

GLOBAL MACRO

- **US: Orders for business equipment unexpectedly declined in June**, suggesting companies remained cautious about capital spending **due to trade and government policy uncertainty**. The value of core capital goods orders, a proxy for investment in equipment excluding aircraft and military hardware, dropped 0.7% last month after an upwardly revised 2% gain in May. Recent manufacturing sentiment has been downbeat, with S&P Global's July factory index sliding by the most in three years.
- **Fed: US President Donald Trump downplayed his clash with the central bank's Chairman Jerome Powell** over cost overruns during a tour of the central bank's renovation project. Mr Trump maintained there was "no tension" with Mr Powell and indicated that problems with the project probably weren't reason enough to fire the central bank head. The president told reporters he would like to see interest rates lowered. But Mr Powell and several other Fed officials have said they prefer to approach policy adjustments carefully, as they guard against the possibility that Mr Trump's tariff policies will lead to persistent inflation.
- **The Eurozone's private sector grew at the quickest pace since last Aug** as a three-year manufacturing downturn nears an end and the services sector gathers momentum, according to the July S&P Global PMI survey.
- **ECB President Christine Lagarde said the central bank is in a "wait-and-see" mode** after leaving interest rates unchanged. She offered no guidance on future steps due to lacking clarity on the eventual level of tariffs. She added that the Eurozone's economy is growing mostly in line with or a little better than expected, but risks remain tilted to the downside.
- **Germany's private sector kept growing in July**, according to S&P Global's PMI survey, a sign of resilience in the face of US President Donald Trump's intensifying tariff threats and optimism over the government's spending push. However, the recovery in consumer sentiment is still a long way off, according to the GfK survey, partly because the propensity to save continues to rise, reaching its highest reading in one and a half years, despite improving income expectations.
- **UK retail sales barely grew in the second quarter even as sizzling temperatures spurred spending in June**, adding to evidence of a sharp slowdown in the economy following a strong start to the year. The volume of goods sold online and in shops climbed 0.9% last month after plunging 2.8% in May. Meanwhile, GfK's consumer confidence survey for July showed that households are more inclined to save than at any point since Nov 2007, as households appear to build "contingency funds" amid fears of further tax rises in the autumn.

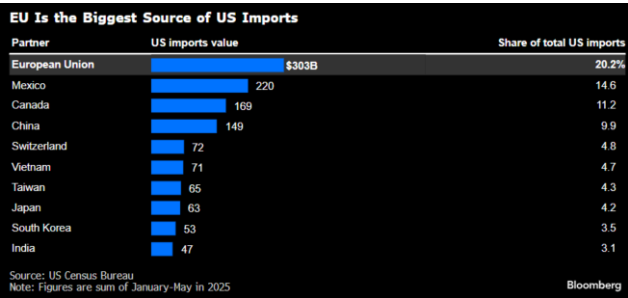
ESG, POLITICS & PUBLIC FINANCE

- **Spain: Prime Minister Pedro Sanchez has been reeling from a graft probe that has rocked his minority left-wing government coalition** and intensified speculation of its collapse and early elections. However, a charge of bribery, fraud and abuse of office against a former conservative finance minister in 2000-04 and 2011-18 under two prime ministers has dealt a blow to the PP party's narrative of Socialist corruption. The affair may offer Mr Sanchez some breathing room. However, for Spain, the constant perception of corruption threatens to take a toll on the political system and foster voter apathy, which in turn may help the far-right party Vox, currently the third-largest force in parliament.
- **Poland will create a super ministry in charge of finance and the economy as part of a wider cabinet reshuffle**. The move is designed to strengthen the ruling coalition and streamline the work of the government, according to Prime Minister Donald Tusk. Mr Tusk said the new economy ministry will be a "one-stop shop" for domestic and foreign institutions and companies, and will help grant the current Finance Minister new tools to steer the economy. However, the popularity of Mr Tusk's coalition has declined ever since the shock presidential vote, with a mid-July survey showing that 48% of Poles are dissatisfied with the government, the worst result since it took power in late 2023.
- **UK: A government minister said the administration won't introduce a wealth tax**, pouring cold water on an idea that has been promoted by some in the Labour Party. The rebuttal comes as Chancellor of the Exchequer Rachel Reeves is seeking ways to plug an expected GBP 20bn hole in the country's public finances. The UK is already seeing an exodus of wealthy individuals due to Ms Reeves' reforms to the so-called non-dom system and increases to other taxes.

