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AZIMUT GLOBAL VIEW

28.07.25

Main Events

EU GDP	FOMC	EU CPI	US NON-FARM PAYROLLS
After being boosted by US frontloaded imports in the first quarter, European GDP may have stalled in the second quarter	No cuts are expected, but any signs of division within the FOMC or hints of a rate cut anytime soon could have a major impact on the markets	Headline inflation is projected to fall below the ECB's 2% target	Any deviation from the forecasted value may cause significant swing in rates
30.09	30.07	01.08	01.08

Azimut Global Network

- Milan
- Abu Dhabi
- Austin
- Cairo
- Dubai
- Dublin
- Estoril
- Geneva
- Hong Kong
- Istanbul
- Lugano
- Luxembourg
- Mexico City
- Miami
- Monaco
- New York
- Rabat
- Santiago
- São Paulo
- Shanghai
- Singapore
- St Louis
- Sydney
- Taipei

TOWARDS MORE CLARITY

- **Trade deals with two of the US's main trading partners, Europe and Japan, were reached shortly before the new tariffs scheduled for August 1 came into effect, resolving one of the major uncertainties still weighing on financial markets**
- **This week, a slew of macro data—including GDP, PCE, employment—and the Fed meeting, will provide further clarity on the outlook for financial markets in the short to medium term**
- **The earnings season will peak this week, with four of the Magnificent Seven companies releasing their quarterly results. AI investments remain a key focus for investors**

In the end, Trump secured victories across the board. Career politicians around the world have demonstrated their incompetence in dealing with someone from the business world. Clearly, none of them have read Sun Tzu's The Art of War, which states that in a confrontation, it is essential to know your enemy.

Trump's negotiating tactic is well known: launch a frontal attack with extreme threats to intimidate his counterpart into submission. Once that fear is instilled, even minor concessions afterward appear like major victories. That's exactly what happened.

Not only smaller countries, but also the most important US trading partners—those with the most leverage in theory—ultimately bowed to all of Trump's demands.

The agreement with Japan was concluded after Trump threatened a 25% tariff, just as the Japanese prime minister was politically weakened by a recent election defeat. Ursula von der Leyen, too, was clearly intimidated by Trump's floated threat of 50% tariffs the previous month. Even though both deals were presented as wins by their respective leaders, these "agreements" amount to a complete surrender to the United States. Europe and Japan have agreed to accept 15% tariffs on all exports, make huge investments in the US, and remove all tariffs on US imports—offering only concessions, with nothing in return.

(continued)

Not only that—during the press conferences following the agreements, Trump emphasized that sector-specific tariffs on semiconductors, consumer electronics, and pharmaceuticals would soon be announced, in addition to the existing 15% rate. In other words, Europe and Japan not only agreed to a deeply unbalanced deal, but did so fully aware that the terms would further deteriorate immediately after.

For financial markets, the implications are relatively straightforward. The conclusion of these agreements removes a major overhang on investor sentiment, which is clearly supportive of risk assets. Geographically, while in April markets viewed the tariffs primarily as a US-specific risk—with the dollar and US equities underperforming—this dynamic has now reversed. The surrender of key trading partners enhances the relative position of the US. The dollar could see a short-term rebound, particularly versus the euro and yen, while US equities may continue to outperform other developed markets, which now face increased exposure to slower growth or margin compression.

That said, this week is packed with events that could have a significant impact on the markets.

Starting with macroeconomic data, GDP numbers for Europe and the U.S. will be released. Both will be affected by the distortion in imports/exports caused by the U.S. frontloading of imports before April 2. Thus, while the U.S. GDP was negatively affected, and European GDP benefited from the aforementioned frontloading in Q1, the opposite is expected to occur in Q2: European GDP is expected to remain unchanged QoQ, while US GDP could rebound to +2.5% annualized.

