CIO Office

Global Markets Weekly Kickstart

New Deadlines, New Tariffs?

14 July 2025

Chart of the Week Trump Escalates Tariff Game, Talks Extended into Overtime

- Starting July 7, the U.S. began issuing tariff notices to countries that failed to reach trade agreements. While a few saw minor reductions, many faced higher rates than previously set, with most newly announced tariffs aligning with the April 2 levels. No country has yet met the lower 10% rate agreed upon by the U.S. and U.K.
- Simultaneously, Trump signed an executive order extending the tariff grace period to August 1, aiming to pressure undecided countries into either conceding or proposing terms acceptable to the U.S. Agreements reached before the deadline could result in lower tariff rates.

Trump Tariff Deferral Extended to 1 Aug

2025

Trump Retaliatory Tariffs Key Timeline

Apr 2	Trump Announces Retaliatory Tariffs
Apr 9	Trump Grants 90-Day Tariff Grace Period
May 8	U.S. and U.K. Reach Trade Agreement
May 12	U.S. and China Suspend Reciprocal Tariffs for 90 Days
Jun 10	U.S. and China Reach Consensus on Trade Framework
Jul 2	U.S. and Vietnam Reach Trade Agreement
Jul 9	Tariff Grace Period from July 9 Extended to August 1

Trump Announces New Tariff Targets

Trade Partner	4/2 Original Tariff	New Tariff
Japan	24%	**25%**
South Korea	25%	25%
Thailand	36%	36%
Malaysia	24%	**25%**
Indonesia	32%	32%
South Africa	30%	30%
Cambodia	49%	36%
Bangladesh	37%	35%
Kazakhstan	27%	25%
Tunisia	28%	25%
Serbia	37%	35%
Laos	48%	40%
Myanmar	44%	40%
Bosnia and Herzegovina	35%	30%
Algeria	30%	30%
Iraq	39%	30%
Libya	31%	30%
Sri Lanka	44%	30%
Brunei	24%	**25%**
Moldova	31%	25%
Philippines	17%	**20%**
Brazil	10%	**50%**
Canada	25%(Fentanyl Tariff)	**35%**

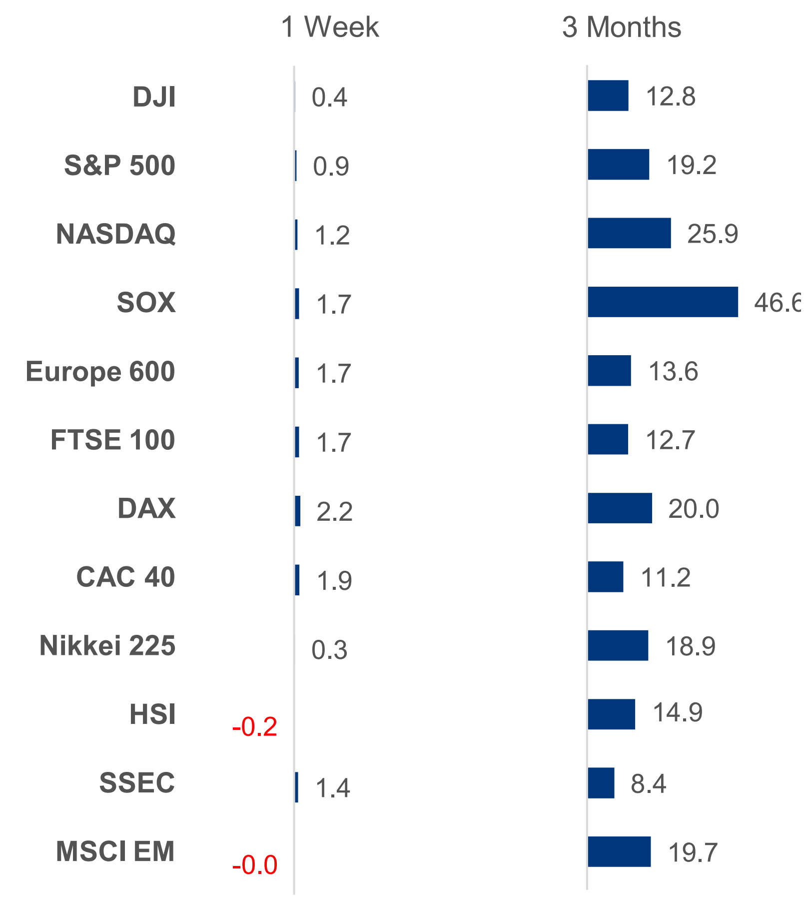
Source: Bloomberg

Market Recap

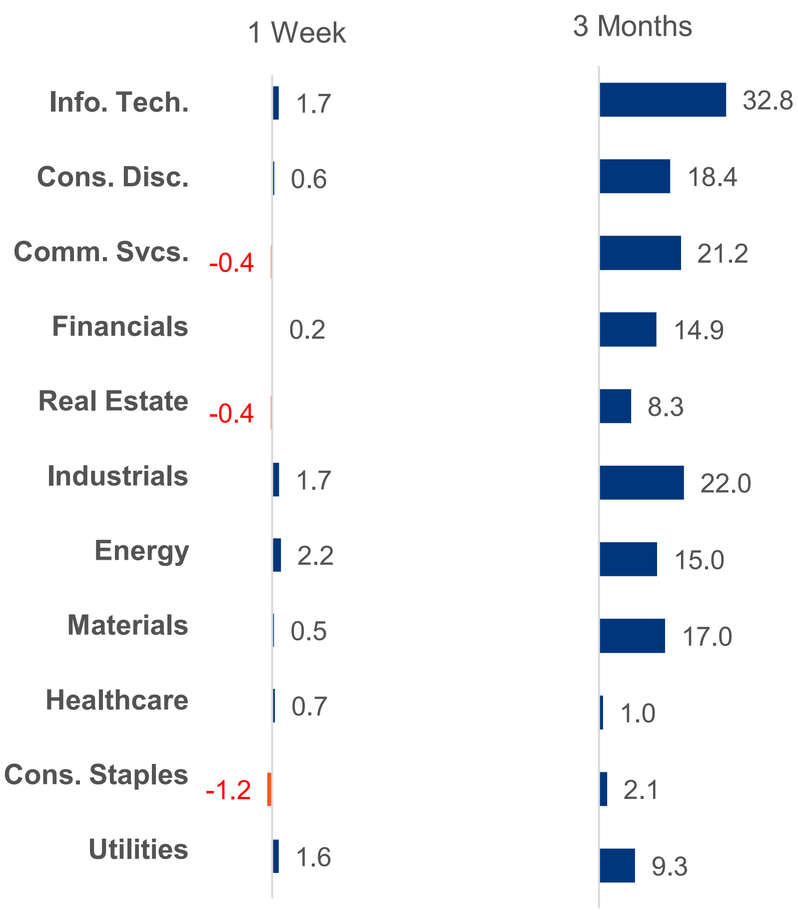
Tariff Extension Eases Market Jitters; Cyclicals Lead Gains

- Trump issued tariff notices to countries without trade deals but extended the reciprocal tariff grace period to August 1. While global equities initially pulled back, the deadline extension eased concerns, and confidence in the "TACO" (Trump Always Chickens Out) trade drove a rebound.
- The Fed's June minutes revealed expectations of slower economic growth and noted that tariffs may keep inflation elevated. A majority of officials supported rate cuts this year, lifting expectations for a September cut and boosting market sentiment.
- Cyclicals outperformed on rate-cut optimism. Tech stocks held firm despite looming semiconductor tariff probes. Energy stocks rose as Red Sea attacks lifted oil prices. A 50% copper import tariff announcement by Trump drove copper higher, supporting gains in large miners and the broader materials sector.

