



**LEATON
WEALTH**

MARKET COMMENTARY

07 August 2025

**MICROSOFT AND
OTHER TECH
GIANTS
ANNOUNCED
ANOTHER \$337
BILLION
COMMITMENT TO
AI
INFRASTRUCTURE
IN 2026**

MARKET RALLY CONTINUES DRIVEN BY STRONG CORPORATE RESULTS AND RENEWED AI OPTIMISM

In July, risk assets continued to rally as investors responded positively to improving earnings, reduced trade tensions, and excitement about the growth potential of artificial intelligence. There were distinct differences between regional stock market performances, highlighting the ongoing tension between economic resilience and policy uncertainty.

US equities outperformed other developed markets thanks to impressive tech earnings and enthusiasm for AI. The S&P 500 and Nasdaq both hit record highs as major tech firms reported strong results, with Meta's 12% surge after earnings illustrating investor interest

in AI-driven growth. Microsoft and other tech giants announced another \$337 billion commitment to AI infrastructure in 2026. However, the dollar's weakness has meant that, when converted to other major currencies, US equity indices are barely ahead year-to-date, and US small-cap indices remain lower.

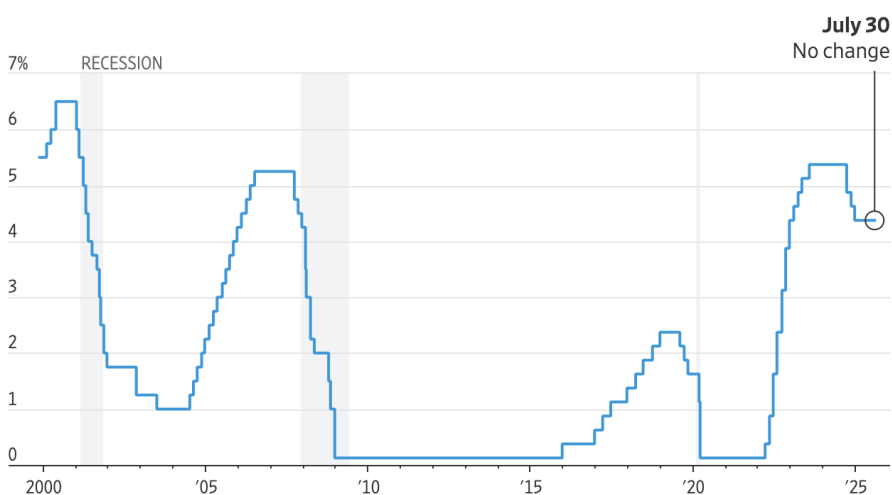
The UK FTSE 100 stood out in July, gaining 4.3% after hitting record highs and remaining significantly ahead of US indices year-to-date.

European markets saw more modest gains, with the Euro Stoxx 50 rising less than 1%. The Nikkei 225 eked out a 1.4% increase amid political uncertainty and following a tariff deal with the US.

Meanwhile, US Federal Reserve Chair Jerome Powell's 30 July press conference served as a reality check for markets looking for aggressive rate cuts. While acknowledging economic weaknesses, he did not signal a September rate cut, reinforcing the Fed's data-dependent stance during ongoing trade uncertainty. As a result, market expectations for a September cut dropped from 65% to below 50%, causing modest equity weakness and rising Treasury yields.

THE DOLLAR'S LATE-MONTH STRENGTH REFLECTED ECONOMIC RESILIENCE AND REDUCED EXPECTATIONS FOR US RATE CUTS

Federal-funds rate target



Note: Chart shows midpoint of target range since 2008.
Source: Federal Reserve

Powell's cautious stance reflected two conflicting economic narratives: emerging labour market softness, despite steady unemployment, versus AI investments and household wealth supporting ongoing growth. This underlines the Fed's challenge in handling trade-induced headwinds while aiming to preserve the soft landing achieved earlier this year.

