



Article **MARKET COMMENTARY**

Weekly round-up: 7-11 July

Tom Watts recaps the past week's events and looks ahead to the next.

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This Week

With Oasis finally returning to the stage after 16 years, it's time to zip that cagoule all the way up to the top (despite the heat) as financial markets drew more than a few comparisons to the tempestuous Gallagher brothers this week.

With financial markets having thrown a tantrum of rock star proportions after Trump's sweeping "Liberation Day" tariffs back in April, it seems that much like the two brothers, serenity has taken hold for the time being. This was despite yet more tariff news over the last few days, as news broke on Monday that Trump will introduce 25% tariffs on goods *All Around the World*, from Japan and South Korea, whilst targeting the "anti-American policies" of the BRICS group of nations (Brazil, Russia, India, China and South Africa), with Brazil facing 50% duties.

Indeed, Trump went *Supersonic* in his threats as the week went on, announcing a 50% tariff on all copper coming into the US. "America will, once again, build a DOMINANT Copper Industry," Trump wrote on his social media.

Although copper futures jumped more than 12% to a record high after the news, it seems investors have learned to just *Roll With It* these days, with global markets grinding higher in the aftermath.

Nowhere was this exemplified more than with technology behemoth, Nvidia, the world's largest listed company. The producer of graphics cards and AI processors briefly reached a market capitalisation of \$4 trillion this week making it the first company in the world to reach the milestone, solidifying its position as a true tech darling that could well *Live Forever* as AI technology progresses.

Much like Noel Gallagher, it was the US Federal Reserve that wanted to *Talk Tonight*, releasing the minutes from their last meeting on Wednesday evening. The notes showed that only "a couple" of officials said they felt interest rates could be reduced as soon as this month, with most wanting to monitor more data to judge whether tariffs were having an inflationary effect.

With the US labour market slowing but not imploding, it seems the Fed is in no rush to cut rates, ensuring they *Don't Look Back in Anger*, if it transpires that they moved too fast. However, markets are still predicting that we should see the central bank cut rates twice by 0.25% before the year is out.

Arguably the most important piece of economic data released this week was domestic Gross Domestic Product (GDP), the broadest measurement of a country's economic health. Released at 7am on Friday, it definitely wasn't a case of *(What's the Story) Morning Glory*, as the data showed that the UK economy unexpectedly shrank for a second month running in May, falling by 0.1% when expectations were for the opposite.

The fall in economic output was mainly driven by a drop in manufacturing, while retail sales were also regarded as "very weak". Car manufacturing and the pharmaceutical industry also acted as drags on the economy over the month.

The latest reading poses a risk to any expectations that the economy would grow in the second quarter of 2025, after a surge earlier in the year. The data did also increase expectations that the government may be forced to raise taxes later in the year despite vowing not to, but when it comes to promises from any government, you know what *Some Might Say*...

Next week

With the mercury rising in the thermometer this coming week, many on Threadneedle Street will be hoping the same is not true of the nation's inflation readings, set to be released on Wednesday.

The Consumer Price Index (CPI) acts as the broadest measurement of inflation passed onto the consumer for goods and services and acts as a vital tool for the Bank of England (BoE) to gauge the state of price rises here in the UK. Currently sitting above the central bank's 2% target on an annual basis, the BoE are forecasting inflation gradually sinking back from its current 3.4% level as the year progresses.

Having kept in their guidance of a “gradual and careful” approach when adopting future rate policy, the central bank will be hoping for a more subdued reading. Markets are still expecting two 0.25% rate cuts here in the UK by the end of the year and so next week’s data could be crucial in cementing such views.

This won’t be our only dealings with inflation this week, as the US releases its equivalent reading on Monday. With the US Federal Reserve having abstained from cutting rates for the entirety of this year, markets are also still expecting two 0.25% cuts to be saved for the final few months of this year. Much like here in the UK, it will all be about the bank’s future guidance and gauging when those moves may come.

The second half of the week will see no let up in the stream of economic data, with a plethora of UK labour data coming our way on Thursday. Covering not only the overall unemployment rate but also the average hourly earnings index, to see just how wages are changing, but also the claimant count change, measuring the number of individuals who filed for unemployment benefits for the first time during the past week, all coming together to form a comprehensive picture of the employment landscape.

The end of the week should also give us a better view on the US consumer, not only with the latest reading from the Consumer Sentiment Index but also retail sales figures, helping us to gauge what spending levels are like in the world’s largest economy.

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