Major Stock Indices Performance by Region (%)



US Stock Performance by Sector (%)

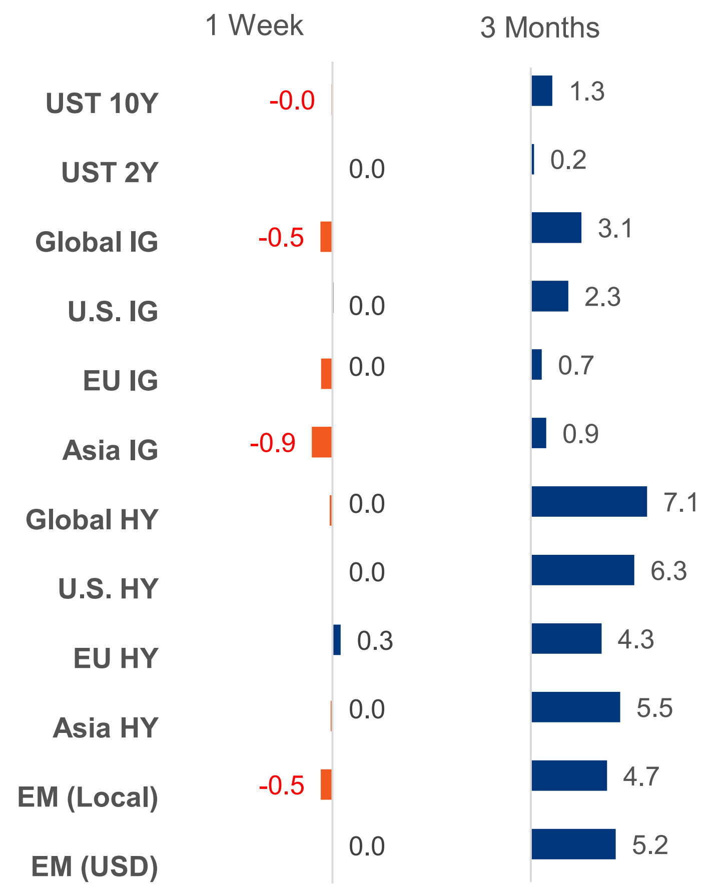


Source: Bloomberg, 10 July 2025

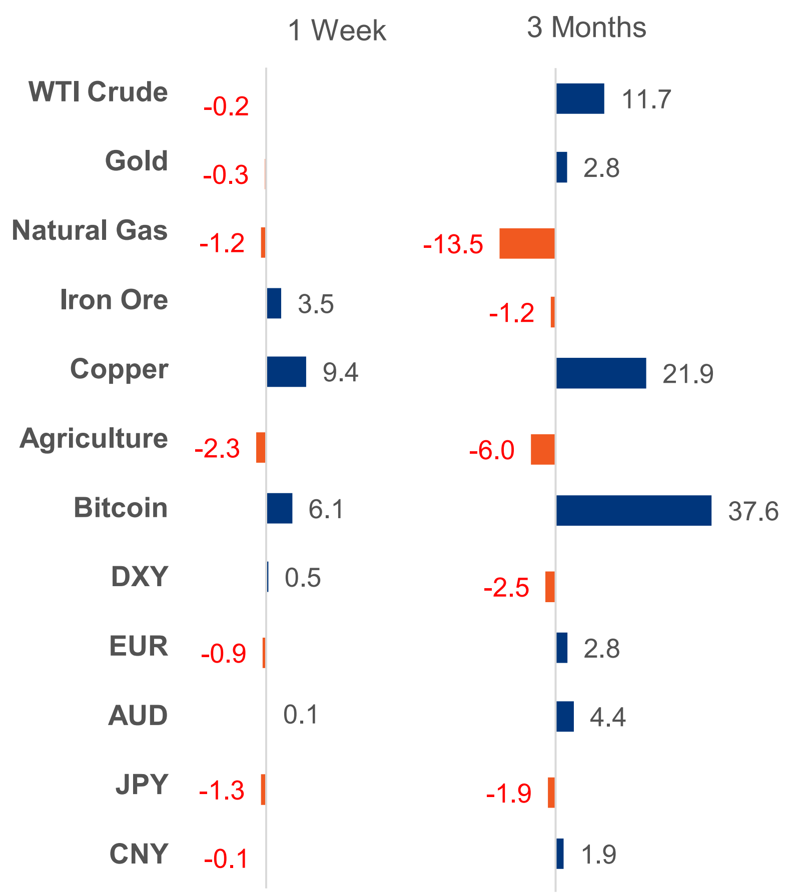
Tariff News Weighs on Asia Credit, Lifts Copper Prices; Yen Faces Near-Term Pressure

- Although the extended tariff deadline reduced risk-off sentiment and pushed up the U.S. 10Y yield, strong demand in the latest 10Y and 30Y Treasury auctions and renewed Fed rate-cut expectations for September, driven by the June FOMC minutes, helped cap further yield increases. As a result, Treasuries and investment-grade credit saw only mild fluctuations. However, Asian credit came under pressure as most regional economies failed to secure lower tariffs, with rates aligning closer to the April 2 levels.
- The EIA's latest forecast showed U.S. oil output for 2025 may fall short of prior estimates due to producer cutbacks amid weaker oil prices. Combined with reports of Houthi attacks in the Red Sea, crude briefly rebounded. Still, concerns over global demand due to tariffs and continued OPEC+ supply growth dragged prices lower again. In contrast, copper rallied sharply after Trump announced a 50% tariff on imports.
- In FX, the dollar strengthened as new U.S. tariffs weighed on major trading partners, sending most non-dollar currencies lower. The yen came under added pressure after Japan's tariff level was unexpectedly set above the April 2 benchmark.

