Weekly Market Directions

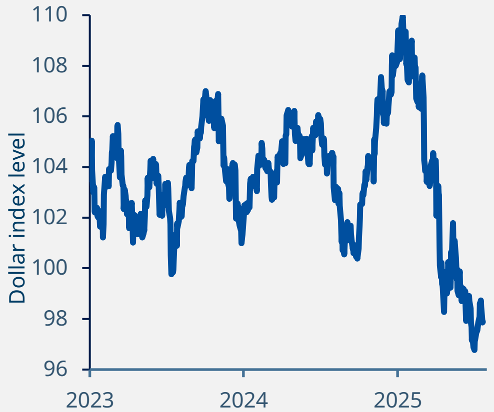
"US exceptionalism is being challenged by markets due to uncertainty over the country's policies and rising fiscal deficit and debt. This, along with concerns regarding growth, may shift the views on the dollar, but this is a long-term phenomenon."

Monica Defend
Head of Amundi Investment Institute

US dollar slide pauses amid US-Japan deal

- The dollar declined so far this year due to expectations of rate cuts by the Fed and concerns over deteriorating government finances.
- The US-Japan trade deal led to some stabilisation in the dollar and prompted a recovery in Japanese equities.
- The dollar weakness could continue amid the country's high financing needs, but this may not be a linear trend.

The dollar declined sharply this year



Source: Amundi Investment Institute, Bloomberg as of 22 July 2025. Chart shows the dollar index.

The dollar fell by around 10% this year, as on 22 July, mainly due to uncertainty over President Trump's trade policies and concerns over US debt and fiscal deficit.* Issues like the political pressure on the Fed to cut rates aggressively have also weighed on sentiment. Traditionally, US assets are considered safe havens partly because of the credibility of US institutions, stable policies and exceptional US growth. However, Trump's use of US leadership in global finance to further his ambitions on trade is creating uncertainty. The recent agreement with Japan lowered the tariff rate on Japanese exports compared with what was previously feared. But there is a risk that US consumers or companies will bear the higher cost. This may affect domestic consumption and eventually growth, opening up opportunities across different regions.

Actionable ideas

Global equities
Investors may explore strong businesses that rely more on domestic consumption in Europe and the UK. High dividends in some of these markets are also attractive.

Japanese equities
Japan offers a combination of corporate governance reforms, favourable market dynamics and attractive valuations. It also offers diversification[1] opportunities.

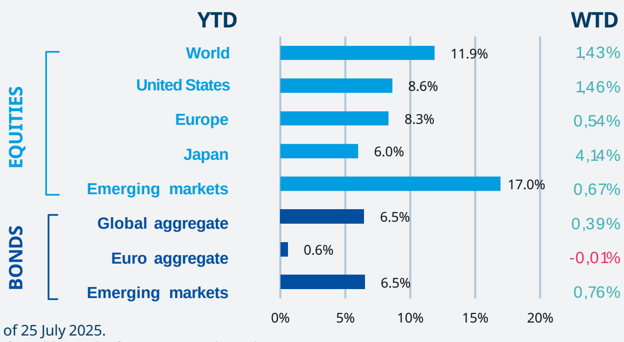
* Excess of government expenditure over revenues.

This week at a glance

Equity markets were up last week. The US-Japan trade deal sparked some stabilisation in the dollar and prompted a recovery in Japanese equities. Government bond yields were mixed, with US long-term yields declining and those in Germany rising. In commodities, oil prices fell.

Equity and bond markets

Asset class performances, year to date and week to date



Source: Bloomberg, data as of 25 July 2025.
Please refer to the last page for additional information on the indices.

Government bond yields

2 and 10-year government bond yields, and 1 week change

	2YR		10YR	
US	3,93	▲	4,39	▼
Germany	1,95	▲	2,72	▲
France	2,21	▲	3,39	▼
Italy	2,22	▲	3,55	▲
UK	3,88	▼	4,63	▼
Japan	0,85	▲	1,60	▲

Source: Bloomberg, data as of 25 July 2025.
Please refer to the last page for additional information on the indices.
Trend represented refers to 1-week changes. Please refer to the last page for additional information

Commodities, FX and short-term rates, levels and weekly changes

Gold *USD/oz*	Crude Oil *USD/barrel*	EUR/USD	USD/JPY	GBP/USD	USD/RMB	Euribor 3M	T-Bill 3M
3337,30	65,16	1,17	147,69	1,34	7,17	1,97	4,35
-0,4%	-3,2%	+1,0%	-0,8%	+0,2%	-0,1%		

Source: Bloomberg, data as of 25 July 2025.
Please refer to the last page for additional information on the indices.

Amundi Investment Institute Macro Focus

Americas

Mixed macro pulse in the US, Fed to stay on hold

June existing-home sales fell 2.7% MoM, and initial jobless claims rose, pointing to only gradual labour-market softening. The Conference Board Leading Economic Index slipped another 0.3% in June. Housing weakness, steady but not alarming jobless claims, and a sagging Leading Economic Index reinforce expectations that the Fed will stay on hold next week while monitoring how upcoming tariff hikes feed through to prices and activity.

Europe

Eurozone PMI hits 11-month high

The flash HCOB Eurozone Composite PMI climbed to 51.0 in July (June 50.6), an 11-month high. For the first time in over a year the new-business gauge touched the 50-point breakeven, while services input-cost inflation slid to a 9-month low, hinting at softer price pressures ahead. The ECB kept all key rates on hold (deposit 2.25%), emphasising that domestic cost pressures are 'easing' and that incoming data remain consistent with inflation returning to target.

Asia

As August looms, Asia moves towards trade deals

The Philippines reached a deal with the US, setting tariffs at 19%, slightly higher than the 17% announced on Liberation Day. This new rate aligns closely with those for other ASEAN countries - Vietnam at 20% and Indonesia at 19%. With the August 1st deadline approaching, more announcements are expected, especially as Japan's deal sets a precedent for exporters like South Korea to negotiate lower sectoral tariffs on automobiles.

Key Dates

30 July	Federal Reserve Interest Rate Decision
31 July	Bank of Japan Interest Rate Decision
01 Aug	US Unemployment Rate, Euro Area Inflation Rate YoY

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Equity and bond markets (chart)

Source: Bloomberg. Markets are represented by the following indices: World Equities = MSCI AC World Index (USD) United States = S&P 500 (USD), Europe = Europe Stoxx 600 (EUR), Japan = TOPIX (YEN), Emerging Markets = MSCI Emerging (USD), Global Aggregate = Bloomberg Global Aggregate USD Euro Aggregate = Bloomberg Euro Aggregate (EUR), Emerging = JPM EMBI Global Diversified (USD).

All indices are calculated on spot prices and are gross of fees and taxation.

Government bond yields (table), Commodities, FX and short-term rates.

Source: Bloomberg, data as of **25 July 2025.** The chart shows the US Dollar Index.

[1]**Diversification does not guarantee a profit or protect against a loss.**

GLOSSARY

ECB: European Central Bank

Fed: Federal Reserve System, the US's central banking system

HCOB Eurozone Composite PMI: weighted average of the Manufacturing Output Index and the Services Business Activity Index

PMI: Purchasing Managers Index

ASEAN: Association of Southeast Asian Nations

Fiscal Deficit: When government spending exceeds revenue in a specified time period.

YoY: Year on Year

MoM: Month on Month

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IMPORTANT INFORMATION

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