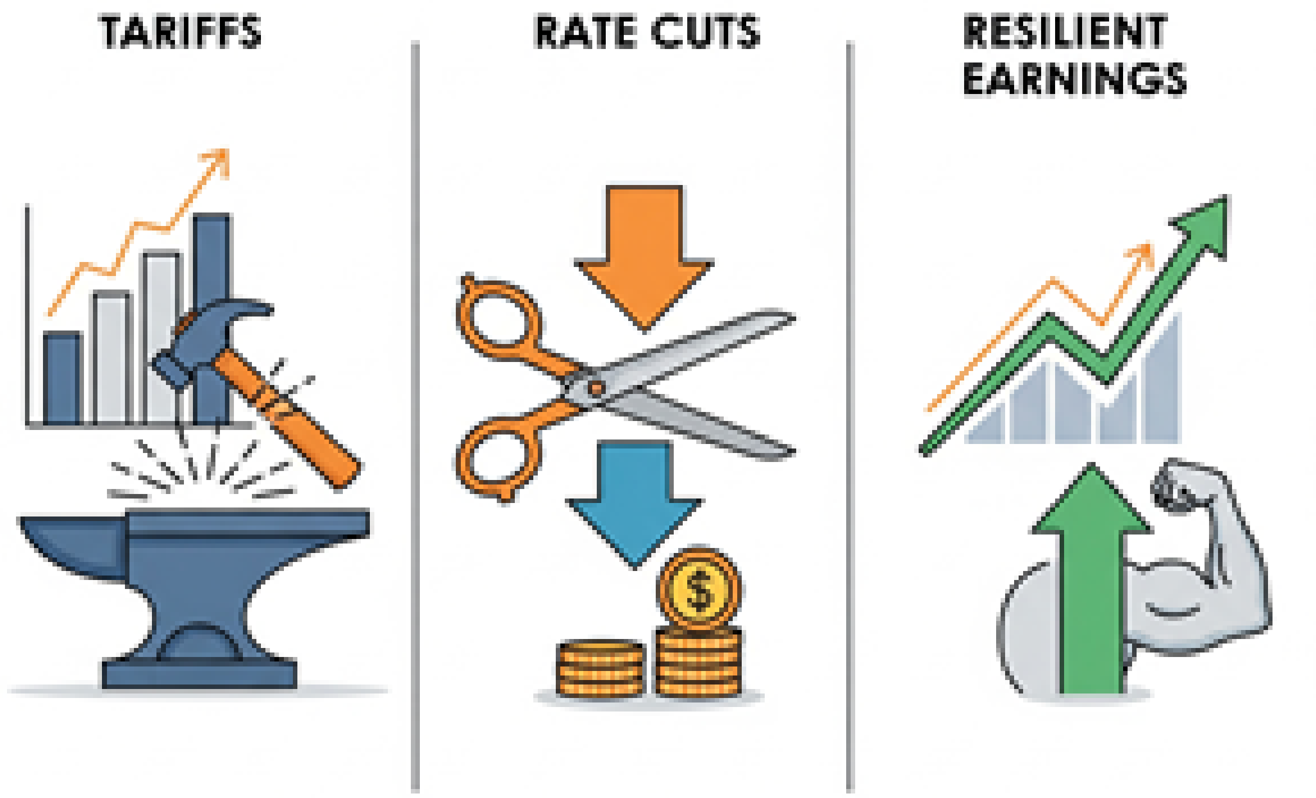

Tariffs, Rate Cuts, and Resilient Earnings Shape the Week

What happened:
European companies posted modest 3.1% earnings growth in Q2, led by financials (+11.4%) and healthcare (+15.4%). However, export-reliant sectors were hit by a 12% euro appreciation. Tariff concerns also weighed on consumer-focused segments.
Overall Impact:
Despite currency pressures, earnings resilience underscores underlying strength. Market confidence may remain supported—particularly in financials and healthcare—while exporters need hedging strategies to mitigate FX impacts.

What happened:
The U.S. imposed steep tariffs—15% on EU, up to 39% on Swiss goods—on August 7. This revived global trade tensions and pressured multiple sectors. Concurrently, gold futures surged ~1.3% on news of a 39% tariff on one-kilo bars, though Trump has since backtracked on the idea.
Overall Impact:

Heightened protectionism injects fresh uncertainty into trade-dependent markets, especially in Europe. While fleeting strength in gold offers a safe-haven outlet, prolonged tension risk could disrupt supply chains and deepen risk aversion.

What happened:
The Bank of England delivered a surprise 25bp rate cut—to 4%—on August 8, after a rare live vote. This stemmed from stagflation risks. Simultaneously, markets pulled back on oil and gold due to eased geopolitical fears tied to Ukraine peace talks.
Overall Impact:
A more dovish BoE offers relief for UK debt markets and sectors sensitive to rates. Reduced geopolitical risk further stabilises markets. That said, inflation dynamics—especially energy-related—must be monitored closely for policy responsiveness.

What happened:
European benchmarks remained flat on Monday as markets awaited U.S. inflation data and a Trump–Putin summit on Ukraine. Defense stocks dropped sharply, while Ørsted fell after a $9.4 bn rights issue tied to U.S. wind market setbacks.
Overall Impact:
Investor caution prevails ahead of important geopolitical and economic catalysts. Defensive sectors remain under pressure, and capital may rotate into areas of policy clarity or earnings visibility.

What happened:
BlackRock, Vanguard, and JPMorgan now oversee $4.9 trillion in European and UK assets—highlighting a growing dominance of U.S. firms in the regional asset management landscape.
Overall Impact:
Heavy U.S. presence may affect flows, fee structures, and investment styles in Europe. This could drive consolidation among European managers or push them toward differentiation, especially through active strategies or niche mandates.

Want to discuss how this impacts your clients?

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