Performance of Bonds (%)



Performance of Commodities and Currencies (%)

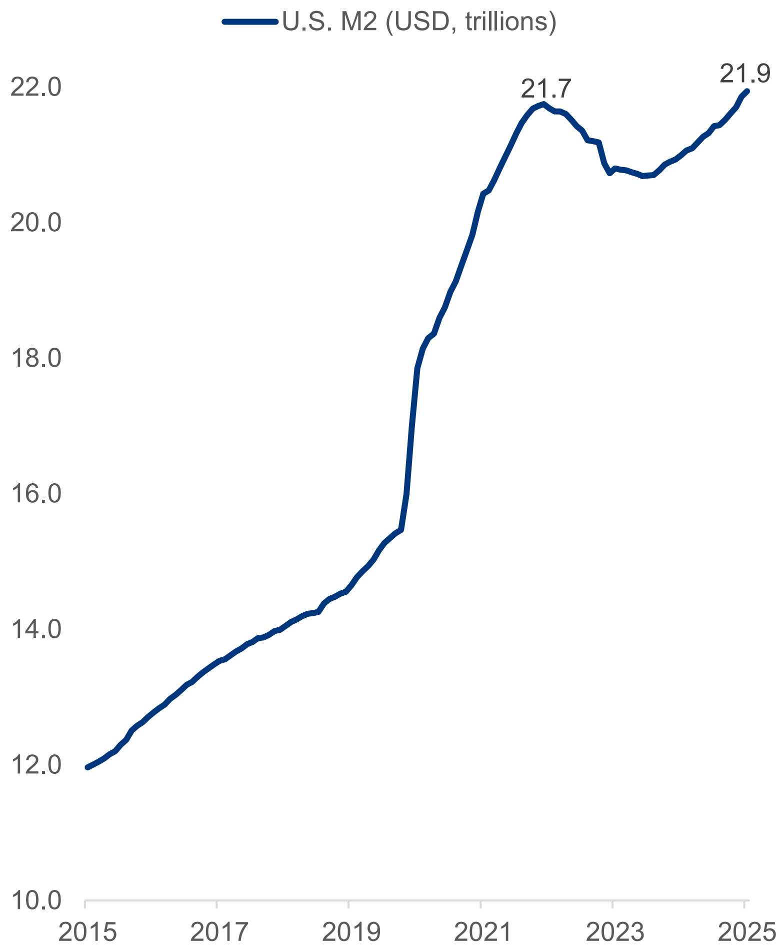


Source: Bloomberg, 10 July 2025

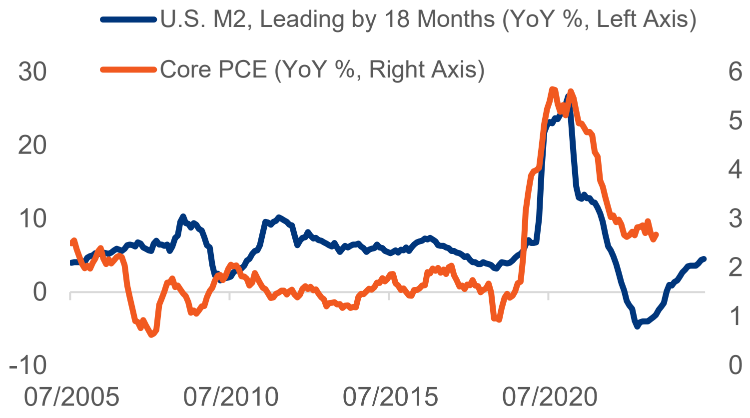
What's Trending Record-High Money Supply May Support Gold in Coming Months

- The Fed's latest minutes showed broad support for rate cuts this year, though opinions vary on timing and pace. With signs of economic slowing and tariff-driven inflation pressures easing, rate futures now price in a strong chance of a 25 bps cut in September. Although balance sheet reduction is ongoing, the Fed already slowed QT in 1Q, signaling a dovish tilt.
- As of end-May, U.S. M2 money supply—per Fed data—climbed to a record high, growing 4.5% YoY, reversing the contraction seen during the inflation-fighting period. While M0 remains below its pandemic peak, surging commercial bank deposits likely contributed to the M2 rise. Similar trends are observed in other developed markets like the eurozone and U.K., where money supply is also near record levels.
- Historically, rising money supply supports risk assets and may underpin price levels. With inflation still elevated and the Fed likely to ease policy, lower rates reduce gold's opportunity cost, creating a supportive backdrop for gold prices.

