Deal or No Deal: The Tariff Edition

As the extension to the 90 day pause on the so called “Liberation Day” tariffs expired at midnight in the US (05:00 here in the Isle of Man), President Donald Trump signed yet another Executive Order to deal with [an] “unusual and extraordinary threat to the national security and economy of the United States” – trade deficits.

What is striking is just how mad the world is at the moment, when tariffs of *only* 10% for the UK, 15% for most countries and varying other rates up to 50% for Brazil, are treated with a sigh of relief.

Yes, the markets have (so far) sold off a little but not at the dramatic rate that we saw on and around “Liberation Day”.

The following chart summarises the tariffs announced on Liberation Day and their eventual rate announced today for selected countries:

Country	Liberation Day Tariff Rate	1st August Tariff Rate
Brazil	10%	50%
Switzerland	31%	39%
Canada	25%	35%
China	34%	30%
South Africa	30%	30%
Mexico	25%	25%
India	26%	25%
EU	20%	15%
Japan	24%	15%
UK	10%	10%

The 50% tariff on Brazil, is part for them not halting the trial of Jair Bolsonaro, the country’s former president and a Trump ally. Quite what that has to do with trade deficits is anybody’s guess, but there it is.

Similarly, the 35% rate imposed on Canada is in part a response to Canada’s promise to recognise a Palestinian State, a promise that annoyed Trump. A similar promise from the UK however went unpunished.

The rates applicable to China remain the subject of on-going discussions with a further deadline due on 12th August.

The UK, Japan and EU all secured “deals” before the deadline. The EU “deal” was completed on Sunday at a meeting between Trump and Ursula von der Leyen (President of the EU) at one of Trump’s golf courses in Scotland.

The EU accepted tariffs of 15% on its exports to the US, while levying zero tariffs in return. This outcome had been highly anticipated after Japan's similar agreement just days prior. The EU also committed to buying American arms, purchasing $750 billion in energy from the US and investing $600 billion, albeit in “unspecified ways”. The nature of this arrangement, concluded in a brief meeting, suggests it is less of a traditional trade treaty and more an extraction of concessions from Europe.

Despite the seemingly one-sided terms, markets have reacted positively with the threat of 30% tariffs averted. The deals with Japan and the EU, alongside other recent agreements, highlight a pattern of trading partners making significant concessions. Increasingly, equity and bond markets are sending the message that the resolution of trade uncertainty might matter more than the actual level of tariffs.

To date, tariffs have generated substantial revenue for the US without any apparent negative effects on inflation or corporate profits. Furthermore, the weakness the dollar has experienced this year will enhance the competitiveness of US exports. Relatively weak US stock performance in the first quarter appears to have been overdone:

