



## GLOBAL MARKET SQUARE



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# Markets Begin the Week on a Cautious Note as the U.S.-EU Trade Pact Clears a Key Hurdle. A Word of Caution this trade deals should not be viewed as conclusive.

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by Francisco Rodríguez-Castro  
[frc@birlingcapital.com](mailto:frc@birlingcapital.com)

The U.S. and European stock markets opened the week with mixed results, with Wall Street initially buoyed by a new U.S.-EU trade agreement that eases tensions ahead of the August 1 tariff deadline. The deal, finalized over the weekend, imposes a 15% tariff on most European imports—down from the initially threatened 30%—and includes significant commitments: \$750 billion in U.S. energy purchases and \$600 billion in new U.S.-based investments from European firms.

While the market is largely priced in the deal following Friday's reports, investor sentiment remains constructive, especially as global trade tensions ease. The U.S. dollar strengthened sharply against the euro, reversing earlier-year losses as reduced geopolitical risk lends the greenback renewed appeal. Government bond yields are little changed as traders await the Federal Reserve's upcoming policy announcement.

### Trade Fog Lifts: Deal with EU, Reduce Risks, Clarify Path

Trade uncertainty has been 2025's dominant headwind, culminating in a sharp market selloff in April. But momentum toward resolution is accelerating. The new U.S.-EU pact aims to avoid escalation and introduces a more predictable tariff framework. At the center of Sunday's agreement is a 15% U.S. tariff on most European Union imports, a calculated outcome that reflects strategic restraint from key European leaders. Rather than provoke a deeper standoff, European Commission President Ursula von der Leyen, German Chancellor Friedrich Merz, and French President Emmanuel Macron opted for stability—aiming to shield their domestic industries and avoid deepening a diplomatic rift with Washington.

However, 50% duties on steel and aluminum will remain in place, and decisions on semiconductors and pharmaceuticals are still pending. These trade deals should not be viewed as conclusive, as there is the potential for legal challenges, enforcement gaps, and volatile political dynamics to reopen old wounds. In essence, the deal buys time, not peace—and markets, businesses, and policymakers alike will be watching closely to see what comes next.

Looking ahead, U.S.-China delegations meet today in Sweden, and insiders suggest a likely 90-day extension of the existing tariff truce. With the White House racing toward its August 1 milestone for trade realignment, clarity is replacing chaos—a dynamic investors have been hungry for.

### Markets Brace for Pivotal Week: Magnificent 7, GDP, Jobs, and the Fed

Despite the positive trade developments, markets are in a wait-and-see mode ahead of one of the summer's busiest data weeks. Nearly 40% of S&P 500 companies report earnings, including tech titans Microsoft, Meta, Apple, and Amazon. So far, the results have been encouraging banks are showing credit resilience, and AI investment continues to dominate tech sector capital expenditures. Macroeconomic eyes will be on the Q2 GDP report and the July jobs release, both of which follow Wednesday's Fed decision. While pressure builds for rate cuts, Chair Powell is expected to hold firm on a data-dependent path, potentially setting the stage for a policy shift at the Jackson Hole

symposium (August 21–23). Birling Capital anticipates one to two rate cuts in H2 2025, with a more gradual easing into 2026, ultimately guiding the central bank toward a neutral rate of 3% to 3.5%.

### Eurozone Summary:

- **Stoxx 600:** Closed at 548.76, down 1.19 points or 0.22%.
- **FTSE 100:** Closed at 9,081.44, down 38.87 points or 0.43%.
- **DAX Index:** Closed at 23,970.36, down 247.14 points or 1.02%.

### Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 44,837.56, down 64.36 points or 0.14%.
- **S&P 500:** closed at 6,389.77, up 1.13 points or 0.02%.
- **Nasdaq Composite:** closed at 21,178.58, up 70.27 points or 0.33%.
- **Birling Capital Puerto Rico Stock Index:** closed at 4,009.30, up 31.92 points or 0.80%.
- **Birling Capital U.S. Bank Index:** closed at 7,787.31, up 48.96 points or 0.63%.
- **U.S. Treasury 10-year note:** closed at 4.42%
- **U.S. Treasury 2-year note:** closed at 3.91%.



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# The Economic Cycle

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