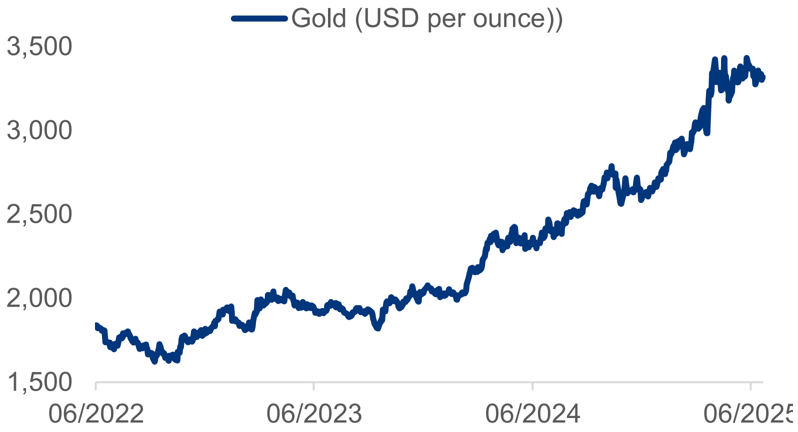
U.S. M2 Supply Hits Record High



Rising M2 Undermines Inflation Cooling



Gold Holds Firm as Trade Tensions Ease

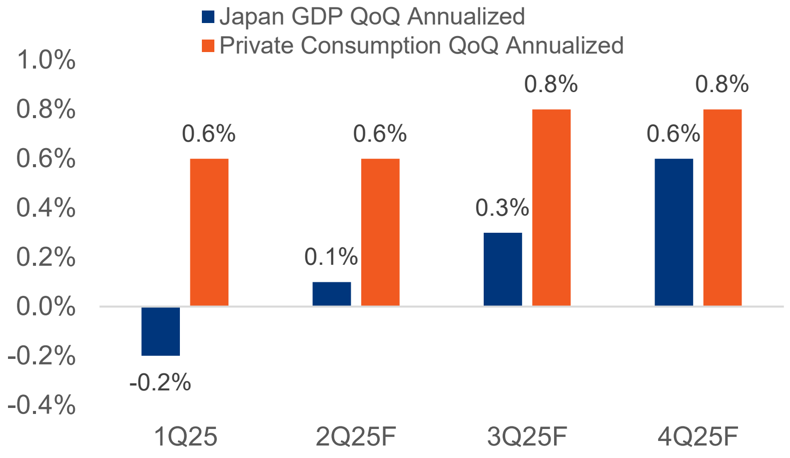


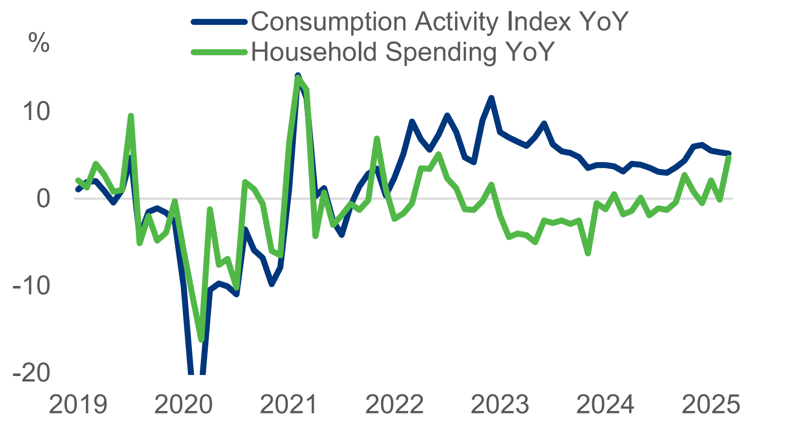
Source: Bloomberg

In Focus Robust Consumption and Steeper Yield Curve Support Bank Stocks

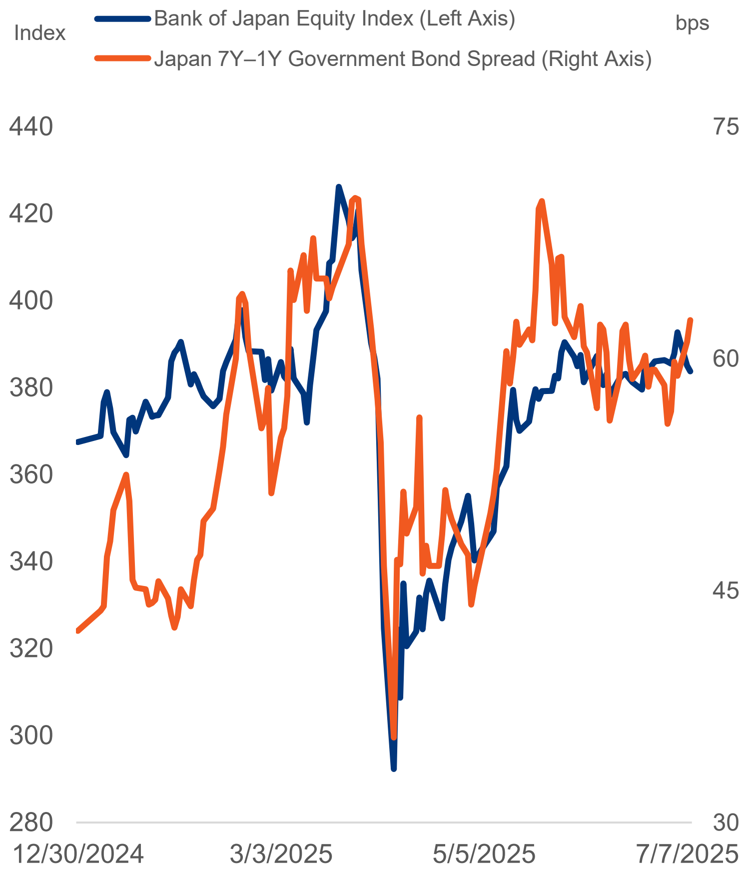
- Japan's 1Q GDP contracted at an annualized rate of -0.2%, mainly due to negative net export contributions. With trade talks unresolved, external demand remains a drag on growth. However, the conclusion of the spring wage negotiations—with a 5.25% average increase—is expected to lift wage data from May onward. Key consumption metrics, including household spending and activity indices, have shown notable improvement, confirming that domestic demand is becoming the main driver of Japan's economic recovery.
- Inflation rose to 3.5% YoY, surpassing the Bank of Japan's 2% target. Even the core-core CPI (excluding fresh food and energy) climbed above 3%, suggesting room for further rate hikes. Still, the BoJ has remained on hold since its single 25 bps hike in January, reflecting concerns over tariff-related uncertainty from Trump. As economic conditions improve and long-end yields recover, Japan's yield curve is steepening—providing a clear tailwind for banks that profit from maturity transformation.

Strong Consumption May Drive Recovery





Steeper Yield Curve Supports Bank Stocks

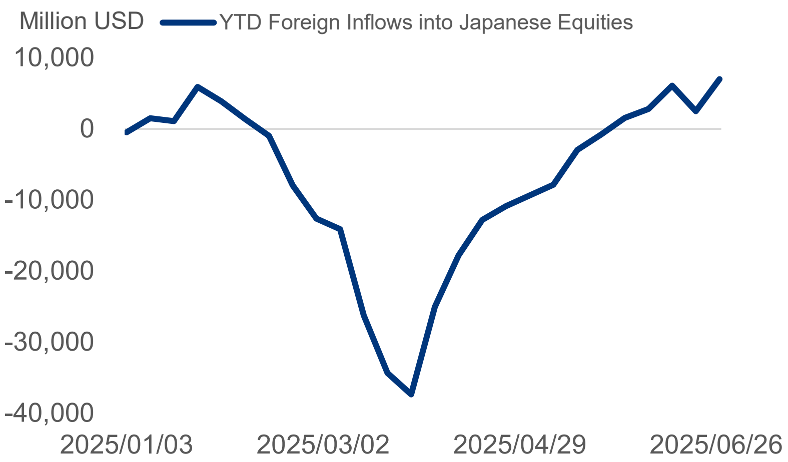


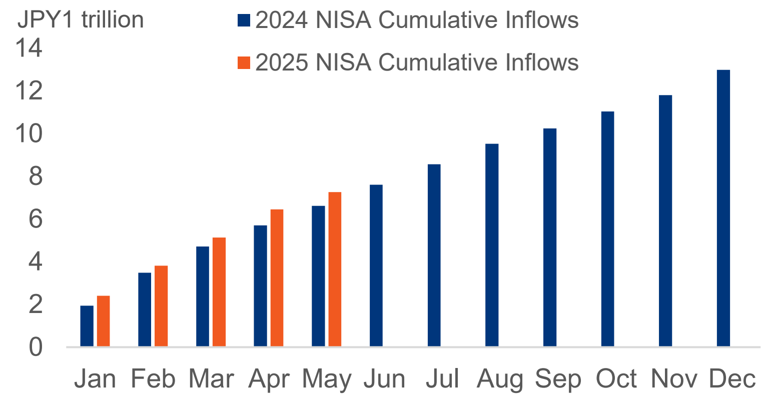
Source: Bloomberg

Attractive Valuations and Capital Inflows Fuel Outlook for Domestic Sectors, Led by Banks

