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## ASX Outlook Softens After Record Rally Amid Global Trade Concerns

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The Australian Securities Exchange (ASX200) is set for a softer open this week, following a record-breaking rally last week driven by speculation over interest rate cuts and seasonal optimism. Despite the strong upward movement, futures indicate investors are trading carefully, with global trade tensions and key economic signals shaping sentiment both at home and abroad.

Last week, the ASX200 surged 2.06 percent to close at 8757 points, marking a new record high. The gains were largely fuelled by weaker-than-expected labour market data, which has

market participants nearly certain the Reserve Bank of Australia (RBA) will cut the cash rate by 25 basis points on 12 August. Additionally, technical momentum and the typically bullish July seasonality added further support. The standout performers were Information Technology and Health Care, rising 5.19 percent and 4.8 percent respectively, while Energy and Real Estate also recorded solid gains.

However, attention now turns to this week's domestic events, particularly the RBA meeting minutes on Tuesday and a speech by RBA Governor Michele Bullock on Thursday at the Anika Foundation event in Sydney. Given that the minutes are likely to be outdated in light of recent labour data, Governor Bullock's comments are expected to carry more weight. Market pricing already reflects expectations for a cumulative 65 basis points of rate cuts by the end of the year. Such a trajectory, while supportive for equity markets, raises fresh questions about the long-term sustainability of stimulus-driven rallies, especially in an economy s  grappling with productivity and wage stagnation.

Globally, market nerves were tested after reports that former US President Donald Trump is pushing for a sweeping 15 to 20 percent tariff on European Union imports. If implemented, the average US tariff rate could jump to as high as 22 percent, potentially undermining global trade flows and investor confidence. While Trump's rhetoric may signal a tougher stance, insiders suggest the proposed August 1 deadline could be pushed back. Meanwhile, the University of Michigan consumer sentiment index rose to a five-month high of 61.8, and inflation expectations eased to 4.4 percent, offering some relief. As political tensions rise over the future of US Federal Reserve leadership, investors are left weighing policy uncertainty against solid corporate fundamentals. With volatility back on the radar, this week may test the resilience of both local and global markets.