We will also have a slew of US employment data: JOLTS job openings, ADP, Challenger job cuts, and most importantly, non-farm payrolls. These will provide a clearer picture of labor market resilience, especially after recent signs of softening. We'll also get PCE and core PCE data, the Fed's preferred inflation metrics.

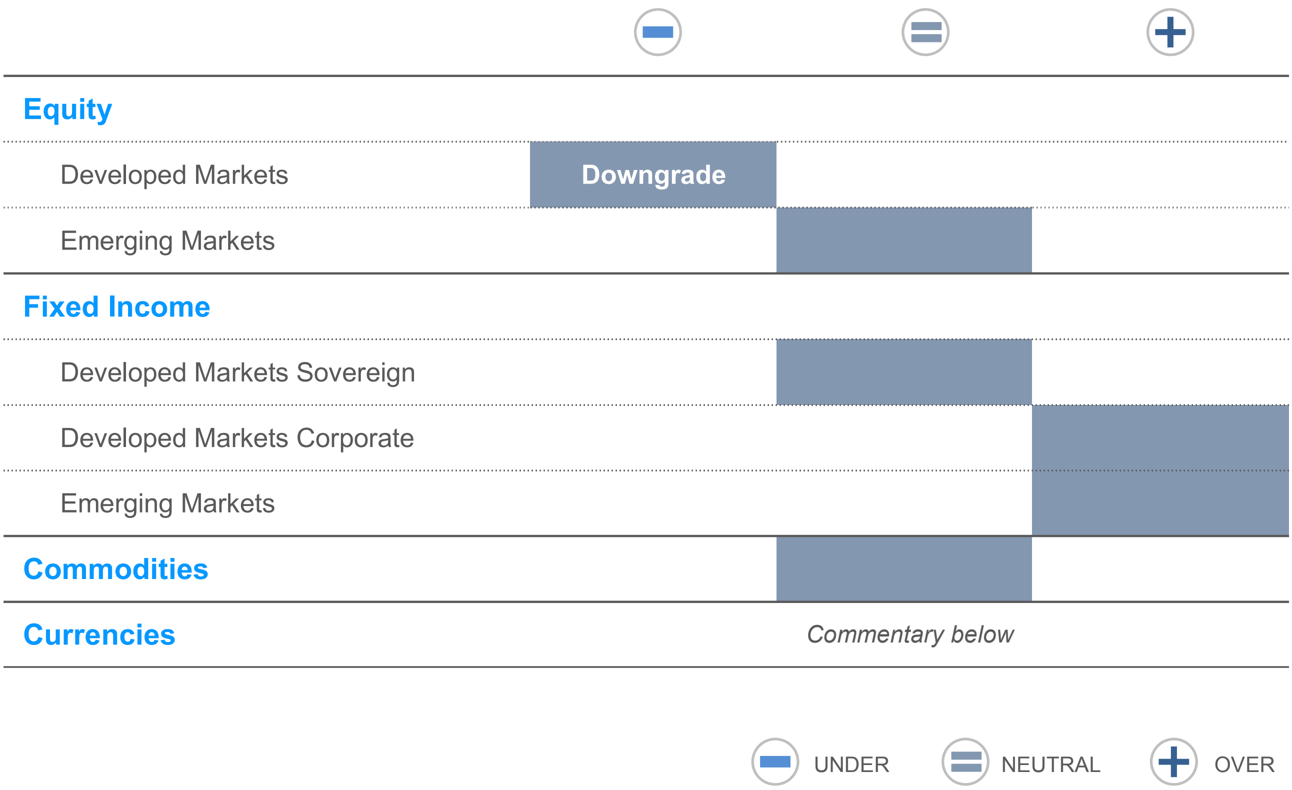
All of this data could trigger large swings in financial markets, particularly in market rates. The best-case scenario is that the various economic indicators align with consensus, confirming a picture of moderate but steady growth. If, instead, the data point to more resilient growth and/or more persistent inflation, the market would be forced to revise downward its expectations for Fed rate cuts starting in September. In this case, the long end of the US curve would likely be the hardest hit, as it would have to price in stronger growth. Higher nominal and real rates could then put pressure on stocks, but the effects are likely to be limited, as equity markets will be supported by expectations of higher earnings. Conversely, if the data point to a slowdown, further cuts will likely be priced in. As curves typically steepen during rate-cut cycles, the long end of the US curve would again be the least favored. Moreover, the equity market could react more negatively than in the other scenario, as investors do not currently seem to be pricing in any significant risk of a slowdown.