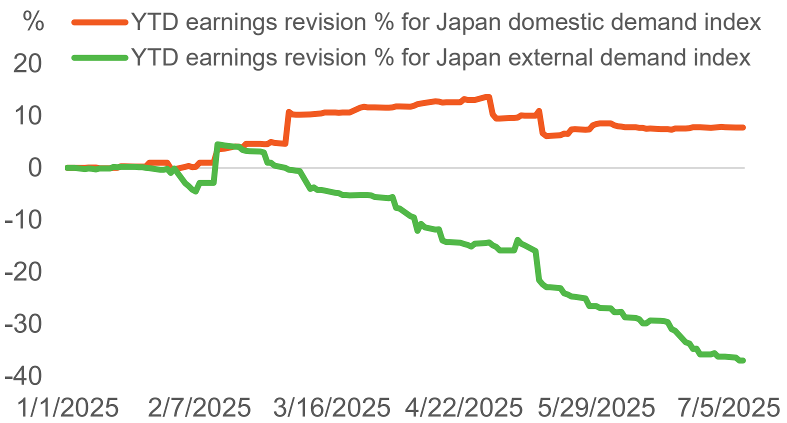
- After significant outflows earlier this year, foreign investors have returned to Japanese equities. Beyond the Buffett effect, Japan's structural shift from decades of deflation to a reflationary environment—supported by rising wages, recovering consumption, and positive economic growth—has strengthened investor preference for domestic-oriented sectors and driven sustained capital inflows.
- Japan's revamped NISA (tax-free investment account) program, launched in 2024, continues to boost domestic equity participation. As of May 2025, cumulative NISA inflows into equities have risen 10% compared to 2024, providing steady support for the market.
- From a valuation perspective, Japanese equities remain notably cheaper than their 5-year average, making them relatively undervalued among major developed markets. While export-oriented firms face margin pressure from tariff-driven cost increases, domestic sectors—especially banks—are showing resilient earnings. With the economy gaining traction, Japan's domestically focused stocks are well positioned for continued outperformance.

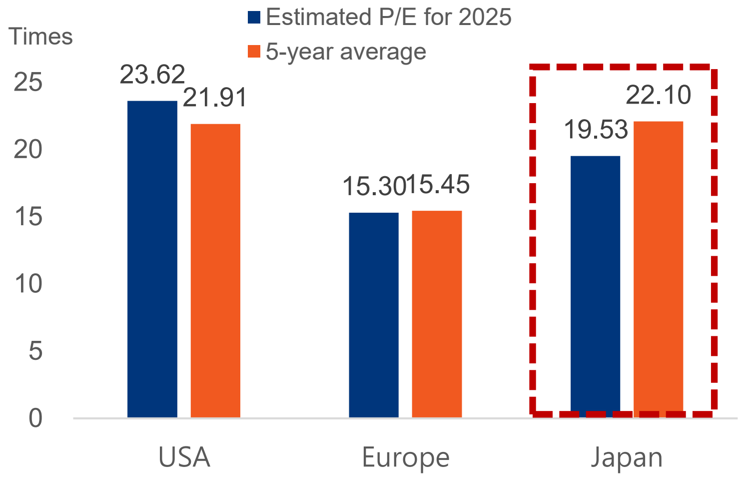
Foreign and NISA Flows Support Japanese Equities





Attractive Valuations, Strong Earnings in Domestic Sectors





Source: Bloomberg

Asset Strategy

Asset Type	Market View	Preferred Assets
Equities	◆ Trump's extension of the reciprocal tariff deadline has temporarily eased market concerns. However, if no agreements are reached within the next three weeks, volatility could return. Allocation should continue to emphasize defensive and quality stocks, while maintaining flexibility to adapt to shifting market conditions. Long-term investors may consider gradual exposure to AI themes—favoring software and cybersecurity stocks within the tech sector on pullbacks. ◆ UK equities, supported by finalized agreements, hold a relative advantage. In the eurozone, dovish monetary policy and Germany's push for fiscal expansion suggest a favorable medium- to long-term outlook—supporting a staggered, buy-on-dip approach. In Japan, as economic recovery continues, domestic sectors—particularly bank stocks—offer opportunities on weakness.	**Strategy**: Focus on high-quality large caps, with allocations to defensive and quality names. Long-term AI exposure through software and cybersecurity stocks. **Regions**: European equities, UK equities, Japanese domestic and bank stocks.
Bonds	◆ Despite solid U.S. Treasury auctions, 10Y yields have hovered around 4.3–4.4%. Short-to-intermediate duration bonds remain attractive, offering opportunities to lock in yields during periods of rate volatility. Within investment-grade credit, A-rated or higher blue-chip corporates are preferred, particularly in sectors with relatively favorable risk-adjusted spreads—such as financials, industrials, energy, utilities, and communications. ◆ Given the potential for continued dollar weakness, there is room for appreciation in major non-USD currencies. Allocating to non-USD investment-grade bonds—denominated in euros or Singapore dollars—can help diversify and reduce dollar exposure.	**Duration:** Lock in yields on short- to medium-term high-quality corporate bonds **Types**: Financials, industrials, energy, utilities, communications
Forex	◆ The Trump administration's push for an "orderly dollar normalization," coupled with the passage of the expansive "Great America" fiscal package, is expected to significantly widen the U.S. fiscal deficit. Policy inconsistency may further erode confidence in the U.S. economic outlook and dollar-denominated assets, pointing to a structurally weaker dollar over the medium term. ◆ Non-dollar currencies like the euro and yen are consolidating at elevated levels, with potential for medium- to long-term strength.	**USD**: Weak Consolidation Phase **EUR & JPY**: Trading near highs with long-term upside potential
Commodity	◆ Trump's erratic tariff policies, combined with potential economic slowdown, persistent inflation risks, and growing fiscal strain in 2H, all support continued demand for gold. Central bank and market flows into gold remain firm, offering room for further upside. Accumulate on pullbacks.	**Gold**: Bullish

Product Spotlight | HK Equities

Rising Power Demand & Falling Coal Prices Boost Thermal Profits

- As summer arrives, electricity usage is surging under extreme heat. The China Meteorological Administration expects temperatures across most regions to exceed historical norms by 1–2°C, with some areas surpassing 40°C. Summer is peak season for electricity, with residential consumption accounting for roughly 15.2% of total usage. Air conditioning alone drives about 37% of load on the East China grid. Amid persistent heat, national power load has hit a record 1.47 billion kW—up 150 million kW YoY—tightening the power supply-demand balance in peak hours. The State Grid is leveraging ultra-high-voltage transmission to ensure cross-regional power stability. Overall electricity consumption is forecast to grow 5–6% YoY in 2025, according to the China Electricity Council.
- On the supply side, domestic coal production continues to rise. Output is expected to stay under 4.1 billion tons in 2025, but capacity additions—mainly in thermal coal—are set to increase oversupply. Between 2025 and 2028, 347 million tons of new annual capacity will come online, weighing on prices. Although imports may fall by as much as 100 million tons, easing external competition, domestic supply pressure remains. With coal prices likely to stay weak and electricity demand rising, margin prospects for thermal power producers are improving.

