **manufacturing, where output grew at its fastest pace since 2022.** Encouragingly, **Germany returned to growth** after three months of contraction, with its composite index climbing to 51.2 from 49.5. Taken as a whole, the survey points to the eurozone economy expanding at a modest quarterly pace of around 0.3%, a welcome sign after a largely stagnant second quarter, although the recent flare-up in energy prices leaves the recovery far from assured.

The **US** Composite PMI also accelerated in July, reaching **53.6**, up from 51.9 in June, and its **highest level since November**. Growth was driven by the services sector, where business activity accelerated to an 8-month high, in part thanks to temporary factors such as the FIFA World Cup, as well as celebrations marking the 250th birthday of the US. Manufacturing output continued to expand but at a much slower pace, with factories reporting the weakest increases in production since March. Inflation remains a red flag: input costs accelerated to a 14-month high and selling price inflation approached a 4-year peak.

This PMI was the last major reading on activity before the Federal Reserve's meeting on 29 July.

CALENDAR FOR THE WEEK AHEAD

Monday – Eurozone M3 Money Supply. Germany IFO Business Climate. US Durable Goods Orders.

Tuesday – France Consumer Confidence and Jobseekers data. Spain Unemployment and Retail Sales. US House Price Index, Conference Board Consumer Confidence.

Wednesday – **US Federal Reserve Monetary Policy Meeting.**

Thursday – Japan Consumer Confidence. Eurozone GDP Growth (Preliminary, Q2). Spain Inflation (Preliminary, July) and Business Confidence. Bank of England Monetary Policy Committee. Germany Inflation (Preliminary, July). US Personal Income and Spending (June), GDP Growth (Preliminary, Q2), PCE Index (June), Weekly Jobless Claims.

Friday – China NBS PMI (July). Bank of Japan Monetary Policy Meeting. France Inflation (Preliminary, July). Germany Unemployment Rate (July). Eurozone Inflation (Flash, July). Michigan Consumer Sentiment (Final, July).

Sunday – OPEC and Non-OPEC Ministerial Meeting

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