Finally, in the last two days of the month, four of the Mag 7—Microsoft, Meta, Amazon, and Apple—will release their quarterly results. So far, the reporting season has seen higher beat rates than in the past, with 80% of S&P 500 companies reporting both a positive EPS surprise and a positive revenue surprise. However, this is largely because expectations had been revised down more than usual in prior months, resulting in a year-over-year earnings growth rate of 6.4% for the S&P 500. If 6.4% holds, it would mark the lowest earnings growth rate reported by the index since Q1 2024 (5.8%).

The four big tech companies set to report this week are expected to continue exceeding forecasts on both earnings and revenue, reinforcing that investment in artificial intelligence remains strong. However, the whispered numbers are higher than the official consensus, leaving these stocks vulnerable to potential corrections if results merely meet expectations—especially considering how overbought they are after the recent rally. By contrast, any material beat would likely reinforce their dominance over the rest of the market.

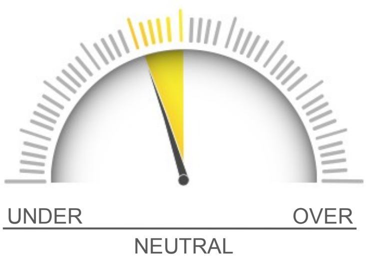
All things considered, it seems appropriate to tactically reduce portfolio risk as we enter August—both in light of typically unfavorable seasonality and to stay positioned to re-accumulate on any meaningful correction, should one materialize—since the mid-term outlook remains supportive for risk assets

Asset Allocation View



Equity

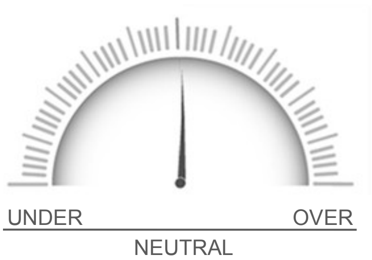
Developed Markets



We have lowered our recommendation on Developed Market Equities to **Slightly Underweight**. The relentless rally that began in April has pushed equity markets into overbought territory, particularly in the U.S., making them vulnerable to physiological corrections. This week is packed with macroeconomic indicators, corporate earnings, and central bank meetings, which could trigger volatility. In addition, August tends to be a month prone to episodic corrections. It therefore seems appropriate to reduce exposure to equity markets for the time being. In the medium to long term, however, the outlook for equities remains positive.

US **Europe** **Japan**

Emerging Markets

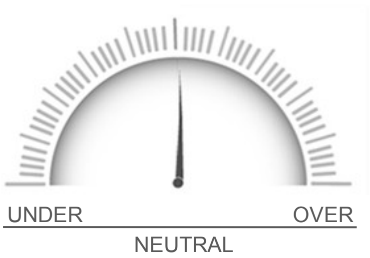


We have kept our **Neutral** recommendation on Emerging Market Equities. Emerging countries, like developed ones, have also seen a strong rally in recent weeks, thanks also to the dollar's weakness. However, valuations continue to remain at deep discount versus developed markets, supporting the relatively better recommendation.

