

**MORE UNCERTAINTY AFTER US COURTS RULE AGAINST 'LIBERATION DAY' TARIFFS**

This week added to uncertainty surrounding US tariffs. The usual Donald Trump playbook of starting aggressively before quickly walking back the most extreme positions was rerun. A threat of an almost immediate 50% tariff on European imports was pushed back following a conversation with the European Commission president over the weekend. However, this was over-shadowed by the US courts ruling that the US president had exceeded his powers by imposing sweeping tariffs on most US imports. Markets rightly refused to get carried away. An immediate appeal of the decision led to its temporary stay and the US administration has other options to retrospectively fit its tariffs with a legal justification.

Meanwhile, the IMF offered some relief for Chancellor Rachel Reeves by calling for the Office for Budget Responsibility to issue a single annual review of government finances - rather than the current twice a year update - to create a more stable environment for decision making. The UK's growth forecast was increased which must be a relief for the chancellor after rising speculation about the need for tax hikes or spending cuts.

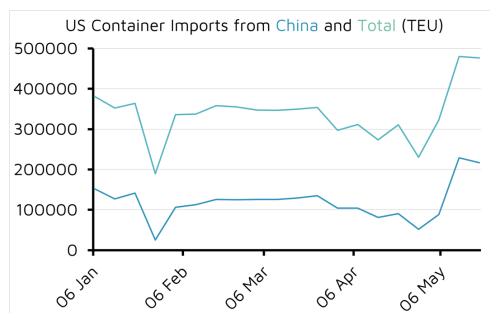
THE MARKETS THIS WEEK

| FTSE 100 | S&P 500 | Nikkei 225 | STOXX 600 | Hang Seng | US 10 Yr | UK 10 Yr | Brent Crude | Gold | Copper | GBP USD |
|----------|---------|------------|-----------|-----------|----------|----------|-------------|--------|--------|---------|
| -1.28 | +1.35% | +1.94% | -0.23% | -1.32% | -0.09% | -0.07% | -0.50% | -0.88% | -0.73% | -0.07% |

US: MORE UNCERTAINTY AS COURT RULES MANY US TARIFFS ILLEGAL

A US court struck down many of Donald Trump's tariffs as it ruled the president overstepped his authority. The panel of three judges said the president exceeded his powers when he used the declaration of a national emergency as his justification for his "liberation day" tariffs.

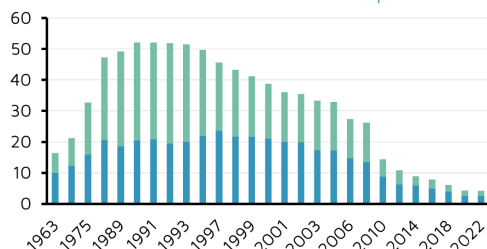
The decision by the courts adds further uncertainty in a week that had already witnessed rapid evolution in US policy. Last Friday, Trump threatened 50% tariffs on all imports from the EU starting on 2 June, but this was delayed to 9 July following a call with EU president Ursula Von Der Leyen over the weekend. The US administration quickly appealed and was granted a pause on the ruling. Trump may try to find an alternative legal justification for tariffs or ask Congress to pass legislation giving him the authority. The move to limit US tariffs slightly added to US equity market gains and US treasuries gained as weaker unemployment data increased the likelihood of interest rate cuts by the Federal Reserve.

**UK: CHANCELLOR CONSIDERS FORCING PENSION SCHEMES TO INVEST IN UK**

Chancellor Rachel Reeves said UK pension schemes could be forced to increase their investment in UK assets. The government hopes that consolidation of existing pension schemes and a voluntary commitment to invest more in the UK will drive up domestic investment. But the new pensions bill will give the government the power to impose a minimum investment level if pension schemes fail to act. In 2012, over 50% of the average defined contribution scheme's investments were in UK assets, but by 2023 this was just over 20%. Reeves aims to reverse some of this trend and drive more than £50bn of investment in UK infrastructure and housing, as well as funding for growth businesses.

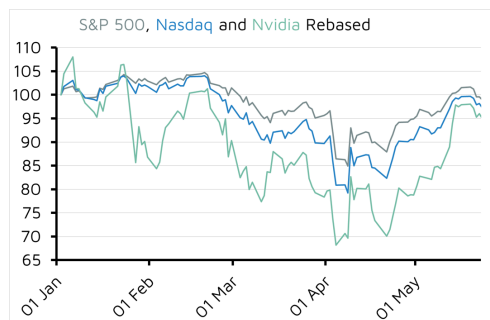
Meanwhile, the IMF has called for the UK to use a single annual review of government finances, instead of the current twice a year update. It says this would ease short-term pressures on Treasury decision making. The IMF also slightly upgraded its forecast for UK economic growth from 1.1% to 1.2% but said medium term-growth is likely to be subdued.

Percentage of UK Listed Equities Owned by UK Pension Funds and UK Insurance Companies

**TECH: POSITIVE UPDATE FROM NVIDIA LEADS TECH STOCKS HIGHER**

Shares in Nvidia gained more than 4% on Thursday as the company said quarterly sales exceeded expectations. Sales increased around 70% on the same period last year. Although US export restrictions limit which Nvidia chips can be sold to China, the company said additional demand from US companies and investment in artificial intelligence in the Middle East has replaced lost sales in China. The company sales it is poised for further strong growth and forecast sales of \$45bn in its second quarter.

Nvidia chief executive Jensen Huang said Chinese AI tech firms have become formidable rivals to US companies, but its growth and positive forecast was sufficient to lift other US tech stocks. Many of the Magnificent Seven tech giants gained this week and increasing share prices from semiconductor stocks like AMD, Super Micro Computer, Arm and Broadcom helped the broad US equity market stay on track for significant gains in May.



Data sourced from Investing.com, Office for National Statistics and Vizion

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