Macro & Oil Weekly Report

30 June 2025

Peace, trade deal and rate cut : the expected winning mix

The end of the Israel-Iran war, a relapse in oil prices, the expected positive outcome of trade negotiations and an anticipated cut in Fed interest rates. That was all it took to push the US stock market to a new record high... and the dollar even lower.

Macroeconomic Environment & Financial Markets

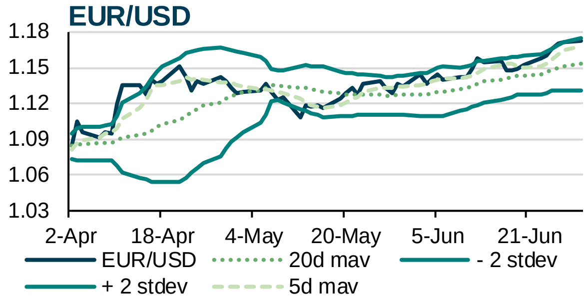
Key points

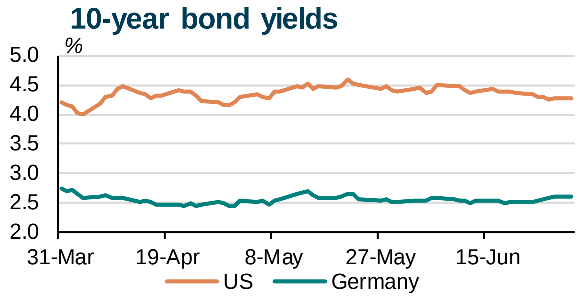
- Like the S&P 500, which has just set a new record, the financial markets welcomed the ceasefire between Israel and Iran (see the Oil section), but that's not all. Optimism seems to be growing as the deadline for trade negotiations with the US approaches. No one seems to have any interest in seeing things get worse. Canada has just abandoned its digital tax that would have hit large US tech companies and threatened to derail negotiations. The EU is optimistic that it will be able to reach a deal before 9 July. The situation is more complicated with Japan. As for China, there is still time. The final factor fuelling market optimism, especially after the fall in oil prices, is the hope that the Fed will cut interest rates. Members of the Trump administration are stepping up their attacks on Jerome Powell. Rumours of an early pick to replace the Fed chair are growing, with the aim of undermining his influence. In a way, this is already working, as US bond yields are falling, despite the dire forecasts for the public deficit surrounding the Senate debates on Donald Trump's One Big Beautiful Bill. According to the CBO, US debt could swell by $3.3tn over the next 10 years. For the moment, the facts seem to prove Jerome Powell right in refusing to rush into rate cuts, as the US core PCE deflator accelerated again to +2.7% yoy in May. However, the economy is showing some signs of slowdown: consumer confidence fell again in June according to the Conference Board, and spending declined in May. The construction sector is also facing a downturn.
- The decline in US bond yields contrasts with the rise in European rates. There are two main reasons for this: firstly, the ECB's rate cuts are almost over, and the initial euro area inflation data for June suggest that it could rise slightly, which would justify a pause. Second, EU countries agreed to a sharp increase in defence spending at the last NATO summit. The aim is to increase this spending to 5% of GDP by 2035 (3.5% in pure military spending and 1.5% in infrastructure and related services). However, among the major EU countries, only Germany seems to have the means to achieve this ambition. How can these commitments be met? In the meantime, the narrowing of the bond yield spread is weighing further on the USD. The EUR/USD exchange rate has exceeded 1.17.