A major development in July was the successful completion of key trade agreements, especially with the EU, helping to avoid a broader trade war. President Trump's negotiations with Japan and the European Union removed

significant risks, although details remain fluid and deadlines loom for other partners, including Canada, Mexico, and South Korea.

European bonds performed well, as ECB rate cuts helped lower eurozone yields by 17 basis points. US Treasury yields held steady around the Fed's 4.25%-4.50% benchmark but increased slightly after Powell's hawkish comments.

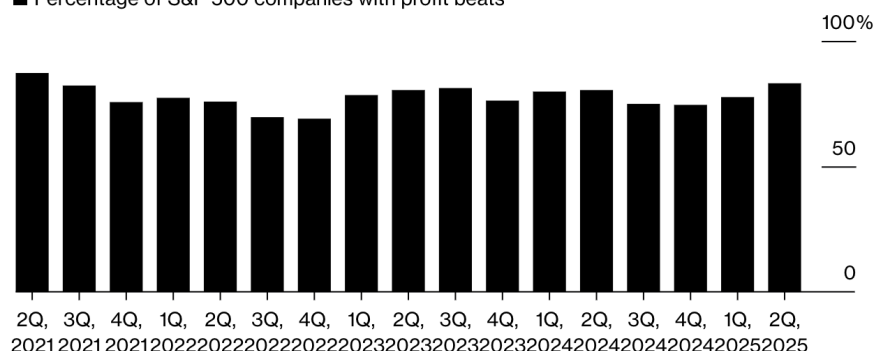
The dollar's late-month strength reflected economic resilience and reduced expectations for US rate cuts, putting pressure on emerging market currencies and commodities. Copper prices fell sharply after the US exempted refined copper from import tariffs.

TECH-LED US EARNINGS OUTPACE FORECASTS

US Firms Exceed Profit Estimates at Strongest Rate in Four Years

On track for highest share of beats since second quarter of 2021

■ Percentage of S&P 500 companies with profit beats



Source: Bloomberg Intelligence

Note: Latest second-quarter data through market close on July 24, 2025.

COPPER PRICES FELL SHARPLY AFTER THE US EXEMPTED REFINED COPPER FROM IMPORT TARIFFS

Corporate America exceeded Wall Street's expectations in the second quarter, with about 83% of companies beating analysts' profit forecasts, according to Bloomberg Intelligence. Earnings grew 4.5% year-on-year, outpacing the expected 2.8% increase.

The strong results have reinforced investor confidence, especially as forward guidance plays a growing role in market reactions. Companies issuing upbeat outlooks typically see shares rise ~3%, while cautious tones can trigger ~4% declines—highlighting sensitivity to corporate commentary. Technology and communication services led the way, with over 75% of firms beating estimates and delivering 6.6% earnings growth. AI remains the central driver, evident in Meta's 12% post-earnings jump. Financials also surprised, with bank-led earnings growth hitting 10.5%.

The 'Magnificent Seven' tech giants are projected to deliver 14% profit growth, while the rest of the S&P 500 companies are expected to deliver unchanged profits – again emphasising the market's dependence on major tech leaders. Investors also welcomed bold capital expenditure plans. Microsoft and Meta are each expected to spend ~\$70 billion on AI infrastructure this year, while the tech sector overall is targeting \$337 billion for fiscal 2026. What was once viewed with scepticism is now seen as key to competitiveness. Tariff-related concerns eased as companies revised cost estimates lower. Procter & Gamble, for instance, cut its expected tariff impact from \$1-1.5 billion to \$1 billion, with similar moves from Johnson & Johnson and 3M.

