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Trump's EU Deal Sparks Risk-On Sentiment Across Equity Markets

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US stock futures surged Monday morning following President Donald Trump's announcement of a pivotal trade agreement with the European Union, finalized just before the August 1 deadline. The deal, which imposes a 15% tariff on most European goods entering the US, marks a significant step in stabilizing global trade relations and averting a broader economic conflict. This tariff rate, while higher than the 10% sought by EU

negotiators, falls well below the 30% levy Trump had previously threatened, offering relief to markets wary of escalating trade tensions.

At 6 a.m. ET, futures tied to the Dow Jones Industrial Average rose 0.17%, S&P 500 futures gained 0.26%, and Nasdaq futures advanced 0.45%, reflecting investor optimism about the deal's implications. The agreement excludes key sectors like pharmaceuticals, steel, and aluminum, aligning with similar deals Trump has recently brokered with other major trading partners, such as Japan. This strategic carve-out is seen as a pragmatic move to protect critical industries while fostering trade stability.

In a parallel development, reports from the South China Morning Post indicate that the US and China are poised to extend their tariff truce for an additional three months. Treasury Secretary Scott Bessent and Chinese Vice Premier He Lifeng are scheduled to meet in Stockholm to finalize these discussions. "This extension signals a cautious but constructive approach to US-China trade relations," noted one analyst, highlighting the potential for further de-escalation in global trade disputes.

With the EU deal easing immediate concerns, investors are now shifting focus to corporate earnings and the Federal Reserve's upcoming policy meeting. The so-called Magnificent Seven Meta, Microsoft, Amazon, and Apple, are among the tech giants set to release quarterly results this week. With roughly 30% of S&P 500 companies having reported, earnings are tracking a robust 7.7% year-over-year increase, surpassing earlier projections of 5.8% growth, per LSEG IBES data. These strong performances underscore the resilience of US markets amid trade uncertainties.

The Federal Reserve's next moves are also under intense scrutiny. While no rate cuts are anticipated at this week's meeting, investors are eager for signals on future monetary policy. In recent statements, Fed officials have emphasized the economy's strength but noted they are closely monitoring the impact of Trump's tariff policies. "The Fed is likely to hold steady until the tariff landscape becomes clearer," said a financial strategist in a recent interview with Bloomberg.

Looking ahead, the week's economic calendar includes critical inflation data and the monthly jobs report, both of which will shed light on whether the labor market can withstand the ripple effects of Trump's trade maneuvers. Despite months of tariff-related volatility, the US economy has shown remarkable durability, and these reports will be pivotal in determining whether that trend continues.

The EU trade deal, combined with the potential China truce extension, has bolstered market confidence, but uncertainties linger. Investors remain vigilant, balancing optimism with caution as they navigate a complex landscape of trade policies, corporate earnings, and monetary signals. For now, the markets are signaling approval of Trump's dealmaking, but the path forward hinges on the delicate interplay of global trade and domestic economic indicators.