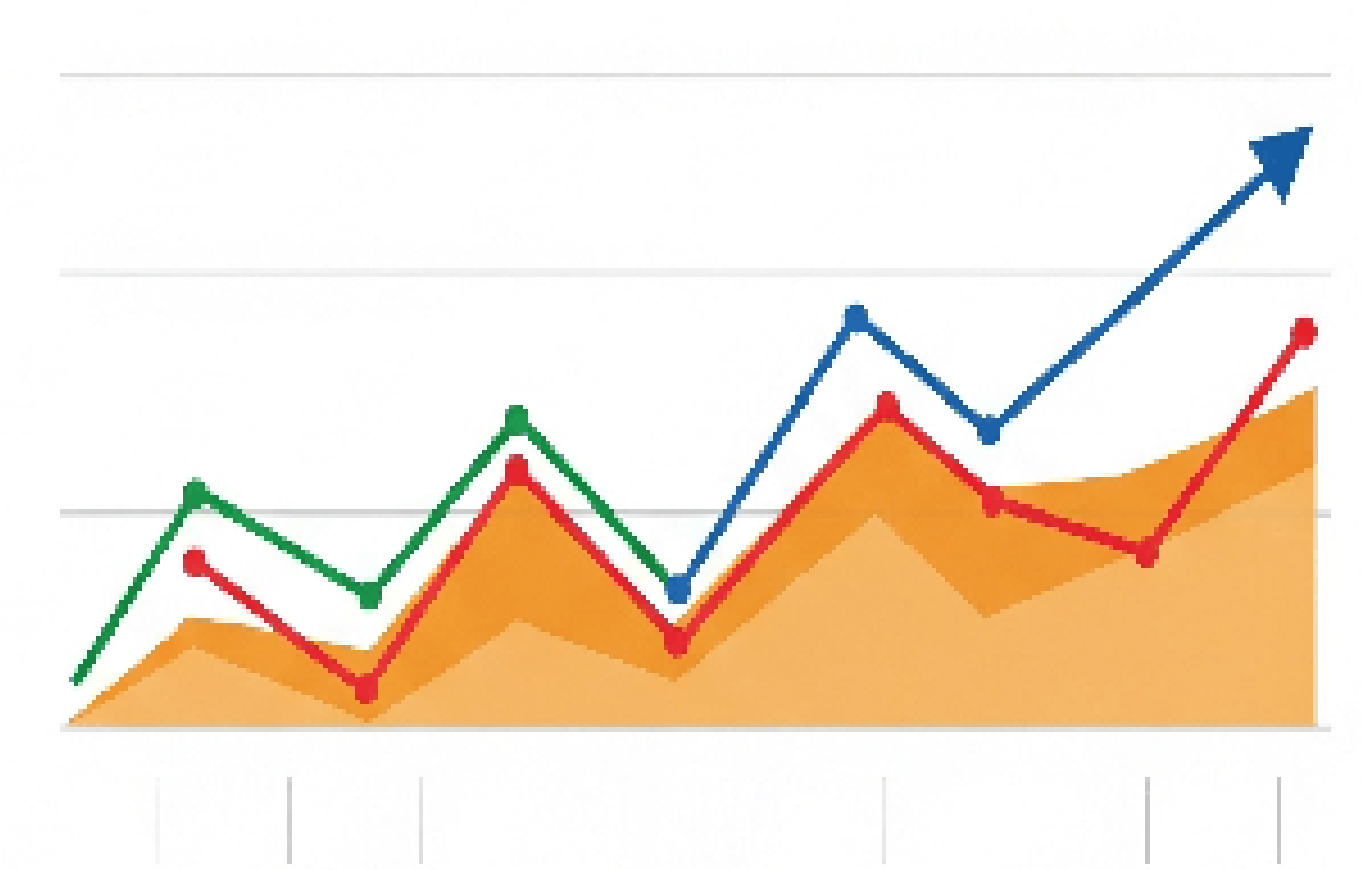


Strong Earnings Calm Inflation Fears

Markets finished the week on solid footing. The S&P 500 and Nasdaq both hit fresh highs, supported by strong corporate earnings and broadly positive economic data. Chinese equities also performed well despite its well-known structural challenges. Nvidia jumped after receiving US clearance to sell AI chips to China, while results from banks, airlines and consumer names surprised to the upside.

In fixed income, corporate bonds outperformed government debt, while short-term US yields dipped briefly after rumours that Trump might fire Fed Chair Powell.

US inflation for June rose slightly ahead of expectations, as the impact from tariffs is beginning to show in sectors where products are mostly imported. While more tariff-related price hikes are likely, a slowing labour market may remove some pressure, with services inflation still on a downtrend.

Impact: Bond markets have priced out some of the previously expected cuts, and longer-dated yields are moving back toward recent highs. This may add short-term pressure to rate-sensitive parts of portfolios.

Nvidia shares climbed after the Trump administration relaxed restrictions on exports to China, leading the Nasdaq to a new all-time high. JPMorgan and Citigroup both beat expectations, and results from PepsiCo, United Airlines, and Netflix also came in ahead of forecasts.

Impact: Strong earnings helped reinforce confidence in the growth outlook, despite sticky inflation and ongoing trade tensions. Positive surprises from both banks and consumer-facing firms point to resilience in spending and credit demand.

Reports midweek that President Trump was planning to fire Federal Reserve Chair Jerome Powell briefly weighed on stocks. Markets recovered after Trump later denied the rumour.

Impact: Investors are increasingly used to political noise, but this episode reminded markets that central bank independence could become a campaign topic. Any hint of Fed interference would likely increase volatility in rates and currencies.

China's GDP rose 5.2% in Q2, slightly slower than Q1 but ahead of forecasts. However, home prices and sales continue to slide, while factory deflation and weakness in retail sales also remain unresolved.

Impact: The growth beat may delay further stimulus, but weakness in property and exports, as well as deflationary pressure, points to ongoing fragility. Chinese and broader emerging market assets remain sensitive to any shift in Beijing's policy stance or renewed US trade pressure.

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