Qinhuangdao 5,500 Kcal Thermal Coal Spot Price

Appendix

Key Economic Data / Events

▶ JUNE 2025

7 Monday
- Eurozone May Retail Sales MoM (Act:-0.7% Est:-0.6% Prev:0.3%)

8 Tuesday
- Taiwan Jun Core CPI YoY (Act:1.47% Est:1.60% Prev:1.61%)
- Taiwan Jun CPI YoY (Act:1.37% Est:1.60% Prev:1.55%)
- Taiwan Jun PPI YoY (Act:-5.47% Prev:-4.34%)
- Taiwan Jun Exports YoY (Act:33.7% Est:27.1% Prev:38.6%)

9 Wednesday
- Japan Jun Machine Tool Orders YoY (Prelim) (Act:-0.5% Prev:3.4%)
- China Jun CPI YoY (Act:0.1% Est:-0.1% Prev:-0.1%)

10 Thursday
- U.S. Initial Jobless Claims (Act:227k Est:235k Prev:232k)
- Japan Jun PPI YoY (Act:2.9% Est:2.9% Prev:3.3%)

11 Friday

14 Monday
- Japan May Core Machinery Orders MoM (Est:-1.8% Prev:-9.1%)
- Japan May Industrial Production MoM (Final) (Prev:0.5%)
- China Jun Exports YoY (Est:5.2% Prev:4.8%)

15 Tuesday

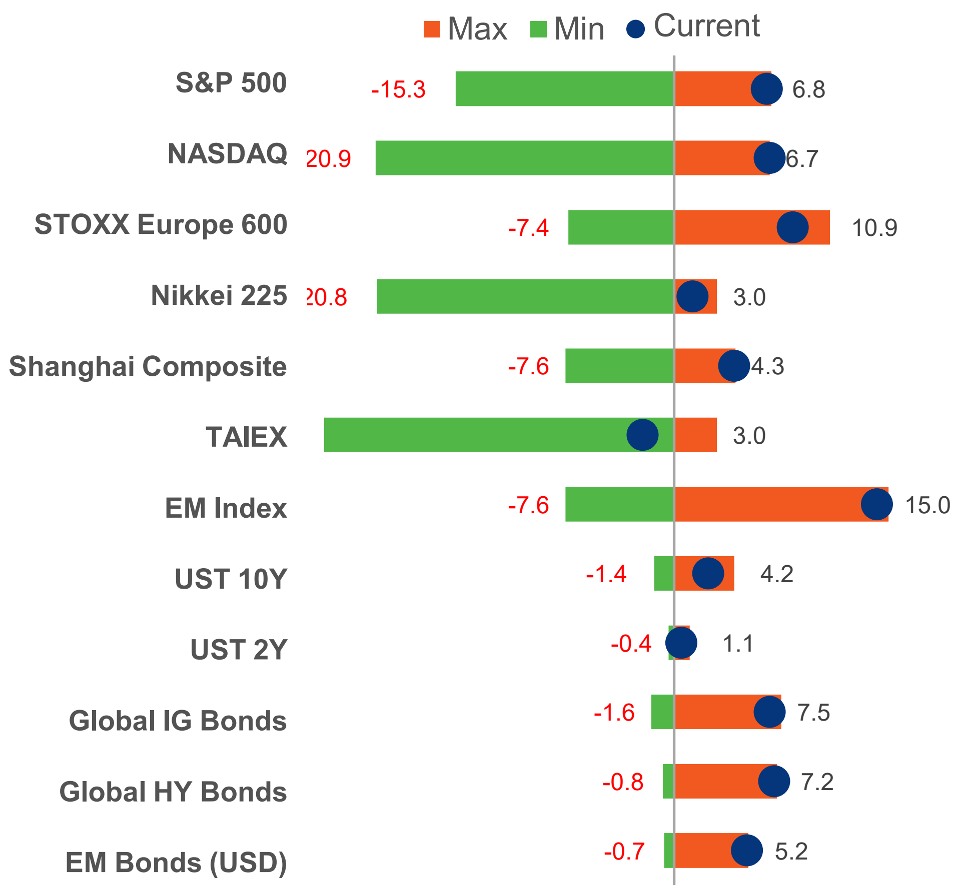
16 Wednesday
- U.S. Jun PPI YoY (Prev:2.6%)
- U.S. Jun Industrial Production MoM (Est:0.1% Prev:-0.2%)
- Earnings: MS, GS, JNJ, BAC, PGR

17 Thursday

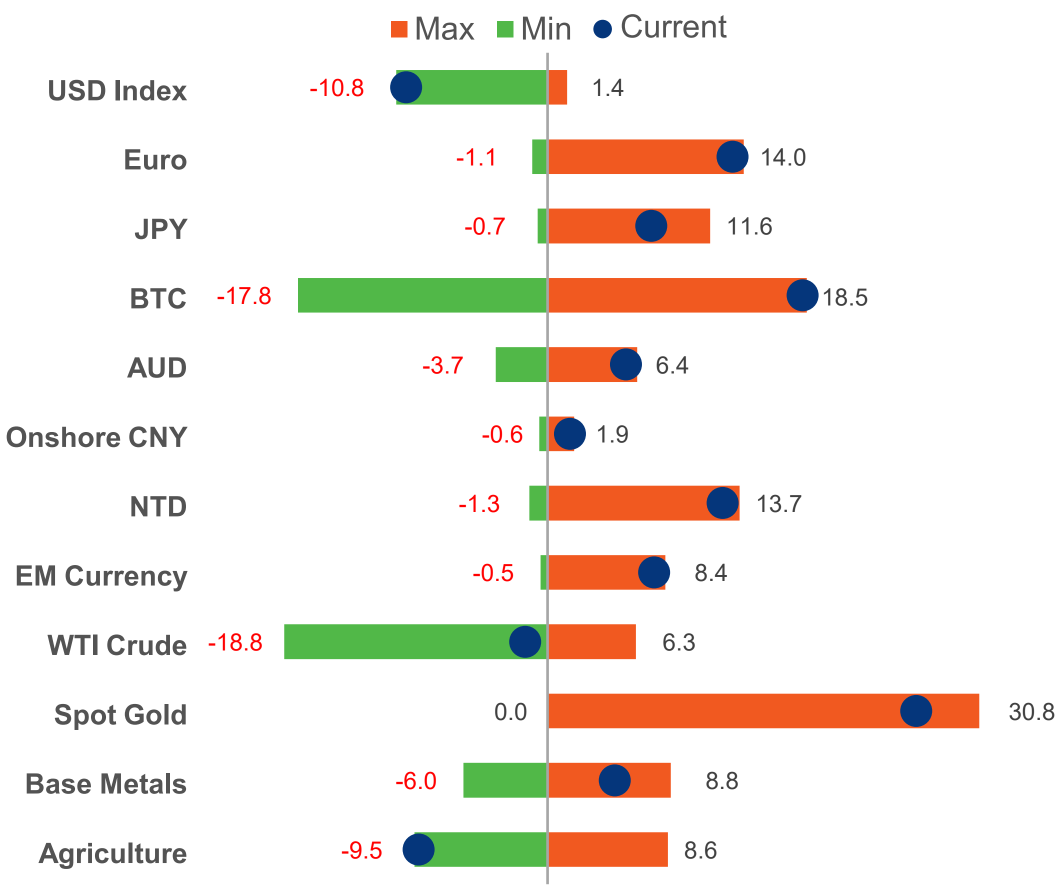
18 Friday
- U.S. Jun U. Mich Consumer Sentiment (Prelim) (Est:61.3 Prev:60.7)
- U.S. Jun Housing Starts (Est:1,300k Prev:1,256k)
- U.S. Jun Building Permits (Prelim) (Est:1,370k Prev:1,394k)
- Earnings: NFLX, SCHW, AXP