Asia ex-Japan **EEMEA** **LATAM**

Fixed Income

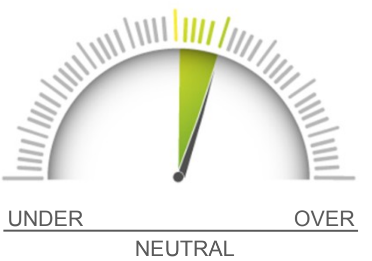
Developed Markets Sovereign



We have maintained our **Neutral** recommendation on Developed Markets Sovereign Bonds. A growing number of committee members believe there is a risk of further steepening in the yield curves, particularly in the United States. This reflects the possibility that central banks—including the Fed—may begin lowering interest rates, while the economy either continues to show signs of resilience (as in the US) or faces renewed fiscal slippage. Within a neutral recommendation, we therefore continue to favor the short to medium-long segments of the curve, while remaining cautious on the very long ends.

EU Core	=	**EU Periphery**	=	**US Treasury**	=	**Japanese JGB**	=

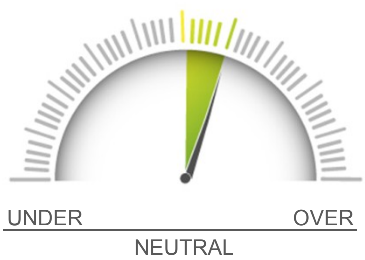
Developed Markets Corporate



We have maintained our **Slightly Overweight** recommendation on Developed Market Corporates. Demand for credit remains strong, and until clearer signs of an economic slowdown emerge, remaining underexposed would not be advisable—despite spreads being relatively tight. We continue to favour investment-grade bonds over high-yield bonds.

IG Europe	+	**IG US**	+	**HY Europe**	−	**HY US**	−

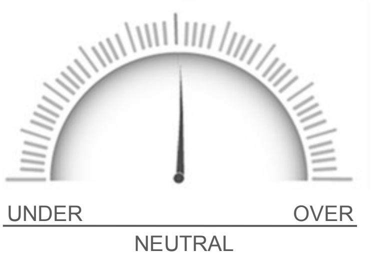
Emerging Markets



We have maintained our **Slightly Overweight** recommendation on Emerging Market Bonds. The rapid narrowing of spreads on developed market bonds makes emerging market bond spreads relatively more attractive than similarly rated bonds issued by developed markets. Additionally, the continued diversification away from U.S. assets by international investors could further support capital flows into emerging markets.

Local Currency	=	**Hard Currency IG**	=	**Hard Currency HY**	=

Commodities



We have maintained our **Neutral** recommendation on Commodities. Among commodities, precious metals could still be vulnerable to a retracement after sharp gains in recent months, particularly if the U.S. dollar manages to stage at least a temporary rebound. However, in the long term, demand for precious metals should remain solid—supported by a potentially weaker dollar and ongoing concerns about fiscal slippage in public finances globally. Caution is still warranted for cyclical commodities.

Precious	=	**Energy**	=	**Industrial**	=	**Agricultural**	=

Currencies

The Committee has further upgraded its recommendation for the U.S. Dollar **Neutral with a bullish bias**. Trade agreements signed with Japan and Europe have removed much of the uncertainty that had been hanging over the market and weighing on the dollar in recent months. Now that the situation regarding tariffs is becoming clearer, the dollar could benefit in the short term and stage a rebound. On a longer-term basis, however, we remain cautious about the dollar.

The Committee has reduced its recommendation on the Euro to **Neutral with a bearish bias**. The agreement reached by Ursula von der Leyen is a kind of subjugation of Europe to the United States, and this could create a pretext for a temporary weakening of the euro.

We have maintained our **Neutral** stance on the **Chinese Renminbi**, awaiting more clarity on the outcome of the ongoing trade negotiations with the United States.

The outlook for other **emerging market currencies** has been confirmed as **Neutral with a bullish bias**. The massive YTD outperformance of emerging debt strategies has been gaining momentum among investors, despite the uncertainties still surrounding trade relationships.

Euro	USD	CNY	Other EM
=	=	=	+