State of Play

What's going on?

17 July 2025

It's been a busy few months in the world of investing. If you've seen headlines about tariffs, trade talks, or interest rates and wondered what it all means, you're not alone. At Santander Asset Management, we've been reviewing the latest developments and adjusting our views accordingly.

Trade tensions: Still in the spotlight

The pause ended on July 9: The 90-day pause on U.S. 'reciprocal tariffs' expired, ramping back up to around 10–25% for about 14 countries unless new deals are struck by 1 August.

The China-specific reprieve extended to 12 August: The 30% tariff measures on Chinese goods (covering universal and 'fentanyl' levies) remain in place until 12 August.

New threat: 30% tariffs on EU & Mexico from 1 August: President Trump has announced tariffs of 30% on imports from the EU and Mexico, effective 1 August, citing trade deficits and security concerns.

EU response & readiness: The EU postponed immediate retaliation until early August and is preparing ~€72 billion in countermeasures. Talks remain ongoing, with leaders indicating firm resistance to a 30% rate.

Implications for businesses:

- Multiple deadlines (1 August, 12 August) combined with the end of tariff pauses are generating renewed uncertainty.
- Companies in automotive, manufacturing, agriculture, and technology sectors face challenges due to potential tariff spikes and disrupted supply chains.

What this means today

Uncertainty has increased: With tariffs moving in various directions at different deadlines, businesses are facing complex timing issues – especially those reliant on global sourcing.

Risks of escalation: If tariffs hit full force on 1 August, markets may suffer, and inflation could quicken, given the broad coverage across economies.

Potential delayed deals: Comprehensive trade agreements remain unlikely. Instead, expect patchwork deals or temporary reprieves, while both sides brace for possible retaliatory rounds.

What about the economy?

The economic picture is mixed. On the one hand, growth forecasts have stabilised after being downgraded earlier in the year. On the other hand, there are signs that both businesses and consumers are becoming more cautious.

In the US, job growth is slowing, especially in sectors like construction and hospitality. These industries rely heavily on migrant labour, and new immigration policies are starting to have an impact.

Meanwhile, inflation – how fast prices are rising – remains a concern. Tariffs can push prices up, and that affects everything from interest rates to consumer spending. The US Federal Reserve and other central banks are watching this closely.

Our current positioning

Given all this, we're taking a slightly more cautious approach in our portfolios where we have the opportunity to make short-term changes to the asset allocation. Here's how we're thinking about different parts of the market:

Shares

Stock markets have recovered since their April lows, with some even reaching new highs. But we think the outlook is still uncertain. Growth is slowing, and company earnings may come under pressure in the months ahead.

We're not expecting a recession, but we do think markets might be underestimating the risks. That's why we're being selective and focusing on quality.

Bonds

We're more positive on government bonds and high-quality corporate bonds. Central banks are expected to cut interest rates later this year, which could support bond prices. Summer is also typically a good time for bonds, with lower supply and steady demand.

Currencies

The US dollar has weakened this year, partly due to political uncertainty and expected rate cuts. We've increased our exposure to pound sterling and the euro, which we believe offer better value right now.

Cash

Holding some cash gives flexibility and can help reduce risk, especially during uncertain times.

What this means for you

The key takeaway is to stay calm and focused. Markets go through ups and downs, and it's natural to feel uneasy when the news is full of dramatic headlines. But reacting too quickly can often do more harm than good.

Here are a few things to keep in mind:

Diversification: Spreading your money across different types of investments can help reduce risk.

Think long-term: Don't let short-term noise distract you from your goals.

Stay informed: Understanding what's happening in the markets can help you feel more confident.

Looking ahead

We expect the rest of the year to bring more twists and turns. Trade talks, interest rate decisions, and political developments will all play a role in shaping market performance. That's why we're staying flexible, focusing on quality, and managing risk carefully.

Learn more!

Investing can feel complex and overwhelming, but our educational insights can help you cut through the noise. Learn more about the Principles of Investing here.