ESG

- **The International Court of Justice delivered a historic advisory opinion, saying countries had to do all they can to combat rising temperatures**. Failure to do so could entail consequences, like paying reparations to the most-affected countries, something the EU, as a historically big CO2 emitter, has long rejected.
- **The EU's string of record-setting solar power deployments is on track to come to an end this year**. Demand is waning for rooftop solar panels due to lower wholesale electricity prices and a pullback in government support for the sector.
- **Automakers are calling for Europe to further stimulate demand for electric vehicles** after sales of all new cars fell in June by the most in 10 months. Europe's carmakers can ill afford any slack in demand for EVs in their home market, with key players continuing to lose ground in China amid local competition.

CHART OF THE WEEK



- **The US and European Union agreed on a deal that will see the EU face 15% tariffs on most of its exports**, including automobiles, to stave off a trade war.
- **The EU agreed to purchase USD 750bn in American energy products and invest USD 600bn in the US**, among other commitments, as part of the pact.
- **Trump expresses confidence that upcoming trade talks with China could yield progress**, saying the US and China have the "confines of a deal".

Weekly Economic Recap*

28th of July 2025

MARKETS

EQUITIES

- **US:** The rally in US stocks looks set for more gains after the EU reached a trade deal with President Donald Trump, easing fears of a damaging trade war. Markets are also drawing comfort from signs the US and China will extend their tariff truce. On Friday, the S&P 500 closed at a record high amid solid earnings.
- **European stock futures rallied after the trade deal announcement. Stocks have been range-bound since May** due to jitters around the outlook for global trade.

FIXED INCOME

- **Japan's 40-year government bond auction generated the weakest demand in 14 years** as investors responded to reports that Prime Minister Shigeru Ishiba could resign in the coming days or weeks. The **bid-to-cover ratio was 2.127**, the lowest for a 40-year Japanese government bond since 2011. Yields on the **10-year bond climbed back to 1.597%**, a 17-year record that was hit last week, before paring gains.
- **EMs:** Investors have pushed **borrowing costs for highly rated emerging market governments** and companies relative to developed markets to **near their lowest levels since the global financial crisis**, as traditional havens such as US Treasuries lose their lustre.

COMMODITIES/ FX

- Although the **USD had its worst week in July, it is still set for the best month in 2025** amid progress in trade deals and an uneventful meeting between US President Donald Trump and Fed Chair Jerome Powell.

	Today	Week to date	Year to date
Swap Rates	7/25/2025 in %	07/18 - 07/25 Change (bp)	01/01 - 07/25 Change (bp)
EUR (Ester)			
2Y	1.84	7.2	-14.2
5Y	2.15	5.3	9.5
10Y	2.51	1.5	29.6
USD (SOFR)			
2Y	3.67	3.5	-41.8
5Y	3.60	1.0	-43.9
10Y	3.87	-1.1	-19.0
GBP (OIS)			
2Y	3.69	-0.9	-60.6
5Y	3.77	-2.2	-31.0
10Y	4.12	-3.7	2.9
JPY (OIS)			
2Y	0.84	6.9	20.0
5Y	1.06	8.2	26.3
10Y	1.38	6.1	31.9
CDS Spreads (5Y)	7/25/2025 in bp	07/18 - 07/25 Change (bp)	01/01 - 07/25 Change (bp)
Austria	15	0.0	0.2
United Kingdom	17	0.0	-4.4
France	32	-1.3	-6.8
Germany	8	-0.8	-5.4
Portugal	23	-0.5	-5.3
Italy	40	-3.5	-20.6
Spain	27	-1.3	-7.5
Poland	66	-0.7	-4.6
Hungary	121	-3.0	-4.5
Risk Aversion	7/25/2025	07/18 - 07/25 Change (%)	01/01 - 07/25 Change (%)
VIX	15	-1.6	-1.5
Financial Stress	-0.2	-0.1	-0.2