YTD Major Market / Asset Performance

Stock and Bond Market YTD Performance (%)



Currencies and Commodities Market YTD Performance (%)



Source: Bloomberg, 10 July 2025

Technical Analysis

60D MA

S&P 500 Index

NASDAQ Index

STOXX Europe 600 Index

Nikkei 225 Index

Shanghai Composite Index

MSCI Emerging Markets Index

Gold

WTI Crude

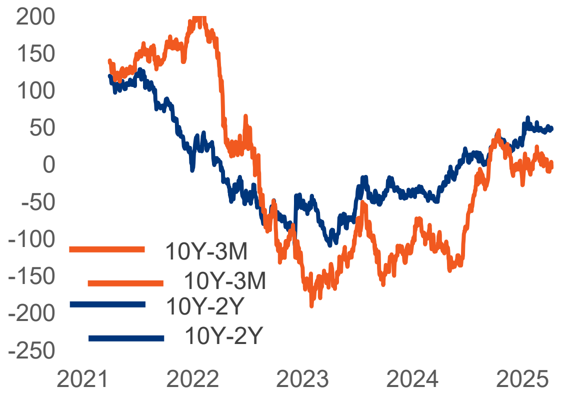
Source: Bloomberg, 10 July 2025

Market Monitor

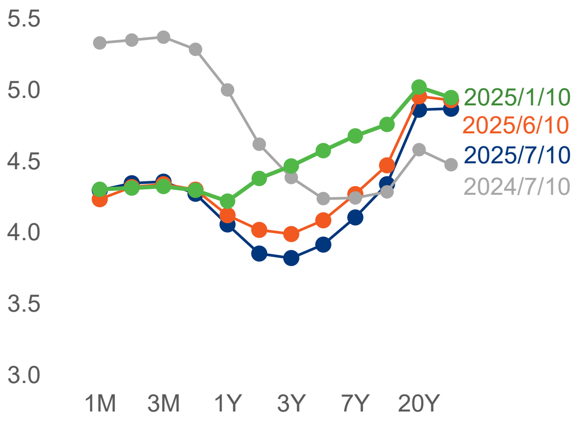
U.S. CPI YoY (%)

U.S. 10-Year Treasury Yield (%)

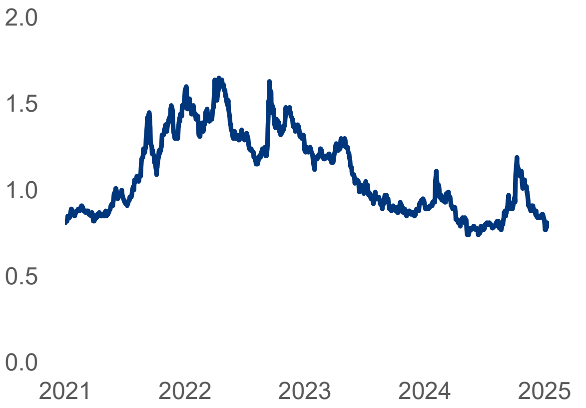
U.S. Treasury Yield Spread (bps)



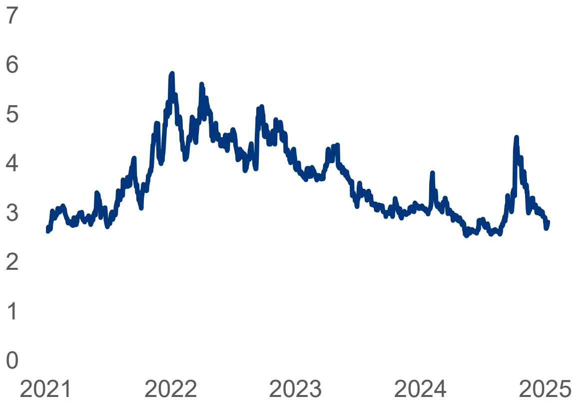
U.S. Treasury Yield Curve (%)



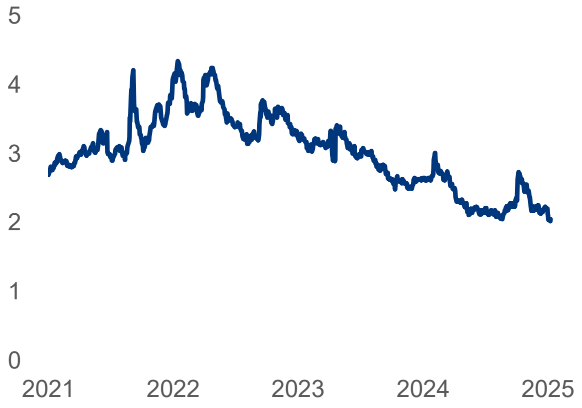
USD IG Credit Spread (%)



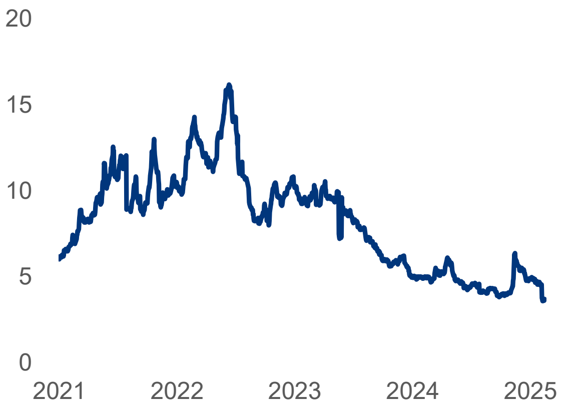
USD HY Credit Spread (%)



USD EM Credit Spread (%)



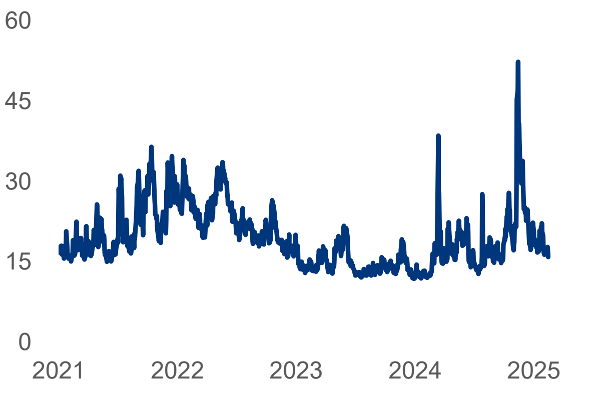
USD Asia Credit Spread (%)



