

## Tariffs in the Courts – Policy Uncertainty

A federal appeals court ruled that most Trump-era tariffs are **illegal**, but they will stay in place until **October**, pending a Supreme Court review. New measures have already taken effect: **50% tariffs on Indian imports** (punishing oil purchases from Russia) and elimination of the “**de minimis**” exemption (previously covering shipments under \$800). This will now subject **92% of US imports** to tariffs ranging from 10%–50%, raising inflation pressures and complicating supply chains.

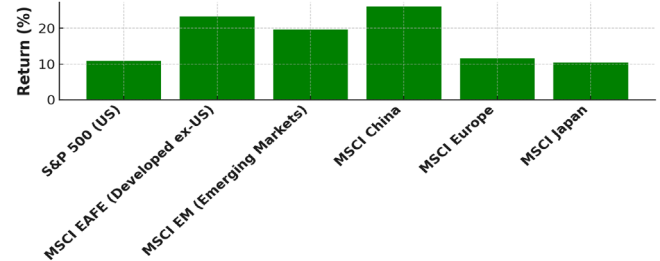
## US Economy – Resilient but Mixed

US economic data painted a mixed picture last week. Growth remained solid, with 2Q GDP revised upward to **3.3% from 3.0%**, reflecting a sharp rebound from the prior quarter's contraction. Much of this momentum stemmed from **AI-related capital expenditures**, although underlying consumer demand appears weaker than in past cycles. On the labor front, **jobless claims held steady at 229k**, but hiring has slowed significantly, averaging just **35k per month** compared with **123k a year ago**, suggesting a stagnating jobs market. Inflation also remains a challenge, with **headline PCE running at 2.9% year-over-year**. Even so, the Federal Reserve is widely expected to **cut rates in September**, prioritizing support for employment despite price growth still above target.

## Global Outlook – Divergence Across Regions

Globally, economic performance showed sharp regional contrasts. **Europe's growth remained soft**, with political uncertainty taking center stage after France's government called a surprise vote of confidence, sending bond yields higher and weighing on risk sentiment; the **STOXX 600 fell 1.97%** as fiscal concerns intensified. In **Asia**, Japan continued to benefit from ongoing corporate governance reforms, and markets are bracing for a potential **Bank of Japan rate hike in October**. Meanwhile, **China and Hong Kong equities rebounded**, buoyed by capital inflows and support from a weaker US dollar. **Emerging markets stood out as the strongest performers**, with equities up **22% year-to-date**, fueled by **\$16 billion in inflows during July**. The weaker dollar is amplifying returns and easing debt burdens, with **Latin America and Korea** among the most notable beneficiaries.

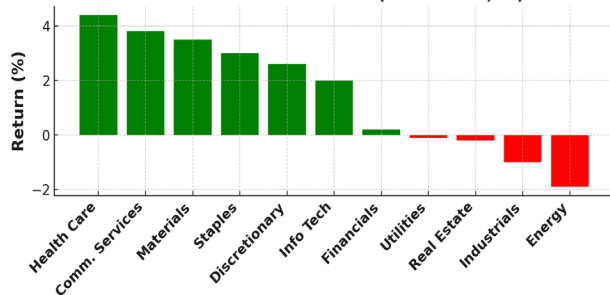
Year-to-Date Equity Performance: US vs. Foreign Markets (%)



## Equity Market Trends – Tech Still the Growth Driver

The **Magnificent 7** reported **28% EPS growth in Q2**, compared to **7% for the rest of the S&P 500**. This has widened the gap in earnings momentum, reinforcing the theme of tech exceptionalism. Meanwhile, cyclical sectors like **Energy and Industrials** face headwinds from tariffs and slower global demand.

US Sector Performance (Last Week, %)



## Sector & Market Performance – Winners and Losers

In market performance, **US sectors delivered mixed results last week**, with **Health Care (+4.4%)** and **Communication Services (+3.8%)** leading gains, while **Energy (-1.9%)** and **Industrials (-1.0%)** lagged. On a broader scale, **global equities have significantly outpaced the US year-to-date**: while the **S&P 500 is up 10.8%**, international markets have surged, with **EAFE gaining 23.3%**, **emerging markets up 19.6%**, and **China advancing 26.1%**. This divergence reflects greater optimism abroad, supported by a weaker US dollar, favorable currency effects, and region-specific growth drivers.



### WEEK AT A GLANCE: September 1 - 5

- Sept 1:** Euro Area Manufacturing PMI
- Sept 2:** US ISM Manufacturing PMI
- Sept 2:** Euro Area CPI (Consumer Inflation)
- Sept 3:** US JOLTS Job Openings
- Sept 4:** US ISM Services PMI
- Sept 5:** US Nonfarm Payrolls
- Sept 5:** Euro Area Q2 GDP

-Scott Tremlett, CEO/Chief Investment Officer