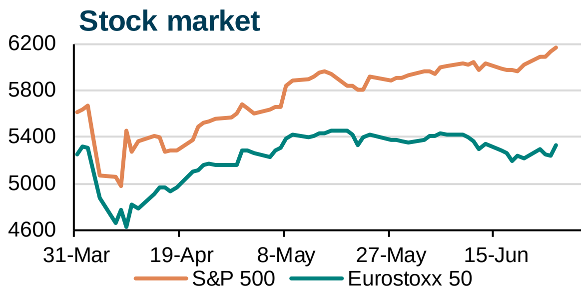
Financial Markets

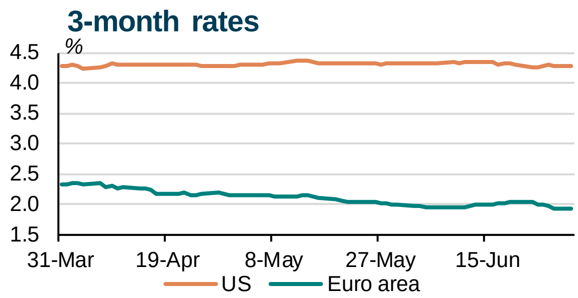
	27-Jun	7-day change	%		27-Jun	7-day change	%
EQUITIES				**FIXED INCOME**			
Euro Stoxx 50	5325.6	92.1 ↑	*1.8*	US 10y (%)	4.28	-0.10 ↓	*-2.2*
FTSE 100	8798.9	24.3 ↑	*0.3*	US 2y (%)	3.75	-0.16 ↓	*-4.1*
S&P 500	6173.1	205.2 ↑	*3.4*	US 3m (%)	4.29	-0.01 →	*-0.1*
Nikkei 225	40150.8	1747.6 ↑	*4.6*	Germany 10y (%)	2.59	0.08 ↑	*3.0*
Hang Seng	24284.2	753.7 ↑	*3.2*	Germany 2y (%)	1.86	0.01 ↑	*0.5*
Shanghaï com.	3424.2	64.3 ↑	*1.9*	Euribor 3m	1.94	-0.09 ↓	*-4.7*
VOLATILITY & CREDIT				**SPREADS**			
VIX	16.32	-4.3 ↓	*-20.9*	Italy-Ger. 10y (%)	0.88	-0.10 ↓	*-10.1*
iTraxx Crossover 5y	286.7	-16.9 ↓	*-5.6*	France-Ger. 10y (%)	0.67	-0.06 ↓	*-7.6*
CURRENCIES				**INFLATION EXPECTATIONS**			
EUR/USD	1.1718	0.0195 ↑	*1.7*	US 5y5y	2.30	-0.01 ↓	*-0.6*
USD/JPY	144.65	-1.44 ↓	*-1.0*	Germany 5y5y	2.15	0.02 ↑	*0.8*
GBP/USD	1.3716	0.0265 ↑	*2.0*	**COMMODITY PRICES**			
EUR/GBP	0.8542	-0.0024 ↓	*-0.3*	Brent 1N ($/b)	67.77	-9.2 ↓	*-12.0*
USD TWI	97.40	-1.31 ↓	*-1.3*	Gold ($/ozs)	3274.3	-94.1 ↓	*-2.8*
EUR TWI	102.13	0.71 ↑	*0.7*	Copper ($/t)	9878	244.5 ↑	*2.5*
XBT/USD	107169.8	3447.9 ↑	*3.3*	Corn ($c/bsh)	417.5	-11.3 ↓	*-2.6*