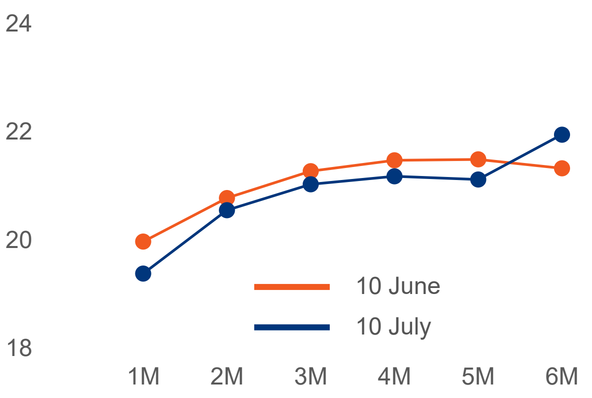
Source: Bloomberg, 10 July 2025

Market Monitor

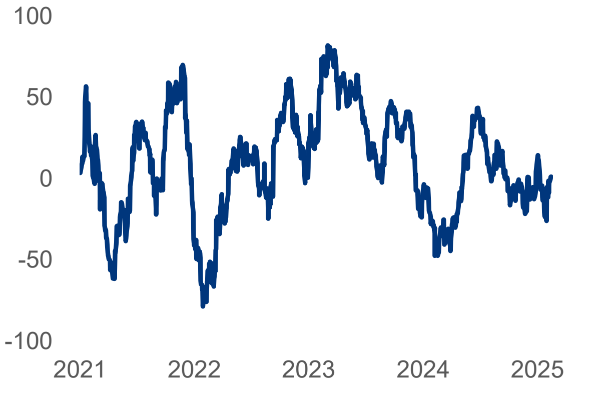
VIX Index



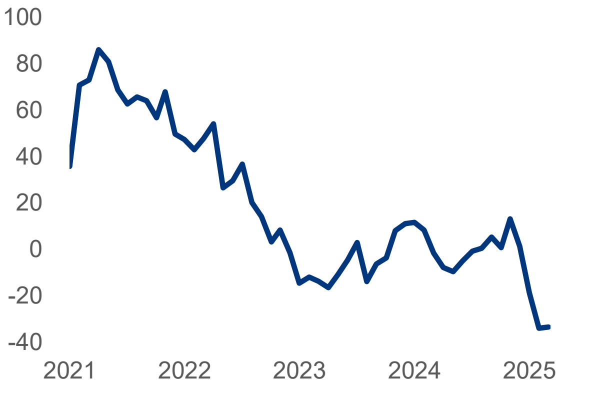
VIX Term Structure



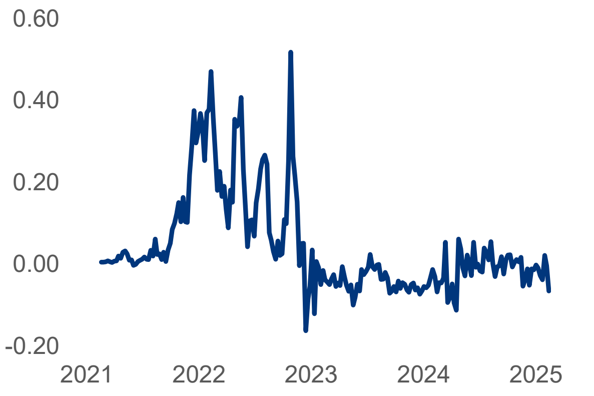
U.S. Citi Economic Surprise Index*



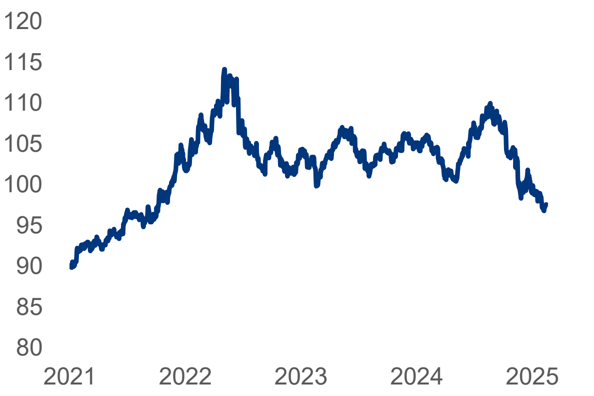
U.S. Citi Inflation Surprise Index*



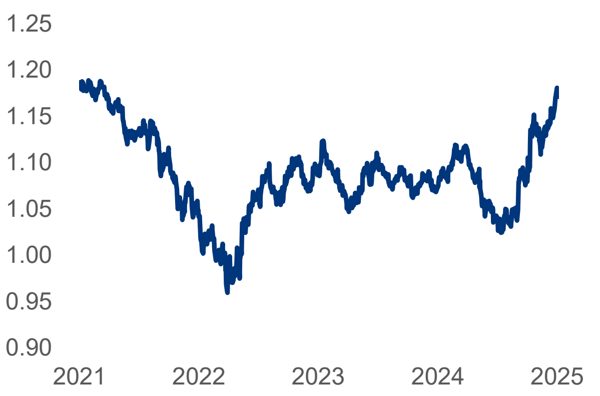
TED Spread (bps)



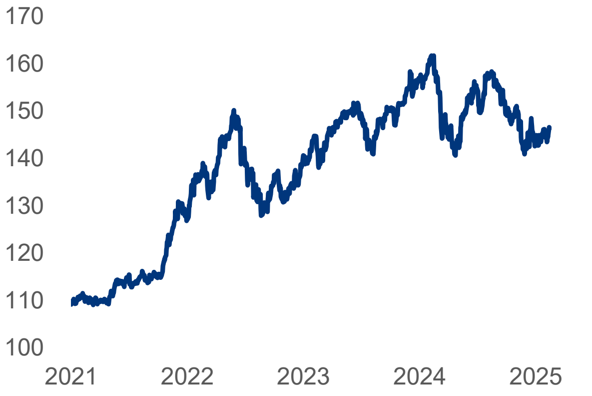
U.S. Dollar Index



EUR to USD



USD to JPY



Source: Bloomberg, 10 July 2025; *The Citi Economic/Inflation Surprise Index measures the deviation between economic data/actual inflation and market expectations. A rising index indicates economic improvement/inflation exceeding market expectations.

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All investments involve risks. The prices of securities fluctuate, sometimes dramatically. The price of a security may move up or down, and may become valueless. It is as likely that losses will be incurred rather than profit made as a result of buying and selling securities. Prices of securities and fund units may go up as well as down and past performance information presented is not indicative of future performance. Investors should read the relevant fund's offering documents (including the full text of the risk factors stated therein (in particular those associated with investments in emerging markets for funds investing in emerging markets)) in detail before making any investment decision. You are advised to exercise caution and undertake your own independent review, and you should seek independent professional advice before making any investment decision. You should carefully consider whether investment is suitable in light of your own risk tolerance, financial situation, investment experience, investment objectives, investment horizon and investment knowledge.