

# MONTHLY REVIEW

## MACRO

The US PMI indicators for July show that economic activity remains sustained, despite the uncertainty. The composite index stands at 54.6. Importantly, the services sector surprised by its strength, with a score of 55.2 versus the 53 expected. For several weeks, the US economy has shown greater resilience than anticipated. The data published at the end of this month confirms the recovery that began after the April trough, following the "Liberation Day" on customs tariffs. Second-quarter growth reached 3%, compared to 2.4% forecasted, illustrating the strong momentum in the United States. In comparison, European growth remains modest at only 0.1%.

The saga of customs duties seems to be coming to an end with a decisive agreement between Washington and Brussels. This agreement, similar to the model concluded with Japan, establishes a 15% tariff on European exports to the United States (including automobiles, excluding the pharmaceutical sector, with steel and aluminum still taxed at 50%). These tariffs ultimately correspond to the pre-Trump rate of 4.8% and the 10% initially added by Trump. In exchange for this relief, the EU commits to new purchases of American energy products (\$750 billion), to invest \$600 billion in the United States, and to increase its orders of military equipment. Additionally, the EU is fully opening its market to certain American products. The agreement with Japan is very similar and provides for an investment of \$550 billion in the United States and customs duties of 15% on Japanese imports, lower than the previously feared 25%.

At the time of writing, Switzerland and the United States have not reached an agreement. As a result, Switzerland will be taxed at 39%, the highest rate in Europe. The US president has also announced increases in customs duties for dozens of countries. These surcharges will take effect on August 7, and not August 1 as initially expected.

On the markets, quarterly results remain mixed in Europe, holding back their progress. In the United States, nearly 35% of companies have already reported their results: the outlook is positive, with strong earnings. Wall Street continues to set new records, driven by renewed optimism around economic growth and investments in artificial intelligence.

## OUTLOOK

After having maintained a largely invested exposure in recent months, we have recently taken profits at the levels reached by the markets, especially in the United States, returning to a near-neutral position on equities. We remain invested in assets but are consolidating the performance achieved since the beginning of the year, particularly in April and May.

Our outlook remains unchanged: we remain attentive to the international environment, which is still marked by persistent uncertainties, whether related to trade tensions, geopolitical risks, or weaknesses observed in certain value chains. In this context, favoring a flexible allocation and increasing our liquidity seems sensible to us, in order to preserve agility and take advantage, if appropriate, of new investment opportunities in the equity markets.

## EQUITY MARKETS

Another month of market appreciation, benefiting both growth and value stocks, as well as large and small caps. During July, all sectors—except for consumer staples—posted gains, led by technology and industrials. In Europe, the best-performing sector remains financials, followed by defense, while the weakest sector this month is technology. In the United States, we observe the opposite, with the market driven by technology stocks.

Meta and Microsoft are recording strong growth thanks to online advertising and cloud services. ABB continues to make progress in electrification. Conversely, Nestlé remains penalized by a challenging economic environment and internal challenges. Hermès has seen sales rise, particularly in Asia, but its profit has declined due to unfavorable tax conditions, highlighting the persistent fragility in the luxury sector. American banks are reporting record share buybacks, confirming their solidity. Visa is benefiting from strong consumer spending in the United States.

July performance: CAC40 1.38% (YTD 5.30%), SMI -0.72% (YTD 2.03%), Stoxx600 0.88% (YTD 7.58%), Nasdaq 3.70% (YTD 9.38%), S&P500 2.17% (YTD 7.78%), Hang Seng 2.91% (YTD 22.17%), Topix 3.16% (YTD 5.88%).

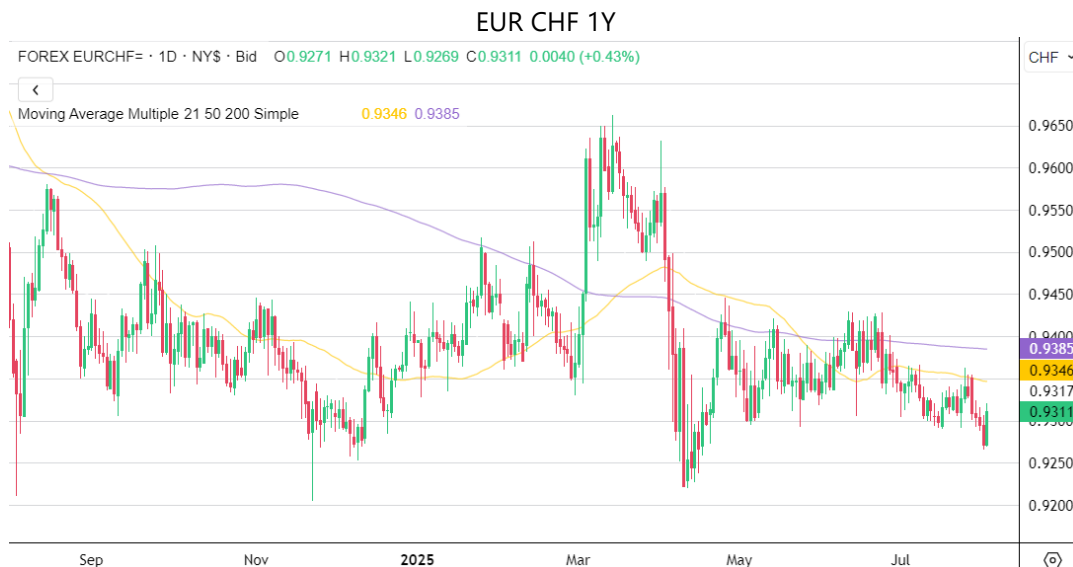


## FOREIGN EXCHANGE MARKET

The dollar strengthened significantly at the end of the month, rising by 2.5% after the conclusion of negotiations with Europe and Japan. This rapid rebound is mainly explained by the unwinding of hedging positions on the US currency. Fundamentally, these agreements pave the way for substantial investments from Japan and the European Union in the United States, which directly supports demand for the dollar. Going forward, the actual scale of these investments remains to be confirmed.



The Swiss franc remains firm against the euro, continuing its steady appreciation. This trend persists after a June/July period of low volatility in foreign exchange markets. The lack of recovery in eurozone growth offers no support to the European currency, thus contributing to the franc's strength.



## BOND MARKET

The ECB kept its key interest rate unchanged at 2% in July, as inflation is now considered to be under control. However, projections indicate a possible reduction by the end of the year, with a target to bring the rate down to 1.75%. This decision is also explained by the persistently sluggish economic growth in the euro area, which pushes the ECB to keep the door open for more flexibility.

For its part, the Fed also opted to maintain its rates at the end of the month, a decision fully anticipated by the markets. This policy decision may again draw criticism from Donald Trump, who has been actively urging Jerome Powell for a cut of 25 or 50 basis points to further stimulate the US economy. It is also worth noting rising internal tensions within the FOMC: for the first time, two members voted against the decision, preferring a 25bp rate cut, which highlights growing divergences over the central bank's future strategy.



## COMMODITIES

Among commodities, gold, stable through the month, remains the best-performing asset class this year. Other commodities were generally stable in July and oil reduced its losses. Note that OPEC is shifting towards a market-share strategy and is aiming to reduce American production since crude is more expensive to extract. The next meeting in August should confirm a further increase in supply. At the end of July, oil began a gradual recovery after an early summer marked by volatility and downward pressure. Brent stabilized around \$73 per barrel.



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