

Tariffs, Debt, and No Fear

The trade outlook remains murky as the US tariff pause expires on 9 July. Letters have gone out to key partners, with a new twist: BRICS-aligned countries may face an extra 10% tariff. New rates would kick in Monday, with more to follow from 1 August unless deals are struck. So far, only vague frameworks with China and the UK, and a firmer deal with Vietnam.

The US is back in hardball mode, but markets seem numb to Trump's threats and reversals as stocks keep pushing to record highs.

Trump has signed his controversial 'Big Beautiful Bill' into law after a narrow vote in Congress. Critics say it slashes healthcare access for low-income families and adds over $3 trillion to US debt.

Impact: Like most large tax cuts, it could boost short-term spending and corporate earnings. But the longer-term risks are serious—higher borrowing costs, more inflation, and potentially a hit to investor confidence in US assets.

The US jobs report was stronger-than-expected, and unemployment declined. However, most job gains were concentrated in government, education, and healthcare—whereas private sector dynamics are showing signs of softening.

Impact: At face value, this report was seen as strong, and investors have ruled out an interest rate cut at the next Fed meeting. This resulted in a spike in bond yields, especially those with shorter maturities. Higher yields mean lower bond prices.

Oil prices rose on Monday despite OPEC+ announcing a bigger-than-expected output hike for August. Market confidence in demand is holding firm, helped by Saudi Arabia raising prices for Asian buyers.

Impact: Firm oil prices may support UK equities but also risk reigniting inflation. Trade tensions and incoming tariffs remain a key threat to global oil demand.

The EU wants China to commit to deeper emissions cuts before signing a joint climate pledge setting new 2035 targets. While China leads in clean energy rollouts, its coal dependence keeps it the world's biggest emitter.

Impact: With the US sidelined after Trump's Paris Agreement withdrawal, EU-China cooperation could shape global rules for green tech and energy transition. If talks fail, China may align with countries less focused on climate action—risking a fragmented regulatory landscape.

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