

US–EU Tariff Agreement Strengthens Dollar and Market Confidence

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— Categories: Economics



The US dollar rose following the announcement of a new trade agreement between the United States and the European Union (EU), boosting investor confidence and easing global trade tensions. The agreement, unveiled during high-level talks in Scotland, marked a turning point in transatlantic economic relations and provided stability to currency markets.

The deal set US import tariffs on EU goods at 15 percent, significantly lower than previously proposed rates. In return, the EU committed to investing around \$600 billion into the US economy and agreed to increase its imports of American energy and military equipment. The announcement prompted a positive market reaction, reflecting optimism that trade friction between two of the world's largest economies was being effectively managed.

As a result, the euro strengthened, climbing to approximately \$1.1653 against the dollar and reaching a one-year high against the Japanese yen. Analysts pointed to reduced uncertainty and improved economic outlooks in both regions as factors supporting the euro's gains. Despite this, the US dollar remained broadly firm, buoyed by strong domestic economic data and continued investor interest in US assets.

The dollar index hovered around 97.6, supported by expectations of stable Federal Reserve policy and renewed economic momentum in the US. Market participants cited the agreement as a critical development that could anchor trade expectations and further strengthen the dollar's global position.

Commodity markets also responded to the news. Gold prices edged up by 0.2 percent as investors shifted toward riskier assets, though dollar softness made precious metals more attractive internationally. Silver, platinum, and palladium posted similar modest gains.

In Asia, market responses were mixed. While Japanese and Indian equity markets reacted cautiously due to concerns over capital outflows, global indices overall showed improvement. In India, persistent foreign investor withdrawals put pressure on the rupee, limiting its ability to benefit from

global trade optimism. Analysts expect the rupee to trade in a range of 86.20 to 86.90 per dollar, depending on upcoming US economic data and central bank decisions.

From a center-right perspective, the US–EU tariff agreement represents a pragmatic step forward. It reduces the risk of escalating trade disputes, supports domestic competitiveness, and lays the foundation for long-term investment and job growth. However, experts note that enforcement and follow-through on investment pledges will be key to sustaining momentum.

Looking ahead, attention will turn to upcoming US–China talks in Stockholm and further signals from global central banks. For now, the dollar stands to benefit from improved clarity and renewed confidence in US trade policy.