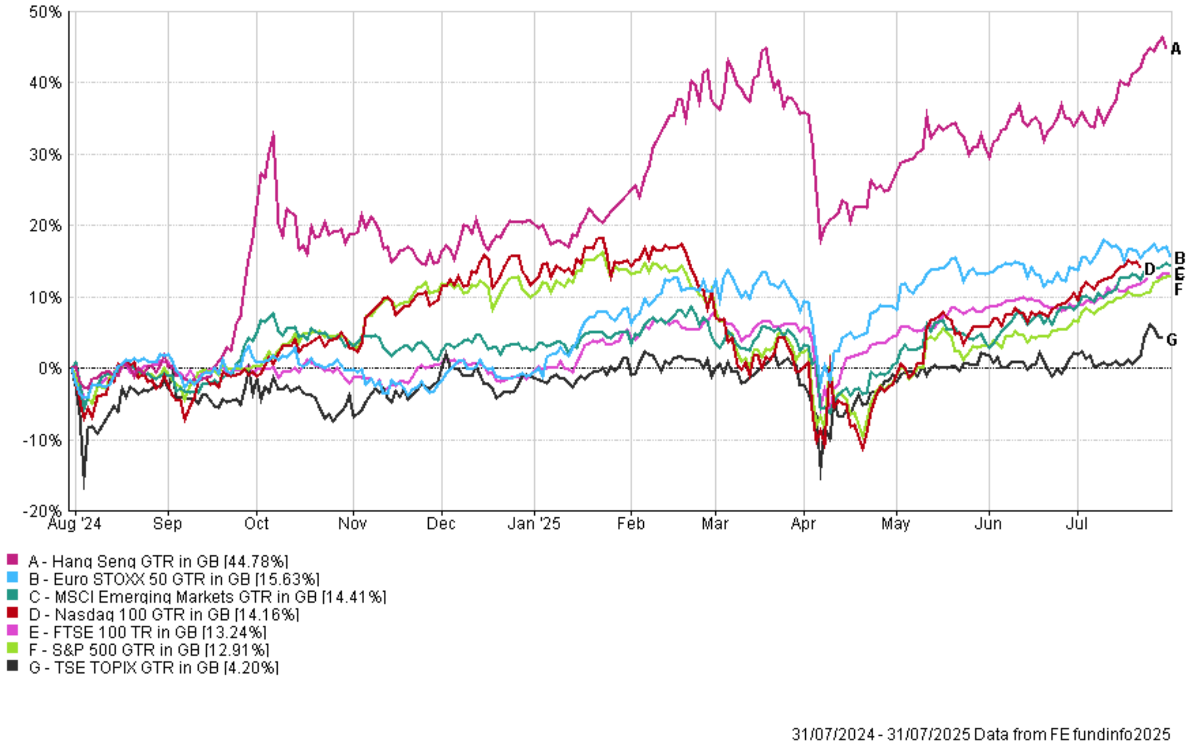
Yet, while the headline data appears to be resilient, forecasters continue to find nuance that could point to a slowdown, of which this is the latest:

Such data points must be taken in consideration with the uncertainty around trade, but with two large trade deals underpinned and an apparent easing of discord between the US and China, who have agreed that they may extend the tariff pause to further deliberate, these pessimistic indications may subside. Strong GDP data this week certainly helps the optimists, with the fast-moving Atlanta Fed GDP-Now gauge reaching 3% for US economic growth in the current quarter. Preliminary data for second quarter Eurozone GDP was also above expectations at 1.4%.

The latest Big Tech earnings reveal that the AI momentum continues, though companies are advancing at varying paces. Apple kicked off the earnings season with a June end quarter record. Revenue grew 10% year on year to $94 bn, powered by an all-time-high $27.4 bn in Services and double-digit iPhone and Mac growth; CEO Tim Cook flagged “significantly growing” internal AI spend ahead of a 2026 Siri refresh. Microsoft followed, posting a muscular $76.4 bn in revenue (+18 %) as Azure rocketed 39% and cloud sales topped $46.7 bn. Meta tops estimates on all fronts with a revenue of $47.5 bn, and earnings per share at $7.14. The stock leapt 12% after the company reported the second quarter earnings, even though Mark Zuckerberg warned that AI-talent hiring will be its second-largest cost driver this year. The one soft spot was Amazon. Amazon Web Services’ (AWS) revenue grew a respectable 17.5% to $30.9 bn, but operating margin slid to 32.9%, the lowest since 2023, knocking the shares 7% lower.

Collectively, these earnings reports reinforce that the AI super cycle is still fuelling revenue growth and pricing power - though capital expenditures are surging. Microsoft, Google, and Amazon are now generating over $330 billion in annualised cloud and AI revenue, yet all three continue to report data center capacity constraints. The implication: the sector remains a macro-barometer for digital investment; strength in Azure and Google Cloud suggests corporate AI adoption is broadening, while AWS’s margin wobble is an early reminder that competitive spend can compress profitability when growth normalises. For investors, the message is that AI’s demand pulse is alive and well, but stock selection will increasingly hinge on execution, capital discipline and the ability to monetise AI at scale without eroding returns.

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	+0.85%	+1.92%	+5.58%	+4.13%
Balanced	+0.98%	+2.95%	+8.86%	+5.16%
Adventurous	+0.89%	+3.39%	+10.43%	+5.58%

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