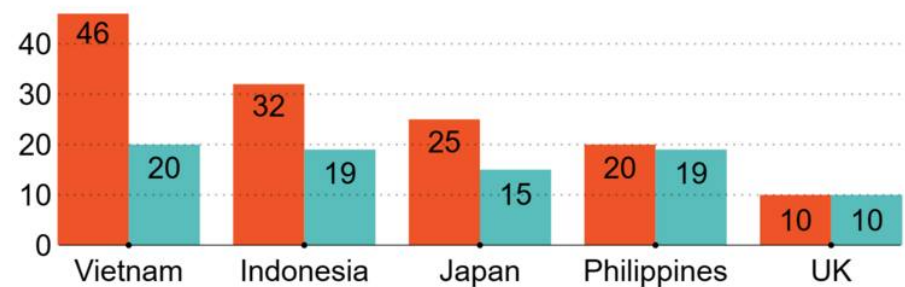
JAPAN: TARIFF RELIEF AND POLITICAL CHALLENGES

JAPAN PLEDGED \$550 BILLION IN INVESTMENTS IN THE US ACROSS STRATEGIC SECTORS

Countries with U.S. tariff deals

(Rate in percent)

■ Proposed rate ■ Agreed rate



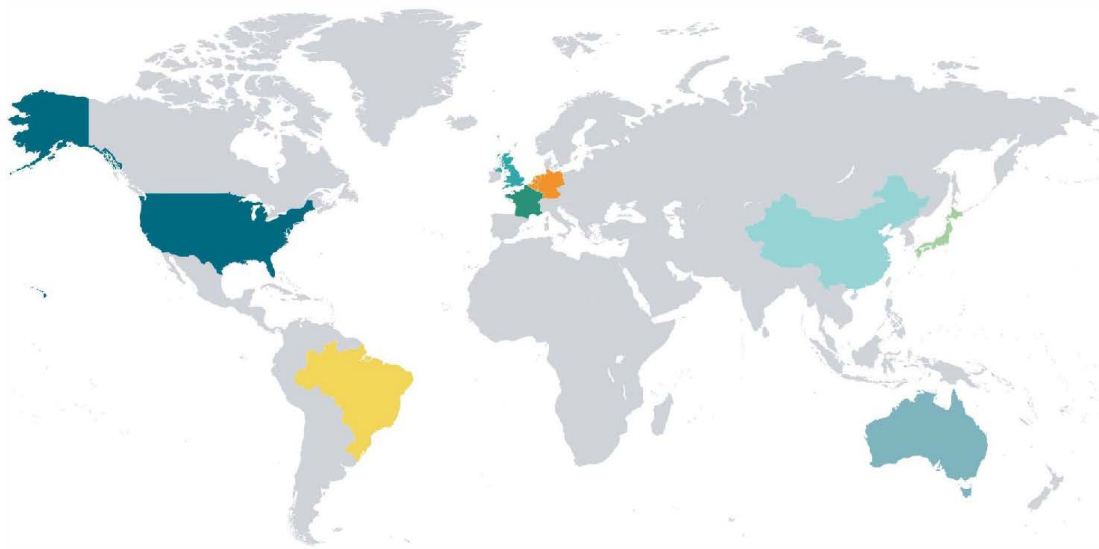
Imposes 40% for Vietnam's transshipping

Source: U.S. government and Trump's social media posts

In July, Japan secured important tariff relief from the United States, but this development came amid significant political and policy uncertainty at home. On 22 July, President Trump announced a trade framework that reduced planned tariffs on Japanese imports to 15% from a potential 25%, preventing punitive duties that were set to take effect on 1 August. As part of the agreement, Japan pledged \$550 billion in investments in the US

across strategic sectors including semiconductors, pharmaceuticals, AI, and the automotive industry. The announcement was met with relief by markets, with the Nikkei rising 3.5% as investors reacted to the reduction in trade policy risk. However, the deal came as Japan faces increasing domestic political instability, with leadership challenges and shifting party alliances that could complicate the implementation of economic policies going forward.

GLOBAL MARKET RETURNS - JULY 2025



S&P 500	FTSE 100	CAC40	NIKKEI	BOVESPA	DAX	ASX200	SSE	OIL	GOLD
+2.22%	+4.31%	+1.48%	+1.44%	-4.17%	+0.65%	+2.36%	+2.36%	+9.54%	+0.9%

Source: Morningstar Direct. Figures quoted are in local market currency on a total return basis.



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