Source: Bloomberg





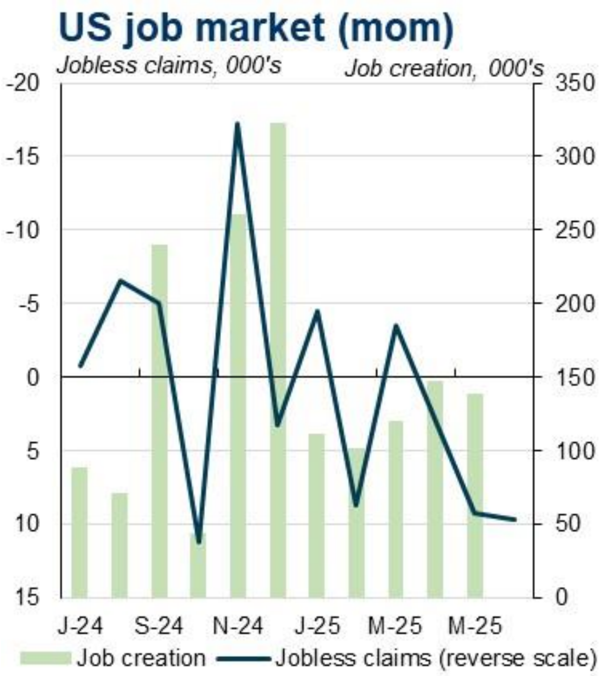




Source: Bloomberg

The week ahead

The first week of the month is traditionally when the two main indicators of US economy are released: the manufacturing ISM index and the job report. They are particularly important in the current context, where it is difficult to identify a trend among the many indicators affected by unusual volatility fuelled by events related to the trade war over the past three to four months. The ISM has fallen since February and is now well below 50 (48.5 in May). Regional indices suggest that this decline will continue, leading to raising pessimism in US industry, which is facing higher import costs due to tariff increases.
On the job front, the upward trend in jobless claims also seems to point to a further slowdown in job creation. On average over 12 months, they have not been this low since the Covid crisis. The market is expecting 116,000 jobs to have been created in June, after 139,000 in May. If this is the case, pressure for the Fed to cut rates in July would intensify and the release of June's inflation figures (on 15 July) would be eagerly awaited. Note that due to the Bank Holiday, the employment figures will be released on Thursday.



Also worth watching...

All PMIs will be published, along with the ISM services index in the US. The Bank of Japan's quarterly Tankan survey is also worth keeping an eye on.
In Europe, inflation data and some figures on industrial activity for May are expected at the end of the week.

Main indicators & events

	Indicator	Cons.	T-1
30/06/2025	CH Manufacturing PMI	49.7 A	49.5
01/07/2025	JN Tankan Large Mfg Index	10.0	12.0
	EC Eurozone Manuf. PMI	49.4	49.4
	EC CPI Estimate YoY	1.9%	--
	US ISM Manufacturing	48.8	48.5
03/07/2025	EC Eurozone Services PMI	50.0	50.0
	US Change in Nonfarm Payrc	120k	139k
	US ISM Services Index	50.8	49.9

Source: Bloomberg, EGM Economic Research

Oil Market

Key points

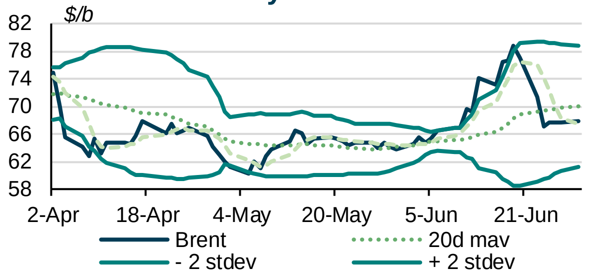
- After peaking following the US strikes, oil prices plunged on Monday in the wake of Iran's moderate response, which appeared above all to be an admission of weakness. The ceasefire, which was quickly accepted by Israel and Iran, appears fragile but sustainable, with the Iranian authorities' priority being to stabilise the regime. Crude prices recorded their largest weekly loss in over two years, dropping 12%, as the truce removed the geopolitical risk premium that was especially attached to fears of the Strait of Hormuz closing and shipping disruptions, which boosted Middle East freight rates. Confusion continues to reign over the extent of the damage caused by US strikes on Iran's nuclear program. While Donald Trump continues to claim that it has been completely destroyed, the Pentagon and the IAEA head both estimate that Iran could resume enriching its uranium stockpile within a few months.
- With uncertainty prevailing, the market is focusing on the short-term situation, which is returning to calm. Trump suggested that he might support lifting sanctions on Iran "if they can be peaceful." He had confusing comments about Chinese imports of Iranian oil that could resume, but officially, the US policy to put the “maximum pressure” on Iran has not changed. It is conceivable that this point will come up in the ongoing trade talks with China, which is estimated to purchase 90% of Iran's oil.
- In any case, Brent is trading below $68 per barrel, close to where it was before the June 13 conflict, as the focus shifts back to supply and demand. OPEC+ is expected to increase production by 411,000 barrels per day at the July 6 meeting. Saudi Arabia is leading the push, and Russia is open to the August increase after opposing the previous one. Nevertheless, the market is expected to be oversupplied this year, particularly after the summer in the Northern Hemisphere, which will drive oil prices down. The Israel-Iran conflict has also exacerbated the imbalance between supply and demand, with Iran's oil production reaching a new seven-year high and other Persian Gulf countries pumping more oil than they were a month ago.

