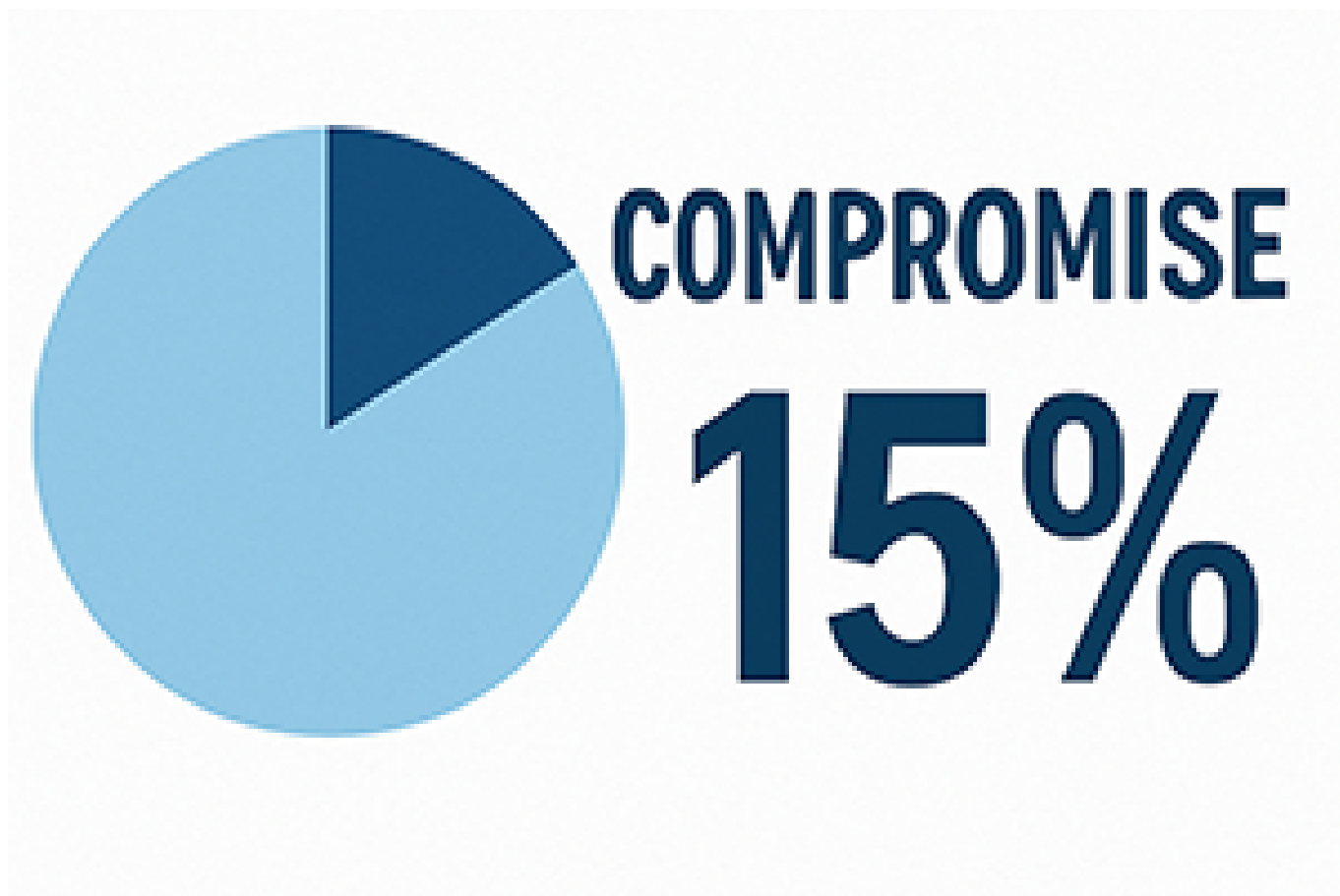




The 15% Compromise

Markets started the week on a positive note after a well-received EU–US trade deal helped avert a potential trade war between two of the world’s largest trading partners. Meanwhile, AI-driven optimism continues to fuel growth expectations, with projected AI-related spending climbing by hundreds of billions since January.

Global equities extended their rally, and bonds posted modest gains.

The EU–US agreement still includes a 15% tariff on key European exports—such as cars, semiconductors, and pharmaceuticals—which effectively raises costs for US companies and consumers. But compared to earlier threats of 30% tariffs, markets have treated this as a relief. As part of the deal, the EU has agreed to increase imports of US energy and defence goods, while American goods will enter the EU tariff-free.

Impact: European equities rallied as the deal removed a cloud of uncertainty. Still, some exporters in Europe are asking what exactly there is to celebrate. Meanwhile, Trump may claim a ‘headline victory’, but the EU is known for using regulation and quality standards as de facto trade barriers—something US

exporters may still face.

In the US, tech earnings continue to dominate. The Magnificent Seven are expected to post average Q2 growth of up to 14%, compared to just 3% for the rest of the market.

Impact: This once again highlights the gap between economic data and market performance—where a handful of companies are doing all the heavy lifting.

With the EU–US deal now behind us, investor attention may shift back to China. Trump has already begun softening the ground for a new agreement by pausing export controls on sensitive technologies—such as Nvidia’s H20 AI chip—which critics say could aid China’s military and undermine US national security.

Impact: Overlooking national security concerns may continue to support equities, given the dominance of US tech and the market’s reliance on their earnings growth.

Elsewhere, analysts are flagging Russia’s growing dependence on external military suppliers—including ammunition from North Korea and defence components from China. Logistics data shows that Russia’s arms shipments from domestic storage have returned to pre-invasion levels, suggesting that Cold War-era stockpiles are running low.

Impact: A weakening of Russia’s self-reliance raises the risk of deeper geopolitical ties with China—which in turn could trigger secondary sanctions targeting countries that support Russia, rather than Russia itself.

Want to discuss how this impacts your clients?

Contact **Eric Silvestre**

+34 651 86 08 36

eric.silvestre@tameurope.com

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