

# What to watch in the week ahead

## Weekly Global

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### Do recent trade deals signal the end of Trump's tariff conflict?

Markets had been bracing for President Trump's 1 August deadline for concluding trade negotiations. Events over the weekend made this date less consequential, with the US concluding a tariff deal with the European Union. (Read our Alert: [Trade tensions ease further with US-EU deal](#).) This agreement capped tariffs on most EU goods at 15%, half the level that President Trump had threatened if talks failed. That followed a similar agreement with Japan last week. (Read our House View Daily: [Trump's Japan deal points to improving trade clarity](#).) Discussions with China also appear to be progressing well. This all aligns with our view that the US effective tariff rate will settle at around 15%—about six times higher than when Trump returned to office. While this will slow US growth, we don't see it as enough to trigger a recession or end the equity rally.

However, markets have already priced in a benign outcome: US stocks are at record highs with the S&P 500 index up almost 9% year-to-date. While agreements have been reached with America's top trading partners, investors will still be looking to see if other nations will face higher tariffs on 1 August. The US is still mulling sector-level tariffs, including on pharmaceuticals. And investors also should not rule out the possibility that the Trump administration could revisit agreed trade deals and continue to use tariff threats as a negotiating tool. As a result, further bouts of volatility remain possible. (Read our House View Daily: [Preparing for volatility amid market risks](#)).

Against this backdrop, investors who are underallocated to equities should be prepared to add exposure on any market dips. In the US, we like US tech, health care, utilities, and financials. In Europe, we like Swiss high-quality dividends, European quality, and our "Six ways to invest in Europe" theme. In Asia, we like China's tech sector, Singapore, and India. We also like Brazil. For those already fully invested up to their strategic equity benchmarks, implementing short-term hedges may be prudent to help navigate potential volatility.

### Will the Fed be able to get back to business as usual?

The big story lately has been the threat to the Fed's independence, with President Trump criticizing the central bank's reluctance to cut rates and hinting at removing Chair Powell (Read our House View Daily: [Fed independence comes back into focus for markets](#)). Commerce Secretary Lutnick echoed this, saying Powell "has to go." While we think a direct

### Explore more about US trade policy

- Read our CIO Alert for the latest on US tariffs: [Trade tensions ease further with US-EU deal](#)
- Podcast: [Ahead of the curve with Ulrike Hoffmann-Burchardi](#) (7 min). Ulrike Hoffmann-Burchardi, CIO Americas and Head of Global Equities for UBS Wealth Management, briefs you on the most important market drivers in the week ahead, along with opportunities beyond the consensus. Listen on [Apple Podcasts](#) or on [Spotify](#).
- Read the latest on the Japanese economy: [Japan-US trade deal may trigger earlier BoJ rate hike](#).
- Read our POTUS47 publication: [Copper tariffs coming down to the wire](#).

### Explore more about the Federal Reserve

- Tune into our monthly livestream this Tuesday with GWM Chief Investment Officer Mark Haefele for the latest investment ideas ([Add to calendar](#)).
- Don't miss our Monthly Letter: [Quiet...too quiet](#), where we assess near-term market risks, why volatility may be short-lived, and how investors can position accordingly.
- For more on Fed independence, listen to the latest episode of [Friday Investors Club](#).

### Explore more about AI and tech earnings

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challenge to Fed independence is unlikely, these questions could weigh on the US dollar.

- Read our blog: [Solid guidance](#) for more on the second quarter earnings season.

This week, investors will be hoping the focus shifts back to economic data and the Fed's interpretation of said data. Since most top policymakers have signaled that it would be premature to cut rates this month, markets will be looking instead for hints about possible action in September. What will Powell say in his press conference? And how many dissenting votes might there be for a cut? The Fed's tone in the coming months will also be shaped by a flurry of US data on jobs, inflation, business activity, and consumer sentiment. The expectation is that companies have continued to hire, despite uncertainty over tariffs, with economists looking for over 100,000 new jobs in August, a stable jobless rate, and slightly higher average earnings. The Fed's preferred inflation gauge—the PCE index—may show some tariff-driven price pressures, while ISM manufacturing and Michigan consumer sentiment will provide further insight into businesses' and shoppers' sentiments.

In this context, we expect signs of cooling and indications that the Fed is preparing to cut rates starting in September. Despite concerns over Fed independence and the US deficit, renewed easing should push yields lower by year-end, creating opportunities to lock in attractive yields. We continue to favor quality bonds with medium duration (5-7 years), given the risks at the long end of the curve.

### **Will Trump's AI policies and tech earnings support the equity rally?**

The first of the "Magnificent 7" tech companies reported second quarter results last week (Read our preview earnings report [S&P 500 EPS: Still resilient](#)). While Tesla faced some pressures, Alphabet raised its capital spending guidance from USD 75 billion to USD 85 billion for the year, reinforcing our optimism on AI. And there was further good news for tech from the White House, with President Trump unveiling an AI Action Plan, aimed at consolidating US leadership in the technology.

The administration kicked off its AI Action Plan with a series of executive orders to speed up AI infrastructure projects, new rules for chip exports, and efforts to limit political bias in AI technology. This week markets will be looking for any further details on how this plan will be implemented. We'll also get second quarter earnings from most of the other Magnificent 7, including Microsoft, Meta, Apple and Amazon—which together account for around 20% of the value of the S&P 500. As with Alphabet, the focus will be on AI-related capital spending and monetization of previous investments.

So, recent developments support our advice to invest in Transformational Innovation Opportunities—especially in AI, and Power and resources. The White House's plan to fast-track data center construction, with looser environmental rules and potential use of federal lands is a positive for the sector. We recommend a balanced, diversified approach to quality AI stocks and exposure across the electrification value chain. Structured strategies may help navigate near-term volatility, subject to careful management of their unique risks.

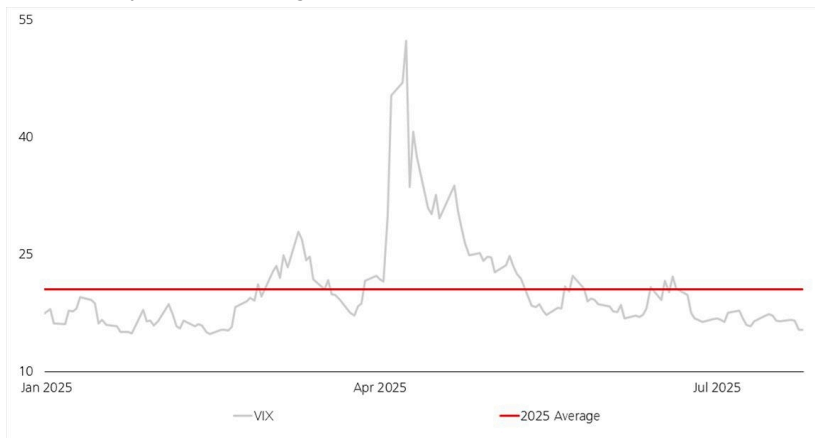
## Chart of the week

The VIX index of implied US equity volatility shows that markets are quiet at the moment. We see risks to markets over the coming weeks—including questions surrounding the Fed’s independence—which may contribute to market swings in the near term. We recommend investors prepare for volatility.

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Volatility is quiet...

VIX index and year-to-date average level



Source: Bloomberg, UBS, as of July 2025

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## Non-Traditional Assets

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## Appendix

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