<u>**Letters from the Oval Office and a Clean Bill of Health**</u>

A relatively quiet week for economic news flow but the key focus on what the future holds for global trade. For now, the can is being kicked down the road with the Liberation Day tariff pause postponed until the 1st of August and the Republican administration signalling no further extensions.

Negotiators have so far made limited progress, with only a handful of smaller deals announced, so President Trump has sent letters to over 20 countries, predominantly in Asia, Africa and Eastern Europe, which outline the new higher tariff rates that will take effect if new bilateral trade deals are not secured.

Equity markets have so far taken these developments in their stride while the dollar remains subdued given a trade war escalation is expected to have a greater impact on the US economy.

It is possible that markets are holding out hope for the European Union to strike a deal with the US, assuming progress in negotiations because the region is yet to receive its own letter. Trump's response has been to reiterate the threat, however, with no desire to allow complacency to creep in.

The other region that may have scored a quiet diplomatic victory is India which is actively engaged in trade negotiations with the US and, despite the suggestion of an additional 10% tariff for anti-American BRICS policies, has also received no letter to date.

Beyond regional tariffs, probes into pharmaceuticals and semiconductors are due to conclude by the end of July. Tariffs on pharmaceuticals have been suggested at levels as high as 200% but manufacturers will be given sufficient time to make commitments to US manufacturing before they come into effect, so it is unlikely they will be hit with the headline figure. The goal is for the US government to have more control over domestic drug pricing.

Investigations into lumber and critical minerals are also ongoing, and despite longer review periods, an early consequence is the new 50% tariff on US copper imports. This has triggered a wave of stockpiling activity as traders rush material ashore before the tariff takes effect on the 1st of August.

The result is a 25% premium for New York copper contracts compared to those at the London Metals Exchange. Although extreme, by not reaching the full 50%, the divergence suggests that traders believe tariffs will ultimately be targeted towards select top producers rather than applied indiscriminately across the board. The other, maybe unexpected, consequence is that there could be a near term copper shortage outside the US.

The One Big Beautiful Bill Act was signed by the president on Friday and will deliver c. $4.5 trillion in tax breaks and incentives, including extensions of the 2017 tax cut rates and higher child tax credits alongside over $1 trillion in Medicaid savings.

The bill will reignite concerns over US fiscal sustainability with debt to GDP ratio expected to swell to 125% - if the most attractive estimates are to be believed. Treasury yields have edged higher but not by any means by the same magnitude we've seen bond markets pile pressure on UK policymakers.

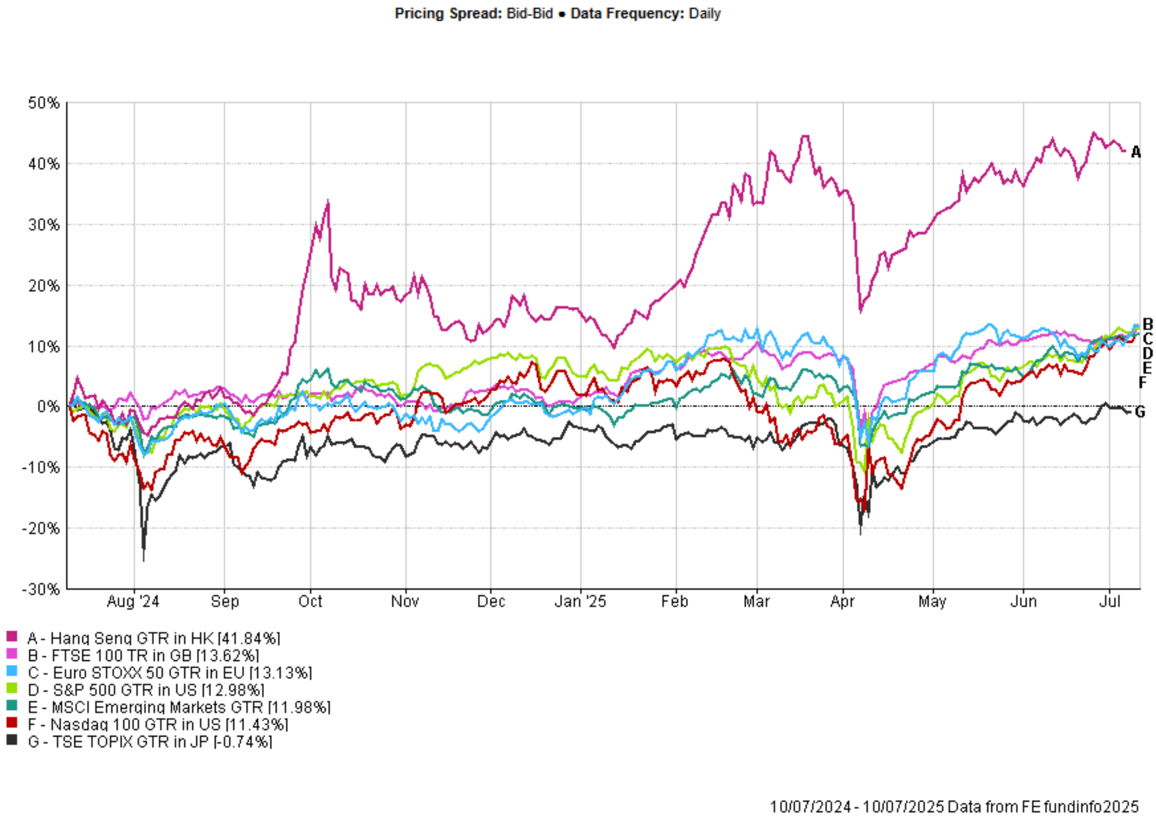
The dollar may also experience some downward pressure as a result, but with initial policy appearing more austere now flipping to a scenario where it looks like the economy will be run hot, will economic growth pick up and the US fall back in favour? And how will falling interest rates be received under a new Federal Reserve Chair in 2026? These could be the prerequisites for an unwind of the dislocation between interest rates differentials and the dollar.

OPEC+ announced plans to boost oil supply, which should be supportive for the global economy whilst adding further downward pressure on inflation. This will be welcome news to the UK where Industrial production fell unexpectedly, and GDP growth softened. Gilt yields have responded accordingly, edging higher and once again casting doubt over the efficacy of the current Labour government.

Looking ahead, corporate earnings season begins next week as analysts look to rebuild their growth outlooks having cut expectations in April. There has been a noticeable divergence in the growth outlooks from economists and equity analysts, so these earnings will give us our first insight into which cohort is worth their salt.

Where are markets up to?

The rolling 12 month % cumulative returns in local currency from various indices is shown in the following chart:



Where are the portfolios up to?

The portfolio performance, net of fees, to close of business on Thursday is as follows:

	1 week	1 month	3 months	12 months
Cautious	+0.12%	+1.14%	+6.19%	+2.47%
Balanced	+0.29%	+1.74%	+9.77%	+2.50%
Adventurous	+0.38%	+2.05%	+11.94%	+2.62%

As ever, if you would like to discuss any aspect of your portfolio, please do not hesitate to contact us on service@blythefinancial.com.