Carlsquare/Vontobel weekly trading note: A good start to the US Q3 reporting season

This week's case is that the USD has the potential to strengthen against the GBP, given that the US economy is performing better than the UK economy in terms of growth and productivity. This should generate capital flows in support of a long USD/GBP position. The Q3 2025 reporting season got off to a good start yesterday, with major US banks and companies such as Johnson & Johnson clearly outperforming analysts' earnings expectations. Our technical analysis considers whether now is a good time to buy following President Trump's threat to impose new, higher tariffs on China.

The US dollar has been weak for much of 2025, with other major currencies gaining ground against it ('the greenback'). This decline is due to for example uncertainty relating to President Trump's tariffs and interest rate cuts. More recently, the government shutdown and the announcement of higher tariffs against China have also put pressure on the USD. However, both issues could be resolved soon. The US dollar still appears to have more momentum than the pound sterling, suggesting an opportunity to shorten the cable, given higher productivity and increasing corporate profits in the US.

The Q3 2025 reporting season for S&P 500 companies began this week, with Wall Street analysts expressing optimism about S&P 500 corporate earnings over the next four quarters. There seem to be good reasons for such a stance, given that six major US companies (predominantly banks) outperformed consensus earnings expectations by around 8% on average yesterday.

Our technical analysis looks at the S&P 500 and Nasdaq, which fell further than European stock indices on Friday 10 October, but which also have the greatest potential for recovery.

Please find out more in our weekly letter on certificates Vontobel.com: **Read the weekly newsletter here**

Link to the Swedish-translated version

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Attachments

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