Oil

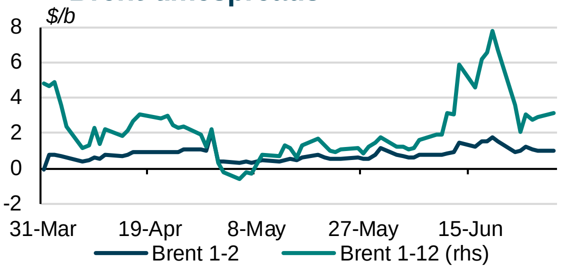
	27-Jun	7-day change	%		27-Jun	7-day change	%
CRUDE				**PRODUCTS**			
Brent 1m ($/b)	67.8	-9.2 ↓	*-12.0*	Ice Gasoil ($/t)	675.0	-83.5 ↓	*-11.0*
WTI ($/b)	65.5	-9.4 ↓	*-12.6*	EBOB Gasoline ($/t)	669.2	-78.7 ↓	*-10.5*
SPREADS				HFSO 3.5% ($/t)	407.6	-58.8 ↓	*-12.6*
WTI-Brent ($/b)	-2.2	1.1 ↓	*-32.3*	**CRACK SPREADS**			
Brent-Dubaï ($/b)	-0.6	-0.8 ↓	*-328.0*	Gasoil-Brent ($/b)	20.8	-1.5 ↓	*-6.6*
Dated B.-Brent ($/b)	1.3	-0.5 ↓	*-28*	EBOB-Brent ($/b)	14.6	-0.9 ↓	*-6.1*
TIME SPREADS				HFSO-Brent ($/b)	-2.2	-0.3 ↑	*15.8*
Brent 1-2m ($/b)	1.0	-0.6 ↓	*-36.6*	**US INVENTORIES**			
Brent 1-12m ($/b)	2.9	-3.8 ↓	*-56.5*	Crude oil (mb)	415.1	-5.8 ↓	*-1.4*
US PRODUCTION				Distillate (mb)	105.3	-4.1 ↓	*-3.7*
Crude oil (mb/d)	13.4	0.0 →	*0.0*	Gasoline (mb)	227.9	-2.1 ↓	*-0.9*
Oil rigs	432	-6 ↓	*-1.4*	Cushing (mb)	22.2	-0.5 ↓	*-2.0*

Source: Bloomberg

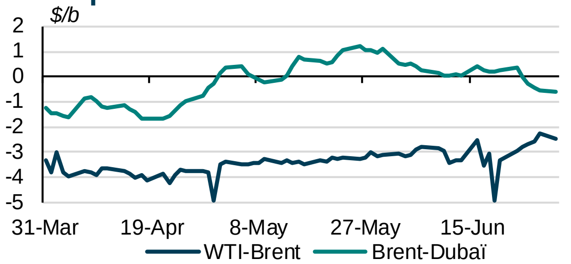
Brent 1st-nearby



Brent timespreads



Spread vs Brent



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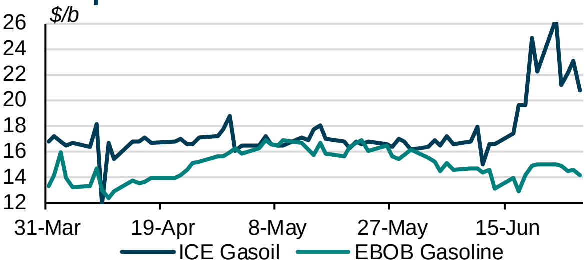

Source: Bloomberg

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(iii) agrees that a copy of the recording of the conversations and communications referred to herein will be available upon request from the date of the conversation or communication for a period of five years, and, where requested by a competent authority, for a period of up to seven years, and

(iv) agrees, to the extent permitted or required by applicable law, that recordings may be submitted as evidence in any dispute or other proceedings in relation to this Agreement or any transactions, including in relation to any enquiry by any competent authority.