

DATE: July 11, 2025

TITLE: Rates to Fall or Rise? Markets Caught Between Tariffs, Tech, and Trump

TRANSCRIPT:

Q1: Eric, let's start with the big macro tension: President Trump is demanding a 300 basis point cut, but Jamie Dimon says rates may actually need to rise. What is going on here?

Eric:

It is almost surreal. On one hand, you have President Trump, using Truth Social to call for aggressive easing, a 300bps rate cut—yes, three full percentage points. On the other hand, you have Jamie Dimon, arguably the most influential banker on Wall Street, saying markets may be underestimating the risk that rates stay high or even rise.

This is not just economic posturing—it is presidential pressure versus financial realism. And the tension is spilling into the bond market, which is increasingly caught in a tug-of-war between political bluster and economic fundamentals.

The Fed, meanwhile, is playing it straight down the middle: cautious, data-dependent, and clearly uncomfortable with the growing politicisation of monetary policy. All of this? It weighs on the dollar, which remains under medium-term pressure as credibility becomes part of the conversation.

Q2: Let's pivot to markets. The Nasdaq just hit another record. What is driving equities higher despite the rate noise and tariff threats?

Eric:

Tech is doing what tech does best: leading from the front. Nvidia pushed to new highs this week, and TSMC's results blew past expectations. They reported nearly 40% year-on-year revenue growth, and their forward guidance? Even stronger. They now expect AI-related revenues to double in 2025 and grow at a compound rate of 40% over the next five years.

That kind of visibility cuts through macro fog. Investors are voting with their feet—and their capital—and the message is clear: AI is not just hype. It is earnings.

So yes, while tariffs hang like a cloud and bond markets stew in rate uncertainty, tech is keeping the risk-on narrative alive.

Q3: But tariffs are back in the spotlight, right? What are we hearing out of Washington?

Eric:

Yes, and it's a flurry of moves—and threats. First, Canada is now in the firing line with a proposed 35% tariff starting August 1st. The EU could be next—Trump says he'll make a decision in the next 48 hours.

And earlier this week, we saw a stunning move: a 50% tariff on copper and threats of 200% tariffs on certain pharma imports. That's not a typo—200%.

The effective average U.S. tariff rate has already risen to around 18%, up from just 2.4% last year.

That is a seismic shift in trade policy—and it has real consequences for inflation, supply chains, and ultimately Fed policy.

Ironically, Trump pointed to the recent stock market rally as “proof” that the market is fine with his policies. But I'd argue markets are rallying despite the tariff threats—not because of them.

Q4: There was also chatter this week around Russia. What is that about, and how did markets react?

Eric:

Yes—Trump teased a “major announcement” on Russia scheduled for Monday. No details, but analysts suspect it could involve new sanctions, possibly across sectors.

Oil? Barely moved. But gold spiked and Bitcoin quietly surged for three straight days.

It is another reminder that when political uncertainty meets monetary ambiguity, hard assets get bid up. People want optionality—gold, crypto, anything that might provide a hedge against what is becoming a deeply unpredictable global policy mix.

Q5: What about the Fed? The minutes were out this week. Did they clarify anything for markets?

Eric:

To an extent, yes. The June meeting minutes showed a Fed that is gently leaning toward easing, but without any urgency. A few members floated the idea of cutting as soon as late July, but the majority want to wait.

Interestingly, they nudged out the end date for quantitative tightening, now expected to finish in February 2026 instead of January. That small tweak added to the dovish tone.

So the takeaway? The Fed is preparing for cuts, but it is not going to be bullied into them—not by markets, and certainly not by tweets.

Q6: There's also something of a global story building here—central banks from Australia to Japan are being spooked by U.S. unpredictability. Can you unpack that?

Eric:

Absolutely. The Reserve Bank of Australia held rates steady in a split decision this week. And it was not because they think inflation is gone—it is because they do not know what U.S. policy is going to do next.

Central banks around the world are reluctant to pull the trigger on rate cuts while tariffs remain a moving target. Even Japan, where inflation has been stubbornly high, is now seen as holding back until it gets clarity.

In short, the strategic ambiguity coming out of the U.S. is starting to paralyse global monetary policy.

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