WHAT TO WATCH NEXT WEEK

ECONOMICS

- **US:** The job market will be in focus next week: **Job openings** (Jul 29), **ADP employment change** (Jul 30), **nonfarm payrolls** and the **unemployment rate** (both Aug 1). **Consumer confidence** (Jul 29) is forecast to brighten. Advance reading of **Q2 GDP growth** is released on Jul 30: The US economy might have expanded by 2.5% (annualized). **PCE core inflation** (Jul 31), the Fed's preferred gauge for underlying price changes, is forecast flat at 2.7% in Jun. The **ISM Manufacturing Ind.** (Aug 1) might rise.
- **Euro area:** The **Economic Confidence Indicator** (Jul 30) is expected higher. **Q2 GDP growth** (Jul 30) is forecast flat. The same holds for the **unemployment rate** in Jun (Jul 31). **Inflation** (Aug 1) might have fallen below 2% in Jul.
- **Germany:** **Q2 GDP** (Jul 30) should have fallen slightly after a 0.4% q/q surge in Q1. **Labour market and inflation data** for Jul are released on Jul 31.

CENTRAL BANKS

- The **Fed announces its latest policy decision** on Jul 30: Rates are expected to **remain** within the band 4.25% - 4.5%.
- **ECB:** Governing Council member **José Luis Escrivá speaks** on Jul 28.

POLITICS

- **US/China:** US Treasury Secretary Scott Bessent will meet his Chinese counterpart **to discuss an extension of an Aug 12 tariff deadline**.

	Today	Week to date	Year to date
10yr Yields	7/25/2025 in %	07/18 - 07/25 Change (bp)	01/01 - 07/25 Change (bp)
Austria	3.05	1.8	28.9
Belgium	3.25	-0.1	28.3
Germany	2.72	2.3	36.6
France	3.39	-1.1	20.3
Italy	3.56	0.3	3.6
Japan	1.59	8.0	50.1
US	4.40	-3.0	-14.7
Spain	3.32	0.5	26.6
Ireland	2.96	0.8	33.5
Portugal	3.14	0.8	31.4
Currency (vs. EUR)	7/25/2025	07/18 - 07/25 Change (%)	01/01 - 07/25 Change (%)
USD	1.17	0.7%	13.0%
GBP	0.87	0.8%	5.3%
JPY	173.36	0.2%	6.2%
CHF	0.93	0.3%	-0.7%
SEK	11.17	-0.7%	-2.5%
Equity Markets	7/25/2025	07/18 - 07/25 Change (%)	01/01 - 07/25 Change (%)
S&P	6,390	1.6%	7.6%
Dow Jones	44,902	1.3%	5.5%
UK FTSE	9,120	1.4%	12.3%
Dax	24,218	-0.3%	21.6%
Spain	14,237	1.8%	23.4%
Italy	40,726	1.0%	19.1%
France	7,835	0.2%	7.1%
Commodities (USD)	7/25/2025	07/18 - 07/25 Change (%)	01/01 - 07/25 Change (%)
Gold	3,333	-0.7%	28.0%
Oil (Brent)	68	-1.2%	-8.1%
Copper	576	3.3%	40.8%

*Please also see our "Macro Dashboard" in the Intranet: <https://intranet.hre.loc/marktdaten/volkswirtschaft/economic-reporting.q.html>

Source: Bloomberg